

**HARBOR SPRINGS PUBLIC SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**

**JUNE 30, 2016**



**Baird, Cotter & Bishop, P.C.**  
SERVING YOUR PAST, PRESENT & FUTURE

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HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2016

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July 14, 2016

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Harbor Springs Public Schools  
Harbor Springs, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harbor Springs Public Schools, Harbor Springs, Michigan as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harbor Springs Public Schools, Harbor Springs, Michigan as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages iv through xi and 37-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Harbor Springs Public Schools, Michigan's basic financial statements. The Combining Financial Statements and Other Supplementary Information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Financial Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Financial Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Supplementary Information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2016, on our consideration of Harbor Springs Public Schools, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harbor Springs Public Schools, Michigan's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2016

As management of *Harbor Springs Public Schools* (the "District"), a K-12 school district located in Emmet County, Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**Overview of the Financial Statements**

The District's financial statements consist of Management's Discussion and Analysis (this section) and the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are the *Government-Wide Financial Statements* that provide both short-term and long-term information about the District's overall financial status. These statements present an aggregate view of the District's finances and a longer-term view of those finances.
- The next statements are *fund financial statements* that focus on individual funds of the District. These statements look at the District's operations in more detail than the district-wide financial statements by providing information about the District's most significant funds – the General Fund, 2007 Refunding Debt Service Fund, and 2015 School Building and Site Fund, with all other funds presented in one column as non-major funds.

The *statement of fiduciary net position* and the *statement of changes in fiduciary net position – private purpose trust funds*, present financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

**Government-Wide Financial Statements.** The *District-Wide Financial Statements* report information about the District as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Position* and the *Statement of Activities*, which appear first in the District's financial statements, include all assets and liabilities and use the accrual basis of accounting. This means that all of the current year's revenues and expenses are taken into account regardless of when cash is received.

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating.

The relationship between revenues and expenses is the District's operating results. However, it should be noted that unlike most private-sector companies where improving shareholder wealth is the goal, the District's goal is to provide services to our students. Therefore, in order to assess the overall health of the District, one must consider many non-financial factors such as the quality of education provided, breadth of curriculum offered, condition of school facilities and the safety of the schools.



HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2016

The *Statement of Net Position* and *Statement of Activities* report the governmental activities for the District, which encompass all of the District's services including instruction, supporting services, community services, and food services. Property taxes, unrestricted state aid, state grants, and federal grants finance most of these activities.

**Fund Financial Statements.** The District's *fund financial statements* provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants, though the District may establish other funds to help control and manage money for particular purposes. It may also establish other funds to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The fund level financial statements are reported on a modified accrual basis, which measures only those revenues that are “measurable” and “currently available”. Expenses are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund financial statements are formatted to comply with the legal requirements of the Michigan Department of Education's Bulletin 1022. In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including:

- Debt Service Funds – consisting of the 2006, 2007, 2012, 2015 and 2016 Debt Service Funds.
- Special Revenue Funds – consisting of the Food Service Fund, and the Community Services Fund.
- Capital Projects Funds – consisting of the 2012 School Building and Site Fund, 2015 School Building and Site Fund and the Building & Site Fund (Sinking Fund).

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as another financial source. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future debt obligations are not recorded.

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2016

**Summary of Net Position**

The following schedule summarizes the net position at fiscal year ended June 30.

**Harbor Springs Public Schools**  
**Net Position**  
**Table 1**

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2016</b>
<b>Assets</b>		
Current Assets	\$ 6,110,951	\$ 5,530,917
Non-Current Assets, Net of Accumulated Depreciation and Amortization	39,481,380	38,886,526
<b>Total Assets</b>	<b>45,592,331</b>	<b>44,417,443</b>
<b>Deferred Outflows of Resources</b>	<b>2,069,289</b>	<b>2,189,871</b>
<b>Liabilities</b>		
Current Liabilities	3,637,870	3,726,484
Long-Term Liabilities	35,590,068	35,572,485
<b>Total Liabilities</b>	<b>39,227,938</b>	<b>39,298,969</b>
<b>Deferred Inflows of Resources</b>	<b>1,653,556</b>	<b>516,973</b>
Net Investment in Capital Assets	18,799,385	19,647,893
Restricted for Specific Purpose	95,832	95,981
Unrestricted (Deficit)	(12,115,091)	(12,952,502)
<b>Total Net Position</b>	<b>\$ 6,780,126</b>	<b>\$ 6,791,372</b>

Investment in capital assets, net of related debt of \$19,647,893, is the original cost of the District's capital assets, less depreciation, less the long-term debt outstanding used to finance the acquisition of those assets plus unspent bond proceeds. This debt will be repaid from voter-approved property taxes collected as the debt and interest payments come out. Restricted net position of \$95,981 is shown separately to recognize legal constraints from a voter approved tax levy. These constraints limit the District's ability to use this net position for day-to-day operations.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2016

**Analysis of Financial Position**

During the fiscal year ended June 30, 2016, the District's net position increased by \$11,246, increasing the net position to \$6,791,372. A few of the more significant factors affecting net position during the year are discussed below:

***1. Depreciation Expense***

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2016, \$1,612,196 was recorded for depreciation expense.

***2. Pension Expense***

GASB 68 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increase or decreases in any given year. For the year ended June 30, 2016, the District reported a decrease in net position related to GASB 68, which indicates that the District's proportionate share of the net pension liability has increased.

***3. Capital Outlay Acquisitions***

For the fiscal year ended June 30, 2016, \$1,017,342 of expenditures for equipment and building improvements were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$594,854 for the fiscal year ended June 30, 2016.

**Change in Net Position**

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2016

**Harbor Springs Public Schools**  
**Change in Net Position**  
**Table 2**

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 623,375	\$ 742,608
Grants and Contributions	1,590,901	1,249,374
General Revenues		
Property Taxes	12,637,977	12,858,409
Unrestricted Investment Interest	13,526	14,488
Unrestricted State Aid	61,481	59,508
Other	39,242	56,293
<b>Total Revenues</b>	<b><u>14,966,502</u></b>	<b><u>14,980,680</u></b>
<b>Expenses</b>		
Instruction	6,026,934	7,131,267
Supporting Services	3,660,512	4,179,874
Community Services	281,860	322,320
Food Services	420,780	496,304
Construction Projects	180,499	111,256
Interest/Fees on Long-Term Debt	888,273	991,067
Other Transactions	49,259	125,150
Depreciation (Unallocated)	1,535,220	1,612,196
<b>Total Expenses</b>	<b><u>13,043,337</u></b>	<b><u>14,969,434</u></b>
<b>Increase in Net Position</b>	<b><u>\$ 1,923,165</u></b>	<b><u>\$ 11,246</u></b>

Of the District's total revenues available to operate the District, approximately 5.0 percent or \$743 thousand came from fees charged to those who benefited from the programs. Approximately 8.3 percent or \$1.25 million of revenues came from other governments or organizations that subsidize certain programs with grants and other directed types of funding.

Local property taxes, in the amount of approximately \$12.85 million, mainly supported the remaining portion of the governmental activities. The property tax revenue represents 13.9911 mills on all non-homestead property, which the District is required by the State to levy in order to receive the full State foundation allowance. Additional mills were levied for sinking fund, recreation fund and debt retirement funds.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2016

The State guaranteed foundation allowance for the District is \$8,287 per student, while locally generated revenue is \$11,568 per student, resulting in our District being an out-of-formula district. The local revenue generated above the state foundation allowance remains in our District. The District also receives \$560K in tax revenue that is generated by a special millage specifically for capital expenditures. The proceeds and expenditures of this special millage are accounted for exclusively in the District's Building and Site Fund (Sinking Fund). This special millage was approved for 5 years in May 2012.

The expense portion of Table 2 shows the financial support each functional area required during the year. Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for approximately \$7.1 million or 47.6 percent of total expenses. Support services amounted to approximately \$4.2 million or 28 percent of all expenses, which includes such items as transportation, maintenance, security, supervision, counseling, athletics, and a variety of similar services that support the District's mission of educating children.

**Financial Analysis of the District's Funds**

As noted earlier, the District uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide, and may provide more insight in the District's overall financial health. As the District completed this year, the governmental funds reported a combined fund balance of approximately \$3.98 million, which is a decrease of approximately \$393 thousand from the prior year.

Approximately 43 percent of total combined fund balance, or \$1.72 million, constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of the fund balance, or approximately \$2.26 million, is *nonspendable, restricted, or assigned* to indicate that it is not available for spending at the District's discretion.

The General Fund is the principal operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was approximately \$1.79 million, while total fund balance was approximately \$2.40 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance each represent approximately 16 and 21 percent, respectively, of total General Fund expenditures (excluding transfers out).

The fund balance of the District's General Fund increased by approximately \$54,928 during the current fiscal year.

The 2007 Refunding Debt Service Fund increased its fund balance by \$107,223 bringing the fund balance to \$136,409, of which the entire amount is restricted for debt service.

The 2015 School Building and Site Fund decreased its fund balance by \$2,468 bringing the fund balance to \$1,157,374, of which the entire amount is restricted for capital projects.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2016

**General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires the budget be amended to ensure expenditures do not exceed appropriations. A schedule showing the District's original and final budget amounts, compared with amounts actually paid and received, is provided in the financial statements. Major changes to the General Fund original budget were:

- The District's General Fund anticipated revenue decreased by 1.4% (\$155,607) from the original budget to the final amended budget due to the following: increase in state revenues for the MPSERS 147C funds from the State of Michigan; decrease in federal dollars not used for Title I and Title IIA. These funds will be carried over to the 2016-17 school year. Decrease in Other transactions because of deferring vocational money that was not spent from the Charlevoix-Emmet ISD.
- The District's General Fund anticipated expenditures and transfers out decreased by .5% (\$60,377) from the original budget to the final amended budget due to the following: increase basic programs adding; and decrease in money spent on dual enrollment and the alternative teen program; decrease in Added Needs because of vocational money that was not spent but will be carried over to 2015-16; decrease in Title I and Title IIA funds not spent; increased transfer to Food Service to cover shortfall.

**Capital Asset and Debt Administration**

**Capital Assets.** By the end of June 30, 2016, the District had invested approximately \$38.9 million in a broad range of capital assets, including school buildings, land, vehicles, furniture and equipment (net of depreciation). This represents a net decrease (including all additions) of approximately \$595 thousand from last year. More detailed information about capital assets is available in Note 3 C. to the financial statements.

**Harbor Springs Public Schools**  
**Capital Assets**

	<b>2015</b>	<b>2016</b>
Land	\$ 2,660,623	\$ 2,660,623
Construction-in-Progress	198,075	21,028
Land Improvements	2,040,486	2,040,486
Buildings and Additions	46,381,265	46,381,265
Furniture and Equipment	3,853,164	4,947,811
Transportation Equipment	390,291	490,033
Total Capital Assets	55,523,904	56,541,246
Less Accumulated Depreciation	16,042,524	17,654,720
<b>Net Capital Assets</b>	<b>\$ 39,481,380</b>	<b>\$ 38,886,526</b>

**Debt.** At year-end, the District had approximately \$20.17 million in general obligation bonds and other long-term debt outstanding – a decrease of 2.13 million from last year. More detailed information about the District's long-term debt is presented in Note 3.K to the financial statements, and in the other supplementary information section.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2016

**Harbor Springs Public Schools**  
**Long-Term Debt**

	<u>2015</u>	<u>2016</u>
Bonds and Contracts Payable	\$ 22,105,000	\$ 19,895,000
Net Pension Liability	14,957,368	16,976,615
Compensated Absences and Early Retirement Incentive	<u>191,744</u>	<u>270,199</u>
<b>Total Long-Term Debt</b>	<u><u>\$ 37,254,112</u></u>	<u><u>\$ 37,141,814</u></u>

**Factors Bearing on the District's Future**

We considered many factors when setting the District's 2016-17 fiscal year budget.

Approximately 81% of the General Fund revenues are from non-homestead property tax. That makes our non-homestead property values as one of the most important factors impacting our budget. Non-Homestead property values have increased by .76% from last year.

The District is expecting to use \$139K of fund balance. This budget includes the retirement rate reduction from 25.78% to 24.56% beginning 10/1/2016. It includes 1.75% increase plus steps for teachers and support staff. Administration received increases in wages that ranged from .5% to 2%. We had 4 teachers retire in 2015/16. Moved the BST program to the Middle School level and are hiring a full-time Computer Science teacher for the high school; moved two of the Title I teachers to full-time; moved the Preschool position to a teaching position; transportation director retired and hired a new director to be paid by the school.

The District's labor contract with the Harbor Springs Education Association, which represents the District's teachers, will expire August 2017. The District's labor contract with the Harbor Springs Educational Support Personnel Association, which represents the District's support personnel, expired July 2017.

**Contacting the School District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances. It is also designed to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, 800 State Road, Harbor Springs, Michigan.

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HARBOR SPRINGS PUBLIC SCHOOLS

HARBOR SPRINGS, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2016

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 2,663,959
Restricted Cash	1,151,244
Investments	1,246,217
Accounts Receivable	44,585
Due from External Parties	597
Due from Other Governments	275,411
Accrued Interest Receivable	2,220
Inventories	35,726
Prepaid Expenses	110,958
Total Current Assets	<u>5,530,917</u>

NON CURRENT ASSETS

Capital Assets	56,541,246
Less Accumulated Depreciation	<u>(17,654,720)</u>
Total Non Current Assets	<u>38,886,526</u>
Total Assets	<u>44,417,443</u>

DEFERRED OUTFLOWS OF RESOURCES

Subsequent Pension Contributions	1,249,308
Changes in Proportion and Differences Between District Pension Contributions and Their Proportionate Share of Contributions	297,370
Net Difference Between the Projected and Actual Pension Investment Earnings	86,652
Changes of Assumptions in Pension Plan	418,000
Deferred Loss on Refunding - Net	138,541
Total Deferred Outflows of Resources	<u>2,189,871</u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	105,444
Due to Other Governments	180,979
Payroll Deductions and Withholdings	17,517
Accrued Expenses	272,249
Salaries Payable	567,547
Due to External Parties	1,552
Unearned Revenue	406,196
Current Portion of Non Current Liabilities	<u>2,175,000</u>
Total Current Liabilities	<u>3,726,484</u>

The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN  
STATEMENT OF NET POSITION  
JUNE 30, 2016

NON CURRENT LIABILITIES

Bonds Payable - Net	20,396,007
Accrued Interest	104,664
Compensated Absences	170,199
Early Retirement Incentive	100,000
Net Pension Liability	16,976,615
Less Current Portion of Non Current Liabilities	<u>(2,175,000)</u>
Total Non Current Liabilities	<u>35,572,485</u>
Total Liabilities	<u>39,298,969</u>

DEFERRED INFLOWS OF RESOURCES

Differences Between Expected and Actual Experience for Pension Plan	56,232
Section 147c Revenue Related to District Pension Contributions Subsequent to Measurement Date	<u>460,741</u>
Total Deferred Inflows of Resources	<u>516,973</u>

NET POSITION

Net Investment in Capital Assets	19,647,893
Restricted for Debt Service	95,981
Unrestricted (Deficit)	<u>(12,952,502)</u>
TOTAL NET POSITION	<u><u>\$ 6,791,372</u></u>

The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	EXPENDITURES	PROGRAM REVENUES			GOVERNMENTAL
		CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL GRANTS	ACTIVITIES
					NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 7,131,267	\$ 57,509	\$ 1,013,806	\$ 0	\$ (6,059,952)
Supporting Services	4,179,874	152,853	125,066	0	(3,901,955)
Community Services	322,320	367,115	971	0	45,766
Food Service Activities	496,304	165,131	109,531	0	(221,642)
Construction Projects	111,256	0	0	0	(111,256)
Interest on Long-Term Debt	991,067	0	0	0	(991,067)
Bond Issuance Costs	123,466	0	0	0	(123,466)
Other Transactions	1,684	0	0	0	(1,684)
Unallocated Depreciation	1,612,196	0	0	0	(1,612,196)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 14,969,434</b>	<b>\$ 742,608</b>	<b>\$ 1,249,374</b>	<b>\$ 0</b>	<b>(12,977,452)</b>
<u>GENERAL REVENUES</u>					
Property Taxes - Levied for General Purposes					9,415,308
Property Taxes - Levied for Debt Service					2,748,762
Property Taxes - Levied for Sinking Capital Projects					559,744
Property Taxes - Levied for Recreation					134,595
Investment Earnings					14,488
State Sources					59,508
Other					56,293
<b>Total General Revenues</b>					<b>12,988,698</b>
Change in Net Position					11,246
<u>NET POSITION</u> - Beginning of Year					6,780,126
<u>NET POSITION</u> - End of Year					<b>\$ 6,791,372</b>

The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2016

	2007		2015 SCHOOL	OTHER	TOTAL
	GENERAL	REFUNDING	BUILDING AND	NONMAJOR	GOVERNMENTAL
	FUND	FUND	SITE FUND	FUNDS	FUNDS
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 2,114,639	\$ 137,960	\$ 0	\$ 411,360	\$ 2,663,959
Restricted Cash	0	0	1,151,244	0	1,151,244
Investments	1,246,217	0	0	0	1,246,217
Accounts Receivable	26,523	0	0	18,062	44,585
Due from Other Funds	88,255	0	6,130	420	94,805
Due from Other Governments	275,411	0	0	0	275,411
Accrued Interest Receivable	2,220	0	0	0	2,220
Inventories	31,415	0	0	4,311	35,726
Prepaid Expenditures	107,454	0	0	3,504	110,958
<b>TOTAL ASSETS</b>	<b>\$ 3,892,134</b>	<b>\$ 137,960</b>	<b>\$ 1,157,374</b>	<b>\$ 437,657</b>	<b>\$ 5,625,125</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b><u>LIABILITIES</u></b>					
Accounts Payable	\$ 52,492	\$ 0	\$ 0	\$ 52,952	\$ 105,444
Due to Other Governments	180,979	0	0	0	180,979
Payroll Deductions and Withholdings	17,517	0	0	0	17,517
Salaries Payable	567,547	0	0	0	567,547
Accrued Expenditures	267,176	0	0	5,073	272,249
Due to Other Funds	1,113	1,551	0	93,096	95,760
Unearned Revenue	406,196	0	0	0	406,196
<b>Total Liabilities</b>	<b>1,493,020</b>	<b>1,551</b>	<b>0</b>	<b>151,121</b>	<b>1,645,692</b>
<b><u>FUND BALANCE</u></b>					
Nonspendable - Inventory					
Inventory	31,415	0	0	4,311	35,726
Prepaid Expenditures	107,454	0	0	3,504	110,958
Restricted for:					
Capital Projects	0	0	1,157,374	0	1,157,374
Food Service	0	0	0	2,368	2,368
Debt Service	0	136,409	0	64,236	200,645
Assigned, Reported in:					
General Fund	473,463	0	0	0	473,463
Special Revenue Fund- Community Services	0	0	0	274,867	274,867
Unassigned - (Deficit)	1,786,782	0	0	(62,750)	1,724,032
<b>Total Fund Balances</b>	<b>2,399,114</b>	<b>136,409</b>	<b>1,157,374</b>	<b>286,536</b>	<b>3,979,433</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,892,134</b>	<b>\$ 137,960</b>	<b>\$ 1,157,374</b>	<b>\$ 437,657</b>	<b>\$ 5,625,125</b>

The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION

JUNE 30, 2016

Total Governmental Fund Balances	\$ 3,979,433
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$ 56,541,246
Accumulated depreciation is	<u>(17,654,720)</u> 38,886,526
Other long-term assets are not available for pay for current period expenditures and, therefore, are deferred in the funds. These assets consist of:	
Deferred Loss on Refunding	138,541
Bond Discount (Premium)	(501,007)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Bonds Payable	(19,895,000)
Compensated Absences	(170,199)
Early Retirement Incentive	(100,000)
Some liabilities, including net pension obligations, are not due and payable and payable in the current period and, therefore, are not reported in the funds	
Net Pension Liability	(16,976,615)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Subsequent Pension Contributions	1,249,308
Changes of Assumptions in Pension Plan	418,000
Differences Between Expected and Actual Experience for Pension Plan	(56,232)
Section 147c Revenue Related to District Pension Contributions	
Subsequent to Measurement Date	(460,741)
Changes in Proportion and Differences Between Districts Pension Contribution and Their Proportionate Share of Contributions	297,370
Net Difference Between the Projected and Actual Pension Investment Earnings	86,652
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.	<u>(104,664)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 6,791,372</u>

The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	2007			OTHER	
	GENERAL	REFUNDING	2015 SCHOOL	NONMAJOR	TOTAL
	FUND	DEBT SERVICE	BUILDING AND	GOVERNMENTAL	GOVERNMENTAL
	FUND	FUND	SITE FUND	FUNDS	FUNDS
<u>REVENUES</u>					
Local Sources	\$ 9,747,483	\$ 1,870,222	\$ 2,393	\$ 2,119,393	\$ 13,739,491
State Sources	1,036,630	3,623	0	16,329	1,056,582
Federal Sources	153,792	0	0	98,348	252,140
Other Transactions	388,708	0	1,000	0	389,708
Total Revenues	11,326,613	1,873,845	3,393	2,234,070	15,437,921
<u>EXPENDITURES</u>					
Instruction	7,027,732	0	0	0	7,027,732
Supporting Services	4,168,628	0	0	0	4,168,628
Food Service Activities	0	0	0	320,636	320,636
Community Services	0	0	0	525,153	525,153
Construction Projects	1,628	0	5,861	1,020,897	1,028,386
Debt Service					
Principal	0	1,360,000	0	540,000	1,900,000
Interest and Fees	0	405,800	0	444,150	849,950
Bond Issuance Costs	0	0	0	123,466	123,466
Other Transactions	0	822	0	862	1,684
Total Expenditures	11,197,988	1,766,622	5,861	2,975,164	15,945,635
Excess (Deficiency) of Revenues Over (Under) Expenditures	128,625	107,223	(2,468)	(741,094)	(507,714)
<u>OTHER FINANCING SOURCES (USES)</u>					
Issuance of Bonds	0	0	0	9,545,000	9,545,000
Premium on Bonds Issued	0	0	0	416,272	416,272
Payments to Refunding Bond Escrow Agent	0	0	0	(9,850,706)	(9,850,706)
Proceeds from the Sale of Capital Assets	3,500	0	0	0	3,500
Transfers In (Out)	(77,197)	0	0	77,197	0
Total Other Financing Sources (Uses)	(73,697)	0	0	187,763	114,066
Net Change in Fund Balance	54,928	107,223	(2,468)	(553,331)	(393,648)
<u>FUND BALANCE -</u>					
Beginning of Year	2,344,186	29,186	1,159,842	839,867	4,373,081
<u>FUND BALANCE -</u>					
End of Year	\$ 2,399,114	\$ 136,409	\$ 1,157,374	\$ 286,536	\$ 3,979,433

The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Net Change in Fund Balances Total Governmental Funds \$ (393,648)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities these costs are allocated over their estimated useful lives as depreciation. Additionally, the gain or loss on sale or disposal of capital assets is recorded in the Statement of Activities.

Depreciation Expense	(1,612,196)
Capital Outlay	1,017,342

Accrued and accreted interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	141,658
Accrued Interest Payable - End of Year	(104,664)

The issuance of Long-Term Debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Repayment of Bond Principal	1,900,000
Gain on Bond Refunding	(4,294)
Defeasance of Debt	9,855,000
Amortization of Deferred Charges	(178,111)
Issuance of Debt	(9,545,000)
Bond Premium	(416,272)

Employees Early Retirement and Accumulated Sick Pay are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Early Retirement Incentive - Beginning of Year	0
Early Retirement Incentive - End of Year	(100,000)
Accumulated Sick Pay - Beginning of Year	191,744
Accumulated Sick Pay - End of Year	(170,199)

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense

Changes in Net Pension Liability	(2,019,247)
Changes in Subsequent Pension Contributions	62,423
Net Changes of Assumptions in Pension Plan	(133,895)
Net Changes in Proportion and Differences Between Districts Pension Contribution and Their Proportionate Share of Contributions	297,383
Change in Differences Between Expected and Actual Experience for Pension Plan	(56,232)
Section 147c Revenue Related to District Pension Contributions Subsequent to Measurement Date	(460,741)
Changes in Net Difference Between the Projected and Actual Pension Investment Earnings	1,740,195

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 11,246
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The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

JUNE 30, 2016

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 62,932	\$ 348,679
Investments	0	13,000
Due From Other Funds	0	1,552
	<hr/>	<hr/>
Total Assets	62,932	363,231
	<hr/>	<hr/>
<u>LIABILITIES</u>		
Due to Other Funds	0	597
Due to Groups and Organizations	0	362,634
	<hr/>	<hr/>
Total Liabilities	0	363,231
	<hr/>	<hr/>
<u>NET POSITION</u>		
Restricted for Trust Activities	60,932	0
Unrestricted	2,000	0
	<hr/>	<hr/>
TOTAL NET POSITION	<u>\$ 62,932</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.



HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

JUNE 30, 2016

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$          60
<u>DEDUCTIONS</u>	
Scholarship Awards	0
Change in Net Position	60
<u>NET POSITION</u> - Beginning of Year	<u>62,782</u>
<u>NET POSITION</u> - End of Year	<u>\$      62,842</u>

The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Harbor Springs Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The School District (the "District") is located in Emmet County with its administrative offices located in Harbor Springs, Michigan. The District operates under an elected 7-member board of education which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

**B. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The 2007 Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

The 2015 School Building and Site Fund accounts for activities related to technology and bus expenses as approved by voters.

Other Non-Major Funds:

The *special revenue (School Service) funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and community services activities in the special revenue funds.

The *debt retirement funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

The *capital projects fund* accounts for activities related to technology and bus expenses as approved by voters, as well as capital project activities funded with Sinking Fund millage.

Additionally, the District reports the following fund type:

*Fiduciary funds* are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary funds:

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity.

The *private purpose trust funds* are in place to account for endowed scholarships. They are accounted for using the accrual method of accounting.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

In the government-wide *Statement of Net Position*, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide *Statement of Activities* reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The *Statement of Activities* reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

## **F. Budgetary Information**

### ***1. Budgetary Basis of Accounting***

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) The superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

- c) Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 22, 2015, or as amended by the School Board of Education throughout the year.

**2. Excess of Expenditures Over Appropriations**

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
Instruction		
Basic Programs	\$ 6,343,682	\$ 6,350,512
Supporting Services		
Other-Athletic Activities	364,042	364,498
Construction Projects	0	1,628
Food Service Activities	317,480	320,636

These overages were covered by available fund balance and greater than anticipated revenues.

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Cash and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

The Board policy on investment of funds authorizes the District to invest as follows:

- a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The District deposits and investments are held separately by several of the District's funds.

**2. *Inventory and Prepaid Items***

Inventory is valued at cost. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments made to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

**3. *Capital Assets***

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Land Improvements	20 - 40 years
Buildings and Additions	10 - 50 years
Furniture and Equipment	5 - 15 years
Transportation Equipment	8 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**4. Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has five items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide *Statement of Net Position*. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or funding debt. The other four are related to the pension plan for its employees. Details can be found in footnote 3.E.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category, both related to the pension plan for its employees. Details can be found in footnote 3.E.

**6. Net Position Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**7. Fund Balance Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.



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**8. *Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board has authorized the chief financial officer to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**9. *Use of Estimates***

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**10. *Restricted Assets***

Certain resources of the 2015 School Building and Site Fund are set aside for capital outlay are classified as restricted cash on the balance sheet because their use is limited by applicable bond covenants.

**H. Revenues and Expenditures/Expenses**

**1. *State Revenue***

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The local portion of the foundation is funded primarily by non-homestead property taxes. Since the District's property tax collections exceed the state's formula, the foundation grant approach does not apply to the District. Instead, the District uses its locally collected property taxes to fund the District.

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The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

**2. Program Revenues**

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

**3. Property Taxes**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1. The District has elected to have 50% of the taxes billed and due July 1<sup>st</sup> and the remaining 50% billed and due December 1. The summer levy becomes delinquent as of August 14 for City taxpayers and September 14 for Township taxpayers, and the winter levy becomes delinquent as of February 14 for all taxpayers. After these dates, unpaid taxes are subject to penalties and interest.

For the year ended June 30, 2016, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Homestead	13.9911
General Fund - Non-Homestead Commercial PPT	1.9911
Capital Projects Sinking Fund - Homestead and Non-Homestead	0.5399
Debt Service Funds - Homestead and Non-Homestead	2.6500
Recreation - Homestead and Non-Homestead	0.1299

**4. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused sick pay. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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**5. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Violations of Legal or Contractual Provisions**

Note I.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2016.

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2016 the District's bank balance was \$5,822,015 and \$4,854,111 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread among the School District funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

*Foreign Currency Risk.* The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

*Custodial Credit Risk – Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end.

Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

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Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name.

At year-end all of the District's investments were uncategorized as to risk.

Deposits in Certificates of Deposit are classified as Investments on the financial statements at year-end. The District had the following investments:

Balance sheet classifications:

	Petty Cash	Deposits	Fiduciary Assets	Total
Cash and Restricted Cash	\$ 1,282	\$ 3,813,921	\$ 411,611	\$ 4,226,814
Investments	0	1,246,217	13,000	1,259,217
	<u>\$ 1,282</u>	<u>\$ 5,060,138</u>	<u>\$ 424,611</u>	<u>\$ 5,486,031</u>

Restricted cash represents the amount of unspent bond proceeds on deposit in the 2015 School Building and Site Fund of \$1,151,244.

**B. Receivables**

Receivables as of year-end for the government's individual major funds and nonmajor are as follows:

	General	Nonmajor Funds	Total
Receivables			
Accounts	\$ 26,523	\$ 18,062	\$ 44,585
Due from Other Governments	275,411	0	275,411
Accrued Interest Receivable	2,220	0	2,220
Total Receivables	<u>\$ 304,154</u>	<u>\$ 18,062</u>	<u>\$ 322,216</u>

The allowance for doubtful accounts is not considered to be material for disclosure. Due from Other Governments is primarily state aid.

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**C. Capital Assets**

Capital assets activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Assets Not Being Depreciated:</b>				
Land	\$ 2,660,623	\$ 0	\$ 0	\$ 2,660,623
Construction in Progress	198,075	21,028	198,075	21,028
<b>Total Assets Not Being Depreciated</b>	<b>2,858,698</b>	<b>21,028</b>	<b>198,075</b>	<b>2,681,651</b>
<b>Other Capital Assets</b>				
Land Improvements	2,040,486	0	0	2,040,486
Buildings and Additions	46,381,265	0	0	46,381,265
Furniture and Equipment	3,853,164	1,094,647	0	4,947,811
Transportation Equipment	390,291	99,742	0	490,033
<b>Subtotal</b>	<b>52,665,206</b>	<b>1,194,389</b>	<b>0</b>	<b>53,859,595</b>
<b>Accumulated Depreciation</b>				
Land Improvements	902,705	49,104	0	951,809
Buildings and Additions	13,121,865	962,138	0	14,084,003
Furniture and Equipment	1,808,742	552,426	0	2,361,168
Transportation Equipment	209,212	48,528	0	257,740
<b>Total Accumulated Depreciation</b>	<b>16,042,524</b>	<b>1,612,196</b>	<b>0</b>	<b>17,654,720</b>
<b>Net Other Capital Assets</b>	<b>36,622,682</b>	<b>(417,807)</b>	<b>0</b>	<b>36,204,875</b>
<b>Net Capital Assets</b>	<b>\$ 39,481,380</b>	<b>\$ (396,779)</b>	<b>\$ 198,075</b>	<b>\$ 38,886,526</b>

Depreciation for the fiscal year ended June 30, 2016, amounted to \$1,612,196. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**D. Defined Benefit Plan and Post-Retirement Benefits**

**Plan Description** – The Michigan Public School Employees’ Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board’s authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's separately issued financial statements are available at [www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr).

**Benefit Provisions- Pension**

***Introduction***

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

<b><u>Plan Name</u></b>	<b><u>Plan Type</u></b>	<b><u>Plan Status</u></b>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to pension reform of 2010 there were two plans commonly referred to as Basic and Member Investment Plan (MIP). Basic plan member's contributions range from 0% to 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later, including Pension Plus plan members, contribute at various graduated permanently fixed contribution rates from 3.0% to 7.0%

***Pension Reform 2010***

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

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***Pension Reform 2012***

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012, subsequently amended to February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

***Regular Retirement***

Eligibility – Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60<sup>th</sup> birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount – Total credited service as of the transition date times 1.5% of final average compensation.

***Pension Plus***

An amount determined by the member's election of Option 1, 2, 3, or 4 as described below:

Option 1: Credited service after the transition date times 1.5% times final average compensation.

Option 2: Credited service after the transition date (until total service reaches 30 years) times 1.5% times final average compensation, plus credited service after the transition date and over 30 years times 1.25% times final average compensation.

Option 3: Credited service after the transition date times 1.25% times final average compensation.

Option 4: None (Member will receive benefit through a defined contribution plan). As a Defined Contribution participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and the Defined Contribution plan that provides a 50% employer match up to 3% of salary on employee contributions.

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Final Average Compensation (FAC) – Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the transition date.

**Contributions**

Depending on the plan selected, member contributions range from 0% to 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree other post-employment benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

**Pension Contribution Rates**

<b><u>Benefit Structure</u></b>	<b><u>Member</u></b>	<b><u>Employer</u></b>
Basic	0.0-4.0%	22.52-23.07%
Member Investment Plan	3.0-7.0%	22.52-23.07%
Pension Plans	3.0-6.4%	21.99%
Defined Contribution	0.0%	17.72-18.76%

The District's pension contributions for the year ended June 30, 2016 were equal to the required contribution total. Pension contributions were approximately \$1,513,042. These amounts include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

**E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension Liabilities**

At June 30, 2016, the District reported a liability of \$16,976,615 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2014 and rolled-forward using generally accepted actuarial procedures. The District's



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proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015 and 2014, the District's proportion was .069505% and .067910%.

**MPSERS (Plan) Net Pension Liability – As of September 30, 2015 and September 30, 2014**

	<b><u>September 30, 2015</u></b>	<b><u>September 30, 2014</u></b>
Total Pension Liability	\$ 66,312,041,902	\$ 65,160,887,182
Plan Fiduciary Net Position	41,887,015,147	43,134,384,072
Net Pension Liability	<u>\$ 24,425,026,755</u>	<u>\$ 22,026,503,110</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.17%	66.20%
Net Pension Liability as a Percentage of Covered-Employee Payroll	292.61%	250.11%

**Pension Expense and Deferred Inflows and Outflows of Resources Related to Pensions**

For the year ended June 30, 2016, the District recognized total pension expense of \$1,514,915. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 0	\$ 56,232
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	460,741
Changes of assumptions	418,000	0
Net difference between projected and actual earnings on pension plan investments	86,652	0
Changes in proportion and differences between District contributions and proportionate share of contributions	297,370	0
District contributions subsequent to the measurement date	1,249,308	0
<b>Total</b>	<u>\$ 2,051,330</u>	<u>\$ 516,973</u>

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\$1,249,308 reported as deferred outflows of resources and \$460,741 reported as deferred inflows or resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$ 127,666
2018	127,666
2019	105,004
2020	385,454
	<hr/> <u>\$ 745,790</u> <hr/>

**F. Actuarial Valuations and Assumptions of the Pension Plan**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.50%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	8.00%
-Pension Plus Plan (Hybrid):	7.00%
Projected Salary Increases:	3.5-12.3 % including wage inflation at 3.5%
Cost of Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combine Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

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*Notes:*

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.7158.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report.

*Long-Term Expected Rate of Return on Investments*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Pools	28.00%	5.90%
Alternative Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate & Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short-Term Investment Pools	2.00%	0.00%
	<u>100%</u>	

\*Long-term rate does not include 2.1% inflation.

*Discount Rate*

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's

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fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 8.0 percent (7.0% for the Pension Plus plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
\$ 21,887,208	\$ 16,976,615	\$ 12,836,783

**G. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2015 Comprehensive Annual Financial Report.

**H. Payables to the Pension Plan**

As of June 30, 2016, the District is current on all required pension plan payments. As of June 30, 2016, the District reported payables in the amount of \$327,666 to the pension plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

**I. Benefit Provisions – Other Post-Employment**

***Introduction***

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, is currently funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus, plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum

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allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

***Retiree Healthcare Reform of 2012***

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

***Employer Contributions***

The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015; from 2.20% - 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015; and from 6.40% - 6.83% of covered payroll for the period from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election.

The District's contributions to MPSERS for post-employment healthcare contributions for the years ended June 30, 2016 and 2015 were approximately \$312,765 and \$146,899.

**J. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees (workers' compensation) and natural disasters.

The District participates in a distinct pool with educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special

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assessment to make up the deficiency. The Schools have not been informed of any special assessments being required.

**K. Long-Term Liabilities**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the governmental long-term liability transactions for the District for the year ended June 30, 2016:

	Balance July 1, 2015	Increases	(Decreases)	Balance June 30, 2016	Due Within Year
Bonds Payable	\$ 22,105,000	\$ 9,545,000	\$ (11,755,000)	\$ 19,895,000	\$ 2,125,000
Compensated Absences	191,744	0	(21,545)	170,199	unknown
Early Retirement Incentive	0	100,000	0	100,000	50,000
Net Pension Liability	14,957,368	2,019,247	0	16,976,615	unknown
<b>Total</b>	<b>\$ 37,254,112</b>	<b>\$ 11,664,247</b>	<b>\$ (11,776,545)</b>	<b>\$ 37,141,814</b>	<b>\$ 2,175,000</b>

Bonds payable at June 30, 2016, are comprised of the following issues:

General Obligation Serial Bonds

2012 School Building and Site Bonds Due in Annual Installments of \$525,000 to \$545,000 through May 1, 2018, Interest at 2.00%	\$ 1,070,000
2015 School Building and Site Bonds Due in Annual Installments of \$25,000 to \$375,000 through May 1, 2021, Interest at 2.00%	1,195,000
2016 Refunding Bonds Due in Annual Installments of \$0 to \$1,950,000 through May 1, 2026, Interest at 2.00%	9,545,000
2007 Refunding Bonds Due in Annual Installments of \$175,000 to \$1,715,000 through May 1, 2022, Interest at 4.00% to 5.00%	8,085,000

Other

Accrued Compensated Absences	170,199
Early Retirement Incentive	100,000
Net Pension Liability	16,976,615
<b>Total general obligation debt</b>	<b>\$ 37,141,814</b>

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The compensated absences, early retirement incentive, and the net pension liability are generally liquidated by the General Fund.

The annual requirements to service the bonds outstanding (not including accrued compensated absences, early retirement incentive, and net pension liability) to maturity, including both principal and interest, are as follows:

<u>Year Ending June 30,</u>	Bonds Payable		Amounts
	Principal	Interest	Payable
2017	\$ 2,125,000	\$ 627,982	\$ 2,752,982
2018	2,300,000	507,800	2,807,800
2019	1,955,000	431,400	2,386,400
2020	2,025,000	360,600	2,385,600
2021	2,090,000	287,100	2,377,100
2022-2026	9,400,000	672,000	10,072,000
	<u>\$ 19,895,000</u>	<u>\$ 2,886,882</u>	<u>\$ 22,781,882</u>

**L. Interfund Receivables and Payables**

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 88,255	\$ 1,113
Capital Project Fund - 2015 School Building and Site Fund	6,130	0
Sinking Fund	0	46,434
School Service Fund - Food Services	0	33,903
School Service Fund - Community Services	420	5,896
School Debt Fund - 2007 Refunding	0	1,551
School Debt Fund - 2012 Bond Issue	0	414
School Debt Fund - 2015 Bond Issue	0	26
School Debt Fund - 2016 Refunding	0	293
Capital Project Fund - 2012 School Building and Site Fund	0	6,130
Fiduciary Fund	1,552	597
	<u>\$ 96,357</u>	<u>\$ 96,357</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2016, are expected to be repaid within one year.

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**M. Interfund Transfers**

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 77,197
School Service Fund - Food Service Fund	45,948	0
School Service Fund - Community Services	31,249	0
School Debt Fund - 2006 Refunding	0	239,104
School Debt Fund - 2016 Refunding	239,104	0
	\$ 316,301	\$ 316,301

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**N. Fund Balance Classifications**

As of June 30, 2016, fund balances are composed of the following:

	General Fund	Building and Site Fund	Sinking Fund	Governmental Funds	Governmental Funds
Nonspendable:					
Inventory	\$ 31,415	\$ 0	\$ 0	\$ 4,311	\$ 35,726
Prepaid Expenditures	107,454	0	0	3,504	110,958
Restricted:					
Capital Projects	0	1,157,374	0	0	1,157,374
Food Service	0	0	0	2,368	2,368
Debt Service	0	0	0	200,645	200,645
Assigned:					
Subsequent Year Budget Shortfall	139,789	0	0	0	139,789
Technology Improvements	333,674	0	0	0	333,674
Community Services	0	0	0	274,867	274,867
Unassigned	1,786,782	0	(62,750)	0	1,724,032
Total Fund Balances	\$ 2,399,114	\$ 1,157,374	\$ (62,750)	\$ 485,695	\$ 3,979,433

**O. 2012 and 2015 School Building and Site Capital Projects Fund**

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.



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**P. 2016 Refunding Bonds**

On March 2, 2016, the District issued \$9,545,000 in General Obligation Bonds with interest rates of 2% to 3% to advance refund \$9,855,000 of outstanding 2006 Refunding Bonds with interest rates of 4%. As a result, \$9,855,000 of the 2006 Refunding Bonds are considered to be defeased and the liability for those bonds has been removed from the non-current liabilities of the District. On May 1, 2016, the bond refunding escrow agent called the entire \$9,855,000 of outstanding 2006 Refunding Bonds and retired them.

The District advance refunded a portion of the 2006 refunding bond issue to reduce its total future debt service payments by \$1,742,918 and resulted in an economic gain of \$1,568,940.

**Q. Sinking Fund Tax Levy**

The School is authorized to levy 0.539 mills for 5 years beginning with the 2012 tax roll. The transactions for the sinking fund are accounted for in a capital projects fund. For this fund, the School Districted has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

**R. Other Information**

**1. *Commitments and Contingencies***

Contingencies - Various taxpayers within the district from time to time appeal their taxable value assessments with the Michigan Tax Tribunal. Because the district is an “out of formula” district, any reduction in taxable value will have a direct impact on the district’s sources of revenues. Additionally, if the taxable value is lowered for a prior year the district will have to refund previously collected taxes.

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the district.

Commitments – At June 30, 2016, the District had an uncompleted active contract totaling \$211,905 related to construction for a woodshop building. The District also had open purchase order commitments in the amount of \$296,176 for the purchase of new computers (\$238,061) and a CNC machine (\$58,115).

**2. *Subsequent Event***

In July 2016, the District approved parking lot and electrical maintenance and surveillance system purchases in the amount of \$176,428.

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No adjustment was made to the financial statements for the year ended June 30, 2016, related to this subsequent event.

**3. *Sinking Fund Deficit Fund Balance***

The Sinking Fund ended the year with a deficit fund balance of \$62,750. July 1, 2016 Sinking Fund tax revenues will be collected to eliminate this deficit. Additionally, the General Fund has adequate fund balance to cover the deficit.

**4. *GASB 72 – Fair Market Value Disclosure***

The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District does not have any investments subject to the fair value measurement.

**NOTE 4 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, was issued by the GASB in August 2015 and will be effective for the District's 2017 fiscal year-end. The Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements in the footnotes of the financial statements:

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- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatements recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

This statement will improve the user's ability on how tax abatements affect the reporting unit's financial positions and results of operations, including their ability to raise resources in the future.

Governmental Accounting Standards Board (GASB) Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

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- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

This statement is effective for fiscal years beginning after June 15, 2017. However, early implementation is encouraged. The District is evaluating the effects this statement will have on the District's net position.

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REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 9,694,490	\$ 9,739,948	\$ 9,747,483
State Sources	845,024	1,024,223	1,036,630
Federal Sources	140,810	152,147	153,792
Other Transactions	750,213	358,612	388,708
Total Revenues	<u>11,430,537</u>	<u>11,274,930</u>	<u>11,326,613</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	6,111,513	6,343,682	6,350,512
Added Needs	957,583	679,749	677,220
Supporting Services			
Pupil	425,929	442,014	440,915
Instructional Staff	227,072	223,593	219,596
General Administration	446,740	458,783	454,828
School Administration	723,949	721,210	717,119
Business	280,344	255,638	253,026
Operating and Maintenance	1,313,784	1,285,349	1,268,103
Pupil Transportation	319,662	299,749	294,817
Central Services	215,114	157,220	155,726
Other-Athletic Activities	292,526	364,042	364,498
Construction Projects	0	0	1,628
Total Expenditures	<u>11,314,216</u>	<u>11,231,029</u>	<u>11,197,988</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>116,321</u>	<u>43,901</u>	<u>128,625</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from the Sale of Capital Assets	0	0	3,500
Transfers In (Out)	(56,502)	(79,312)	(77,197)
Total Other Financing Sources (Uses)	<u>(56,502)</u>	<u>(79,312)</u>	<u>(73,697)</u>
Net Change in Fund Balance	59,819	(35,411)	54,928
<u>FUND BALANCE</u> - Beginning of Year	<u>2,371,307</u>	<u>2,308,775</u>	<u>2,344,186</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 2,431,126</u>	<u>\$ 2,273,364</u>	<u>\$ 2,399,114</u>

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REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)  
JUNE 30, 2016

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)									0.06951%	0.06791%
District's proportionate share of net pension liability									\$ 16,976,615	\$ 14,957,368
District's covered-employee payroll									5,536,887	5,789,172
District's proportionate share of net pension liability as a percentage of its covered-employee payroll									306.61%	258.37%
Plan fiduciary net position as a percentage of total pension liability									63.17%	66.20%

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REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)  
JUNE 30, 2016

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions									\$ 1,513,042	\$ 1,316,797
Contributions in relation to statutorily required contributions *									1,513,042	1,316,797
Contribution deficiency (excess)									\$ 0	\$ 0
Covered-Employee Payroll									\$ 5,322,738	\$ 5,802,318
Contributions as a percentage of covered-employee payroll									28.43%	22.69%

\* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2016

**A. Changes of Benefit Terms:**

There were no changes of benefit terms in 2016.

**B. Changes of Assumptions:**

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014, valuation. There were no changes of assumptions in 2016.



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NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2016

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS				CAPITAL PROJECT FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE FUND	COMMUNITY SERVICES FUND	2006 REFUNDING	2012 BOND ISSUE	2015 BOND ISSUE	2016 REFUNDING	SINKING FUND	2012 SCHOOL BUILDING AND SITE FUND	
<u>ASSETS</u>									
Cash	\$ 45,637	\$ 279,235	\$ 0	\$ 24,974	\$ 10,854	\$ 29,141	\$ 15,389	\$ 6,130	\$ 411,360
Restricted Cash	0	0	0	0	0	0	0	0	0
Accounts Receivable	5,891	12,171	0	0	0	0	0	0	18,062
Due from Other Funds	0	420	0	0	0	0	0	0	420
Inventories	4,311	0	0	0	0	0	0	0	4,311
Prepaid Expenditures	181	3,323	0	0	0	0	0	0	3,504
<b>TOTAL ASSETS</b>	<b>\$ 56,020</b>	<b>\$ 295,149</b>	<b>\$ 0</b>	<b>\$ 24,974</b>	<b>\$ 10,854</b>	<b>\$ 29,141</b>	<b>\$ 15,389</b>	<b>\$ 6,130</b>	<b>\$ 437,657</b>
<u>LIABILITIES AND FUND BALANCE</u>									
<u>LIABILITIES</u>									
Accounts Payable	\$ 14,882	\$ 6,365	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,705	\$ 0	\$ 52,952
Accrued Expenditures	375	4,698	0	0	0	0	0	0	5,073
Due to Other Funds	33,903	5,896	0	414	26	293	46,434	6,130	93,096
<b>Total Liabilities</b>	<b>49,160</b>	<b>16,959</b>	<b>0</b>	<b>414</b>	<b>26</b>	<b>293</b>	<b>78,139</b>	<b>6,130</b>	<b>151,121</b>
<u>FUND BALANCE</u>									
Nonspendable									
Inventory	4,311	0	0	0	0	0	0	0	4,311
Prepaid Expenditures	181	3,323	0	0	0	0	0	0	3,504
Restricted for:									
Food Service	2,368	0	0	0	0	0	0	0	2,368
Debt Service	0	0	0	24,560	10,828	28,848	0	0	64,236
Assigned for:									
Community Services	0	274,867	0	0	0	0	0	0	274,867
Unassigned - (Deficit)	0	0	0	0	0	0	(62,750)	0	(62,750)
<b>Total Fund Balance</b>	<b>6,860</b>	<b>278,190</b>	<b>0</b>	<b>24,560</b>	<b>10,828</b>	<b>28,848</b>	<b>(62,750)</b>	<b>0</b>	<b>286,536</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 56,020</b>	<b>\$ 295,149</b>	<b>\$ 0</b>	<b>\$ 24,974</b>	<b>\$ 10,854</b>	<b>\$ 29,141</b>	<b>\$ 15,389</b>	<b>\$ 6,130</b>	<b>\$ 437,657</b>

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NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2016

	<u>SPECIAL REVENUE FUNDS</u>		<u>DEBT SERVICE FUNDS</u>				<u>CAPITAL PROJECT FUNDS</u>		<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>FOOD SERVICE FUND</u>	<u>COMMUNITY SERVICES FUND</u>	<u>2006 REFUNDING</u>	<u>2012 BOND ISSUE</u>	<u>2015 BOND ISSUE</u>	<u>2016 REFUNDING</u>	<u>SINKING FUND</u>	<u>2012 SCHOOL BUILDING AND SITE FUND</u>	
	<u>REVENUES</u>								
Local Sources	\$ 165,157	\$ 503,346	\$ 354,948	\$ 498,397	\$ 31,093	\$ 37	\$ 566,293	\$ 122	\$ 2,119,393
State Sources	11,183	0	3,375	1,721	50	0	0	0	16,329
Federal Sources	98,348	0	0	0	0	0	0	0	98,348
<b>Total Revenues</b>	<b>274,688</b>	<b>503,346</b>	<b>358,323</b>	<b>500,118</b>	<b>31,143</b>	<b>37</b>	<b>566,293</b>	<b>122</b>	<b>2,234,070</b>
<u>EXPENDITURES</u>									
Food Service Activities	320,636	0	0	0	0	0	0	0	320,636
Community Activities	0	525,153	0	0	0	0	0	0	525,153
Construction Projects	0	0	0	0	0	0	663,314	357,583	1,020,897
Debt Service									
Principal	0	0	45,000	495,000	0	0	0	0	540,000
Interest and Fees	0	0	198,900	27,835	20,315	197,100	0	0	444,150
Bond Issuance Costs	0	0	0	0	0	123,466	0	0	123,466
Other Transactions	0	0	229	340	0	293	0	0	862
<b>Total Expenditures</b>	<b>320,636</b>	<b>525,153</b>	<b>244,129</b>	<b>523,175</b>	<b>20,315</b>	<b>320,859</b>	<b>663,314</b>	<b>357,583</b>	<b>2,975,164</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,948)	(21,807)	114,194	(23,057)	10,828	(320,822)	(97,021)	(357,461)	(741,094)
<u>OTHER FINANCING SOURCES (USES)</u>									
Issuance of Bonds	0	0	0	0	0	9,545,000	0	0	9,545,000
Premium on Bonds Issued	0	0	0	0	0	416,272	0	0	416,272
Payments to Refunding Bond Escrow Agent	0	0	0	0	0	(9,850,706)	0	0	(9,850,706)
Transfers In (Out)	45,948	31,249	(239,104)	0	0	239,104	0	0	77,197
<b>Total Other Financing Sources (Uses)</b>	<b>45,948</b>	<b>31,249</b>	<b>(239,104)</b>	<b>0</b>	<b>0</b>	<b>349,670</b>	<b>0</b>	<b>0</b>	<b>187,763</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>9,442</b>	<b>(124,910)</b>	<b>(23,057)</b>	<b>10,828</b>	<b>28,848</b>	<b>(97,021)</b>	<b>(357,461)</b>	<b>(553,331)</b>
<u>FUND BALANCE - Beginning of Year</u>	<u>6,860</u>	<u>268,748</u>	<u>124,910</u>	<u>47,617</u>	<u>0</u>	<u>0</u>	<u>34,271</u>	<u>357,461</u>	<u>839,867</u>
<u>FUND BALANCE - End of Year - (Deficit)</u>	<u>\$ 6,860</u>	<u>\$ 278,190</u>	<u>\$ 0</u>	<u>\$ 24,560</u>	<u>\$ 10,828</u>	<u>\$ 28,848</u>	<u>\$ (62,750)</u>	<u>\$ 0</u>	<u>\$ 286,536</u>

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

FIDUCIARY FUND TYPES  
COMBINING BALANCE SHEET

JUNE 30, 2016

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 62,932	\$ 348,679	\$ 411,611
Investments	0	13,000	13,000
Due from Other Funds	0	1,552	1,552
	<hr/>		
TOTAL ASSETS	\$ 62,932	\$ 363,231	\$ 426,163
<hr/>			
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Due to Other Funds	\$ 0	\$ 597	\$ 597
Due to Groups and Organizations	0	362,634	362,634
	<hr/>		
Total Liabilities	0	363,231	363,231
<hr/>			
<u>FUND BALANCE</u>			
Restricted for:			
Scholarships and Memorials	4,266	0	4,266
Endowments	56,666	0	56,666
Unrestricted	2,000	0	2,000
	<hr/>		
Total Fund Balance	62,932	0	62,932
	<hr/>		
TOTAL LIABILITIES AND FUND BALANCE	\$ 62,932	\$ 363,231	\$ 426,163
	<hr/> <hr/>		

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2016

	<u>SHAY</u> <u>SCHOLARSHIP</u> <u>FUND</u>	<u>MIDSHIPMEN</u> <u>DRUM AND</u> <u>BUGLE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 56,724	\$ 6,208	\$ 62,932
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Due to Groups and Organizations	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>			
Restricted for:			
Scholarships and Memorials	1,495	2,771	4,266
Endowments	53,229	3,437	56,666
Unrestricted	2,000	0	2,000
Total Fund Balance	56,724	6,208	62,932
<u>TOTAL LIABILITIES</u> <u>AND FUND BALANCE</u>	<u>\$ 56,724</u>	<u>\$ 6,208</u>	<u>\$ 62,932</u>

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2016

	<u>SHAY SCHOLARSHIP FUND</u>	<u>MIDSHIPMEN DRUM AND BUGLE FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Investment Income:			
Interest and Dividends	\$ 57	\$ 3	\$ 60
<u>EXPENDITURES</u>			
Scholarship Awards	0	0	0
Excess of Revenues Over (Under) Expenditures	57	3	60
<u>FUND BALANCE</u> - Beginning of Year	<u>56,667</u>	<u>6,205</u>	<u>62,872</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 56,724</u>	<u>\$ 6,208</u>	<u>\$ 62,932</u>

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE

YEAR ENDED JUNE 30, 2016

	<u>BALANCE</u> 7/01/15	<u>RECEIPTS</u> (Including Transfers)	<u>DISBURSEMENTS</u>	<u>BALANCE</u> 6/30/16
Alumni	\$ 1,573	\$ 3	\$ 0	\$ 1,576
Athletic Boosters	23,252	42,469	20,163	45,558
Athletic Boosters Scholarship Acct	3,675	3,787	3,900	3,562
Athletic Director	249	1,654	0	1,903
Safe Route To Schools Grant	821	2	0	823
Band Activities	1,351	17,199	17,469	1,081
Band Boosters (IMP)	10,402	27,191	27,518	10,075
Benny Davis - NCF - Clothing	26	13	0	39
Benny Davis - NCF- Books	13	13	0	26
Benny Davis - Undesignated	13,000	0	0	13,000
Elementary Library	1,622	348	301	1,669
Blackbird Pop Fund	467	914	481	900
Field Trips - BB/Shay	150	0	0	150
BB/Shay Visual Arts	544	3,262	3,215	591
Blackbird Fundraiser	8,236	3,169	2,523	8,882
Birthday Book Club	224	0	0	224
Preschool Fundraiser	1,213	2	90	1,125
Blackbird Music Program	36	1,275	1,181	130
PTO - ES	381	0	0	381
HS Textbooks - Fees and Fines	1,009	67	0	1,076
Class of 2014	316	0	0	316
Class of 2015	1,322	0	0	1,322
Class of 2016	2,332	394	615	2,111
Class of 2017	469	5,572	2,739	3,302
Class of 2018	0	155	152	3
Book Deposits Class of 2010	39	0	0	39
Book Deposits Class of 2011	627	0	0	627
Book Deposits Class of 2012	347	0	0	347
Community Tennis - HSPS	234	0	0	234
Echoes	18	0	0	18
HS - Baseball	3,404	4,556	4,623	3,337
HS- Softball	821	3,889	2,527	2,183
HS - Basketball Program	1,576	2,527	1,056	3,047
HS - Cheerleading	2	0	0	2
HS - Golf	1,610	890	2,500	0
HS - Girls Golf	4,971	2,283	3,260	3,994

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE

YEAR ENDED JUNE 30, 2016

	<u>BALANCE</u> 7/01/15	<u>RECEIPTS</u> (Including Transfers)	<u>DISBURSEMENTS</u>	<u>BALANCE</u> 6/30/16
HS - Community Adult Band	3,956	1,320	752	4,524
HS - Boys Tennis	40	0	0	40
HS - Girls Tennis	(72)	5,693	5,654	(33)
HS - Track	267	31,310	28,486	3,091
HS - Football	9,812	6,134	5,005	10,941
HS - Varsity Girls Soccer	722	5,631	4,050	2,303
HS - Varsity Boys Soccer	565	0	565	0
HS - Snowboard Club	1,489	3	0	1,492
HS - Student and Staff Support	707	610	1,402	(85)
National Honor Society	127	1,894	1,262	759
Fine Arts Trips HS	2,991	10,818	9,073	4,736
Schiller / Art	138	0	0	138
HS - Women's Basketball	8,408	3,781	1,716	10,473
HS - Volleyball	7,759	1,393	1,904	7,248
HS - Wrestling Club	966	2	0	968
HS - Rec Soccer	2,444	5	0	2,449
HS - Dance Club	122	0	0	122
Interest	659	2,910	3,370	199
Key Club	622	3,831	3,708	745
MI Youth In Government	1,403	10,809	10,820	1,392
HS - Physics	621	502	0	1,123
District Theatre Arts	19,620	17,949	21,533	16,036
Young Americans Account	500	0	0	500
MS - Boosters	2,077	1,449	0	3,526
MS - Job Skills	433	0	0	433
MS - Book Deposits	7,442	50	0	7,492
MS - Activities	552	135	467	220
MS - Fees and Fines	386	10	0	396
MS - Magazine	2,079	63,807	65,886	0
MS - 7th Grade Integrated Studies	3,725	8	0	3,733
MS - 6th Grade Team	5,509	2,888	1,796	6,601
MS - Science Olympiad	958	2	0	960
MS - Tackle Football	281	0	0	281
MS - Volleyball	886	0	100	786
MS - Boys BB	641	665	612	694
Parents Advisory-Pac/Cac	2,932	8,041	7,915	3,058

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

AGENCY FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE

YEAR ENDED JUNE 30, 2016

	<u>BALANCE</u> 7/01/15	<u>RECEIPTS</u> (Including Transfers)	<u>DISBURSEMENTS</u>	<u>BALANCE</u> 6/30/16
Rampage (yearbook)	2,899	4,549	5,620	1,828
Shay - Multi-Age	21	0	0	21
Shay - Carnival	2,682	2	730	1,954
Shay - Fundraiser Acct.	2,905	6	873	2,038
Shay 3rd Grade	524	4,923	5,368	79
Shay 4th Grade	1,332	5,224	4,613	1,943
Shay 5th Grade	2,452	9,602	9,531	2,523
Shay - Student Council	848	1,377	877	1,348
Shay - Pop Machine	4,716	135	1,252	3,599
Shay - Enrichment	3,525	7	0	3,532
Mary Kay Farley Scholarship	47,650	36,144	13,000	70,794
Lucy Causley Scholarship	495	505	589	411
Ski Team Boosters	42,491	71,105	69,641	43,955
Spanish Club	6,926	24,675	31,462	139
HS - Special Education	2,189	561	169	2,581
Special Art Fund	932	2	0	934
Strive	656	1	0	657
HS - Student Council	1,052	121	530	643
HS - Student Council Gift	11,544	24	0	11,568
MS - Student Council	732	2,447	2,086	1,093
	<u>\$ 314,670</u>	<u>\$ 464,694</u>	<u>\$ 416,730</u>	<u>\$ 362,634</u>

Represented by

Assets

Cash and Cash Equivalents	\$ 300,720	\$ 348,679
Investments	13,000	13,000
Due from Other Funds	1,150	1,552
<b>Total Assets</b>	<u><u>\$ 314,870</u></u>	<u><u>\$ 363,231</u></u>

Liabilities

Due to Other Funds	200	597
Due to Groups and Organizations	314,670	362,634
<b>Total Liabilities</b>	<u><u>\$ 314,870</u></u>	<u><u>\$ 363,231</u></u>



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HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SELECTED STATISTICAL DATA  
YEARS 2007 TO 2016

SOURCE: ANNUAL AUDITED STATEMENTS

YEAR ENDED JUNE 30,	2016	2015	2014	2013	2012
Total Taxable Value	\$ 1,038,541,810	\$ 1,018,679,786	\$ 1,004,637,717	\$ 1,012,581,577	\$ 1,029,274,640
Non-Homestead Taxable Value	679,568,858	667,991,977	661,373,879	660,355,376	678,218,266
Blended Student Count	818	824	843	869	880
Taxable Value Per Student	1,269,611	1,236,262	1,191,741	1,165,226	1,169,630
Per Pupil Foundation Allowance	8,357	8,287	8,237	8,207	8,207
Mills Levied					
Operations - Non-Homestead	13.9911	13.9911	13.9911	13.9911	13.9911
Debt	2.6500	2.6500	2.7000	3.2800	3.1000
Sinking Fund	0.5399	0.5399	0.5400	0.5400	0.6600
Community Schools	0.1299	0.1299	0.1300	0.0000	0.0000
Property Tax Revenues					
Operations	9,415,308	9,208,987	9,094,165	9,188,353	9,367,003
Debt	2,748,762	2,701,214	2,720,322	3,322,565	3,195,991
Sinking Fund	559,744	550,296	543,945	546,617	680,864
Recreation	134,595	132,331	130,891	0	0
State Aid - Foundation Grant (Excluding Categoricals)	131,150	157,746	193,655	212,189	201,721
Other General Fund Data					
Total Fund Balance	2,399,114	2,344,186	2,347,739	2,464,389	2,689,684
Total Local Revenues	9,747,483	9,510,632	9,368,995	9,490,634	9,623,898
Total State Revenues	1,036,630	900,404	817,179	615,073	507,599
Total Expenditures*	11,197,988	10,940,300	10,850,637	10,817,650	11,375,378
*note-2011 was first year Athletics were reported in General Fund					
Long Term Debt Data					
Bonds Payable	19,895,000	22,105,000	22,810,000	24,680,000	25,895,499
Contracts Payable and Retirement Incentives	100,000	0	0	0	0
Compensated Absences	170,199	191,744	188,809	189,297	176,878

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SELECTED STATISTICAL DATA  
YEARS 2007 TO 2016

SOURCE: ANNUAL AUDITED STATEMENTS

YEAR ENDED JUNE 30,	2011	2010	2009	2008	2007
Total Taxable Value	\$ 1,080,156,555	\$ 1,138,942,327	\$ 1,113,835,247	\$ 1,073,676,024	\$ 1,011,555,049
Non-Homestead Taxable Value	720,819,337	764,103,492	751,717,500	733,142,721	687,191,501
Blended Student Count	984	1,024	1,061	1,114	1,112
Taxable Value Per Student	1,097,720	1,112,248	1,049,798	963,803	909,672
Per Pupil Foundation Allowance	8,677	8,677	8,677	8,433	8,385
Mills Levied					
Operations - Non-Homestead	13.9911	13.9911	13.9911	13.9911	13.9911
Debt	2.9600	2.9200	2.9500	3.0300	3.0700
Sinking Fund	0.6600	0.6600	0.6600	0.6600	0.0000
Community Schools	0.0000	0.0000	0.0000	0.0000	0.0000
Property Tax Revenues					
Operations	9,884,590	10,624,443	10,349,061	10,257,405	9,631,951
Debt	3,196,568	3,332,759	3,290,790	3,253,059	3,110,504
Sinking Fund	712,657	752,835	732,749	708,587	0
Recreation	0	0	0	0	0
State Aid - Foundation Grant (Excluding Categoricals)	202,030	186,025	179,214	250,799	229,978
Other General Fund Data					
Total Fund Balance	3,422,045	3,534,150	3,358,794	3,333,867	3,090,942
Total Local Revenues	10,233,466	10,863,120	10,666,557	10,725,418	10,117,918
Total State Revenues	330,510	243,513	395,405	298,894	396,494
Total Expenditures*	11,615,291	11,120,689	11,199,483	10,991,354	10,451,898
*note-2011 was first year Athletics were reported in General Fund					
Long Term Debt Data					
Bonds Payable	24,523,734	25,775,851	27,054,959	28,356,684	29,643,869
Contracts Payable and Retirement Incentives	100,000	200,000	0	118,400	285,400
Compensated Absences	199,239	289,933	320,534	300,427	308,259

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2016

<u>TITLE OF ISSUE</u>	2006 Refunding Bonds	
<u>PURPOSE</u>	To refund a portion of the 2001 bonds to take advantage of lower interest rates.	
<u>DATE OF ISSUE</u>	December 20, 2006	
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year	
<u>AMOUNT OF ISSUE</u>		\$ 10,000,000
<u>AMOUNT REDEEMED</u>		
Redeemed Prior to Current Year	\$ 100,000	
Redeemed During Current Year	45,000	
Refunded During Current Year	9,855,000	10,000,000
<u>BALANCE OUTSTANDING - June 30, 2016</u>		\$ 0

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2016

<u>TITLE OF ISSUE</u>	2007 Refunding Bonds		
<u>PURPOSE</u>	To refund a portion of the 2001 bonds to take advantage of advantage of lower interest rates.		
<u>DATE OF ISSUE</u>	March 20, 2007		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>		\$	9,445,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	0	
Redeemed During Current Year		1,360,000	1,360,000
<u>BALANCE OUTSTANDING</u> - June 30, 2016		\$	8,085,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2016		\$ 168,900	\$ 168,900	
May 1, 2017	5.00%	1,608,900	168,900	\$ 1,440,000
November 1, 2017		132,900	132,900	
May 1, 2018	4.00%	1,652,900	132,900	1,520,000
November 1, 2018		102,500	102,500	
May 1, 2019	4.00%	1,687,500	102,500	1,585,000
November 1, 2019		70,800	70,800	
May 1, 2020	4.00%	1,720,800	70,800	1,650,000
November 1, 2020		37,800	37,800	
May 1, 2021	4.00%	1,752,800	37,800	1,715,000
November 1, 2021		3,500	3,500	
May 1, 2022	4.00%	178,500	3,500	175,000
		\$ 9,117,800	\$ 1,032,800	\$ 8,085,000

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2016

<u>TITLE OF ISSUE</u>	2016 Refunding Bonds		
<u>PURPOSE</u>	To refund the 2006 bonds to take advantage of lower advantage of lower interest rates.		
<u>DATE OF ISSUE</u>	March 2, 2016		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>		\$	9,545,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	0	
Redeemed During Current Year		<u>0</u>	<u>0</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2016		\$	<u>9,545,000</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2016		\$ 139,682	\$ 139,682	
May 1, 2017	2.00%	240,200	105,200	\$ 135,000
November 1, 2017		103,850	103,850	
May 1, 2018	2.00%	288,850	103,850	185,000
November 1, 2018		102,000	102,000	
May 1, 2019	2.00%	102,000	102,000	0
November 1, 2019		102,000	102,000	
May 1, 2020	2.00%	102,000	102,000	0
November 1, 2020		102,000	102,000	
May 1, 2021	2.00%	102,000	102,000	0
November 1, 2021		102,000	102,000	
May 1, 2022	2.00%	1,737,000	102,000	1,635,000
November 1, 2022		85,650	85,650	
May 1, 2023	2.00%	1,930,650	85,650	1,845,000
November 1, 2023		67,200	67,200	
May 1, 2024	2.00%	1,947,200	67,200	1,880,000
November 1, 2024		48,400	48,400	
May 1, 2025	2.00%	1,963,400	48,400	1,915,000
November 1, 2025		29,250	29,250	
May 1, 2026	2.00%	1,979,250	29,250	1,950,000
		<u>\$ 11,274,582</u>	<u>\$ 1,729,582</u>	<u>\$ 9,545,000</u>

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2016

<u>TITLE OF ISSUE</u>	2012 School Building and Site Bonds	
<u>PURPOSE</u>	To acquire and install technology, technology infrastructure, safety and security improvements, furnishings and equipment in school facilities and purchasing new school buses.	
<u>DATE OF ISSUE</u>	February 23, 2012	
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year	
<u>AMOUNT OF ISSUE</u>		\$ 2,690,000
<u>AMOUNT REDEEMED</u>		
Redeemed Prior to Current Year	\$ 1,125,000	
Redeemed During Current Year	<u>495,000</u>	<u>1,620,000</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2016		<u><u>\$ 1,070,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2016		\$ 10,700	\$ 10,700	
May 1, 2017	2.00%	535,700	10,700	\$ 525,000
November 1, 2017		5,450	5,450	
May 1, 2018	2.00%	<u>550,450</u>	<u>5,450</u>	<u>545,000</u>
		<u><u>\$ 1,102,300</u></u>	<u><u>\$ 32,300</u></u>	<u><u>\$ 1,070,000</u></u>

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2016

<u>TITLE OF ISSUE</u>	2015 School Building and Site Bonds		
<u>PURPOSE</u>	To acquire and install technology, technology infrastructure, safety and security improvements, furnishings and equipment in school facilities and purchasing new school buses.		
<u>DATE OF ISSUE</u>	June 25, 2015		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>		\$	1,195,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	0	
Redeemed During Current Year		<u>0</u>	<u>0</u>
<u>BALANCE OUTSTANDING - June 30, 2016</u>		\$	<u><u>1,195,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2016		\$ 11,950	\$ 11,950	
May 1, 2017	2.00%	36,950	11,950	\$ 25,000
November 1, 2017		11,700	11,700	
May 1, 2018	2.00%	61,700	11,700	50,000
November 1, 2018		11,200	11,200	
May 1, 2019	2.00%	381,200	11,200	370,000
November 1, 2019		7,500	7,500	
May 1, 2020	2.00%	382,500	7,500	375,000
November 1, 2020		3,750	3,750	
May 1, 2021	2.00%	378,750	3,750	375,000
		<u>\$ 1,287,200</u>	<u>\$ 92,200</u>	<u>\$ 1,195,000</u>





# Baird, Cotter & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

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July 14, 2016

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Harbor Springs Public Schools  
Harbor Springs, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harbor Springs Public Schools, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Harbor Springs Public Schools' basic financial statements, and have issued our report thereon dated July 14, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Harbor Springs Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purchase of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harbor Springs Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Harbor Springs Public Schools' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Harbor Springs Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*



