

HARBOR SPRINGS PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
JUNE 30, 2017



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

CERTIFIED PUBLIC ACCOUNTANTS
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HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

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July 13, 2017

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, 2017, 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, 2017, 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 (as identified in the table of contents) on pages iv through xi and 39-42 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 13, 2017, 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 solely 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 the effectiveness of Harbor Springs Public Schools 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, 2017

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, 2017. 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, 2017

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 2007, 2012, 2015, 2016, and Debt Service Funds.
- Special Revenue Funds – consisting of the Food Service Fund, and the Community Services Fund.
- Capital Projects Funds – consisting of the 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, 2017

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

	Governmental Activities	
	2017	2016
Assets		
Current Assets	\$ 5,084,602	\$ 5,530,917
Non-Current Assets, Net of Accumulated Depreciation	38,117,009	38,886,526
Total Assets	43,201,611	44,417,443
Deferred Outflows of Resources	2,612,946	2,189,871
Liabilities		
Current Liabilities	3,798,946	3,726,484
Long-Term Liabilities	33,493,862	35,572,485
Total Liabilities	37,292,808	39,298,969
Deferred Inflows of Resources	595,281	516,973
Net Position		
Net Investment in Capital Assets	20,651,912	19,647,893
Restricted for Specific Purpose	270,193	95,981
Unrestricted (Deficit)	(12,995,637)	(12,952,502)
Total Net Position	\$ 7,926,468	\$ 6,791,372

Investment in capital assets, net of related debt of \$20,651,912, 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 \$270,193 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, 2017

Analysis of Financial Position

During the fiscal year ended June 30, 2017, the District's net position increased by \$1,135,096, increasing the net position to \$7,926,468. 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, 2017, \$1,611,543 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, 2017, the District reported a decrease in net position related to GASB 68.

3. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2017, \$842,026 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 \$769,517 for the fiscal year ended June 30, 2017.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

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
Change in Net Position
Table 2

	Governmental Activities	
	2017	2016
Revenues		
Program Revenues		
Charges for Services	\$ 736,540	\$ 742,608
Grants and Contributions	1,787,856	1,249,374
General Revenues		
Property Taxes	12,934,710	12,858,409
Unrestricted Investment Interest	14,785	14,488
Unrestricted State Aid	80,942	59,508
Other	41,213	56,293
Total Revenues	15,596,046	14,980,680
Expenses		
Instruction	7,012,844	7,131,267
Supporting Services	4,133,861	4,179,874
Community Services	594,022	322,320
Food Services	316,353	496,304
Construction Projects	141,780	111,256
Interest/Fees on Long-Term Debt	557,232	991,067
Bond Issuance Costs	91,113	0
Other Transactions	2,202	125,150
Depreciation (Unallocated)	1,611,543	1,612,196
Total Expenses	14,460,950	14,969,434
Increase in Net Position	\$ 1,135,096	\$ 11,246

Of the District's total revenues available to operate the District, approximately 5.0 percent or \$736 thousand came from fees charged to those who benefited from the programs. Approximately 11.5 percent or \$1.78 million of revenues came from other governments or organizations that subsidize certain programs with grants and other directed types of funding.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

Local property taxes, in the amount of approximately \$12.93 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.

The State guaranteed foundation allowance for the District is \$8,366 per student, while locally generated revenue is \$11,985 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 \$564K 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 November 2016.

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 million or 48.5 percent of total expenses. Support services amounted to approximately \$4.1 million or 28.6 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 \$3.64 million, which is a decrease of approximately \$343 thousand from the prior year.

Approximately 47 percent of total combined fund balance, or \$1.7 million, constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of the fund balance, or approximately \$1.93 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 \$1.7 million, while total fund balance was approximately \$2.27 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 15 and 20 percent, respectively, of total General Fund expenditures (excluding transfers out).

The fund balance of the District's General Fund decreased by approximately \$131,975 during the current fiscal year bringing the fund balance to \$2,267,139, of which \$1,706,256 is unassigned, \$497,976 is assigned for subsequent year budget shortfall and technology, and \$92,907 is nonspendable for inventory and prepaid expenditures.

The 2007 Refunding Debt Service Fund decreased its fund balance by \$136,409 bringing the fund balance to \$0.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

The 2015 School Building and Site Fund decreased its fund balance by \$457,774 bringing the fund balance to \$699,600, of which the entire amount is restricted for capital projects.

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.

- The District's General Fund budget adopted in June 2016 estimated a use of \$139K of fund balance. In July of 2017, after completion of the audit, the actual use of fund balance ended up at \$131K.

Capital Asset and Debt Administration

Capital Assets. By the end of June 30, 2017, the District had invested approximately \$38.1 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 \$769 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

	<u>2017</u>	<u>2016</u>
Land	\$ 2,660,623	\$ 2,660,623
Construction-in-Progress	0	21,028
Land Improvements	1,992,818	2,040,486
Buildings and Additions	46,692,802	46,381,265
Furniture and Equipment	5,357,053	4,947,811
Transportation Equipment	515,993	490,033
	<hr/>	<hr/>
Total Capital Assets	57,219,289	56,541,246
	<hr/>	<hr/>
Less Accumulated Depreciation	19,102,280	17,654,720
	<hr/>	<hr/>
Net Capital Assets	<u>\$ 38,117,009</u>	<u>\$ 38,886,526</u>

Major capital asset contributions during the 17-18 fiscal year include:

- Various technology equipment in the amount of \$525,557
- School woodshop in the amount of \$243,272
- High school cooling tower in the amount of \$68,265

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

In addition to purchasing the above assets the School has committed to spend \$407,630 worth of various capital assets that will be added to capital assets in the 2017-2018 fiscal year.

Debt. At year-end, the District had approximately \$18.37 million in general obligation bonds and other long-term debt outstanding – a decrease of 2.38 million from last year. The District's net pension liability is \$17.39 million. 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.

Factors Bearing on the District's Future

We considered many factors when setting the District's 2017-18 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 2.3% from last year.

The District is proposing to use \$51K of fund balance. This budget includes the retirement rate increase from 24.94% to 25.56% beginning 10/1/2017. The health insurance hard cap increased 3.3% from last year. The following staff retired in 2016/17: One teacher (position was not filled) and one counselor (position will be filled). A new Middle School Principal was hired.

The District's labor contract with the Harbor Springs Education Association, which represents the District's teachers, will expire in August 31, 2017. The District's labor contract with the Harbor Springs Educational Support Personnel Association, which represents the District's support personnel, expired in June 30, 2017. We are currently in negotiations with both of our labor contracts.

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, 2017

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 4,030,164
Restricted Cash	699,600
Accounts Receivable	57,852
Due from Other Governments	221,411
Accrued Interest Receivable	2,221
Inventories	33,683
Prepaid Expenses	39,671
	<hr/>
Total Current Assets	5,084,602

NON CURRENT ASSETS

Capital Assets	57,219,289
Less Accumulated Depreciation	(19,102,280)
	<hr/>
Total Non Current Assets	38,117,009

TOTAL ASSETS

 43,201,611

DEFERRED OUTFLOWS OF RESOURCES

Related to Pensions	<hr/> 2,612,946
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable	58,185
Due to Other Governments	133,645
Payroll Deductions and Withholdings	19,631
Accrued Expenses	315,463
Salaries Payable	575,989
Unearned Revenue	346,033
Current Portion of Non Current Liabilities	2,350,000
	<hr/>
Total Current Liabilities	3,798,946

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, 2017

NON CURRENT LIABILITIES

Bonds Payable - Net	18,164,697
Accrued Interest	77,808
Compensated Absences	152,696
Early Retirement Incentive	50,000
Net Pension Liability	17,398,661
Less Current Portion of Non Current Liabilities	<u>(2,350,000)</u>

Total Non Current Liabilities 33,493,862

TOTAL LIABILITIES 37,292,808

DEFERRED INFLOWS OF RESOURCES

Deferred Gain on Refunding - Net	7,888
Related to Pensions	<u>587,393</u>

TOTAL DEFERRED INFLOWS OF RESOURCES 595,281

NET POSITION

Net Investment in Capital Assets	20,651,912
Restricted for Debt Service	148,181
Restricted for Capital Projects	122,012
Unrestricted (Deficit)	<u>(12,995,637)</u>

TOTAL NET POSITION \$ 7,926,468

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, 2017

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	\$ 7,012,844	\$ 47,655	\$ 1,569,059	\$ 0	\$ (5,396,130)
Supporting Services	4,133,861	142,281	118,096	0	(3,873,484)
Community Services	594,022	384,163	527	0	(209,332)
Food Service Activities	316,353	162,441	100,174	0	(53,738)
Construction Projects	141,780	0	0	0	(141,780)
Interest on Long-Term Debt	557,232	0	0	0	(557,232)
Bond Issuance Costs	91,113	0	0	0	(91,113)
Other Transactions	2,202	0	0	0	(2,202)
Unallocated Depreciation	1,611,543	0	0	0	(1,611,543)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 14,460,950	\$ 736,540	\$ 1,787,856	\$ 0	(11,936,554)
<u>GENERAL REVENUES</u>					
Property Taxes - Levied for General Purposes					9,463,502
Property Taxes - Levied for Debt Service					2,771,466
Property Taxes - Levied for Sinking Capital Projects					564,263
Property Taxes - Levied for Recreation					135,479
Investment Earnings					14,785
State Sources					80,942
Other					41,213
Total General Revenues					13,071,650
Change in Net Position					1,135,096
<u>NET POSITION - Beginning of Year</u>					<u>6,791,372</u>
<u>NET POSITION - End of Year</u>					<u>\$ 7,926,468</u>

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, 2017

	2007 GENERAL FUND	2007 REFUNDING DEBT SERVICE FUND	2015 SCHOOL BUILDING AND SITE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 3,369,284	\$ 0	\$ 0	\$ 660,880	\$ 4,030,164
Restricted Cash	0	0	699,600	0	699,600
Accounts Receivable	27,118	0	0	30,734	57,852
Due from Other Funds	17,445	0	0	0	17,445
Due from Other Governments	221,411	0	0	0	221,411
Accrued Interest Receivable	2,221	0	0	0	2,221
Inventories	26,802	0	0	6,881	33,683
Prepaid Expenditures	36,105	0	0	3,566	39,671
TOTAL ASSETS	\$ 3,700,386	\$ 0	\$ 699,600	\$ 702,061	\$ 5,102,047
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 45,369	\$ 0	\$ 0	\$ 12,816	\$ 58,185
Due to Other Governments	133,645	0	0	0	133,645
Payroll Deductions and Withholdings	19,631	0	0	0	19,631
Salaries Payable	575,989	0	0	0	575,989
Accrued Expenditures	313,583	0	0	1,880	315,463
Due to Other Funds	0	0	0	17,445	17,445
Unearned Revenue	345,030	0	0	1,003	346,033
Total Liabilities	1,433,247	0	0	33,144	1,466,391

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, 2017

	2007 GENERAL FUND	REFUNDING DEBT SERVICE FUND	2015 SCHOOL BUILDING AND SITE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>FUND BALANCES</u>					
Nonspendable - Inventory					
Inventory	26,802	0	0	6,881	33,683
Prepaid Expenditures	36,105	0	0	3,566	39,671
Restricted for:					
Capital Projects	0	0	699,600	122,012	821,612
Debt Service	0	0	0	225,989	225,989
Assigned, Reported in:					
General Fund	497,976	0	0	0	497,976
Special Revenue Fund- Community Services	0	0	0	310,469	310,469
Unassigned	1,706,256	0	0	0	1,706,256
 Total Fund Balances	 2,267,139	 0	 699,600	 668,917	 3,635,656
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 3,700,386	 \$ 0	 \$ 699,600	 \$ 702,061	 \$ 5,102,047

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, 2017

Total Governmental Fund Balances \$ 3,635,656

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	\$ 57,219,289	
Accumulated depreciation is	<u>(19,102,280)</u>	38,117,009

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 Gain on Refunding	(7,888)
Bond Discount (Premium)	(584,697)

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Bonds Payable	(17,580,000)
Compensated Absences	(152,696)
Early Retirement Incentive	(50,000)

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

Net Pension Liability	(17,398,661)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	2,612,946
Deferred Inflows of Resources Related to Pensions	(587,393)

Accrued interest is not included as a liability in governmental funds, it is recorded when paid.

(77,808)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 7,926,468

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, 2017

	2007 GENERAL FUND	2007 REFUNDING DEBT SERVICE FUND	2015 SCHOOL BUILDING AND SITE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>					
Local Sources	\$ 9,772,236	\$ 1,768,581	\$ 1,253	\$ 2,258,081	\$ 13,800,151
State Sources	1,168,829	5,814	0	15,219	1,189,862
Federal Sources	150,288	0	0	90,115	240,403
Other Transactions	437,150	0	0	0	437,150
Total Revenues	<u>11,528,503</u>	<u>1,774,395</u>	<u>1,253</u>	<u>2,363,415</u>	<u>15,667,566</u>
<u>EXPENDITURES</u>					
Instruction	7,227,477	0	0	0	7,227,477
Supporting Services	4,337,755	0	0	0	4,337,755
Food Service Activities	0	0	0	317,832	317,832
Community Services	0	0	0	513,961	513,961
Construction Projects	14,291	0	459,027	381,916	855,234
Debt Service					
Principal	0	1,440,000	0	685,000	2,125,000
Interest	0	204,900	0	423,082	627,982
Bond Issuance Costs	0	0	0	91,113	91,113
Other Transactions	0	812	0	1,390	2,202
Total Expenditures	<u>11,579,523</u>	<u>1,645,712</u>	<u>459,027</u>	<u>2,414,294</u>	<u>16,098,556</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(51,020)</u>	<u>128,683</u>	<u>(457,774)</u>	<u>(50,879)</u>	<u>(430,990)</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, 2017

	2007 GENERAL FUND	2007 REFUNDING DEBT SERVICE FUND	2015 SCHOOL BUILDING AND SITE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>OTHER FINANCING SOURCES (USES)</u>					
Issuance of Bonds	0	0	0	6,455,000	6,455,000
Premium on Bonds Issued	0	0	0	268,759	268,759
Payments to Refunding Bond Escrow Agent	0	0	0	(6,639,746)	(6,639,746)
Proceeds from the Sale of Capital Assets	3,200	0	0	0	3,200
Transfers In (Out)	(84,155)	(265,092)	0	349,247	0
Total Other Financing Sources (Uses)	(80,955)	(265,092)	0	433,260	87,213
Net Change in Fund Balance	(131,975)	(136,409)	(457,774)	382,381	(343,777)
<u>FUND BALANCE</u> - Beginning of Year	2,399,114	136,409	1,157,374	286,536	3,979,433
<u>FUND BALANCE</u> - End of Year	\$ 2,267,139	\$ 0	\$ 699,600	\$ 668,917	\$ 3,635,656

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, 2017

Net Change in Fund Balances Total Governmental Funds \$ (343,777)

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	(1,611,543)
Capital Outlay	842,026

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	104,664
Accrued Interest Payable - End of Year	(77,808)

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	2,125,000
Gain on Bond Refunding	(5,254)
Defeasance of Debt	6,645,000
Amortization of Deferred Charges	43,894
Issuance of Debt	(6,455,000)
Bond Premium	(268,759)

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	100,000
Early Retirement Incentive - End of Year	(50,000)
Accumulated Sick Pay - Beginning of Year	170,199
Accumulated Sick Pay - End of Year	(152,696)

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, 2017

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.

Change in Pension Related Items	143,870
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Change in Restricted Revenue Reported in the Governmental Funds that is deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period:

State Aid Funding for Pension	<u>(74,720)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,135,096</u></u>
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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, 2017

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 62,992	\$ 267,928
<u>LIABILITIES</u>		
Due to Groups and Organizations	<u>0</u>	<u>267,928</u>
<u>NET POSITION</u>		
Restricted for Trust Activities	60,992	0
Unrestricted	<u>2,000</u>	<u>0</u>
 TOTAL NET POSITION	 <u>\$ 62,992</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, 2017

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 60
<u>DEDUCTIONS</u>	
Scholarship Awards	<u>0</u>
Change in Net Position	60
<u>NET POSITION</u> - Beginning of Year	<u>62,932</u>
<u>NET POSITION</u> - End of Year	<u>\$ 62,992</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, 2017

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.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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 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 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.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.
- 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 27, 2016, or as amended by the School Board of Education throughout the year.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. Excess of Expenditures Over Appropriations

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
Supporting Services		
Pupil	\$ 453,691	\$ 453,761
Facilities Acquisition		
Architecture and Engineering Services	10,500	14,291

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 Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The District considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

2. Investments

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

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.

3. Inventory and Prepaid Items

Inventory is valued at cost using the first-in/first-out method. 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.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

4. *Capital Assets*

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at acquisition 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.

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned revenue in both the General Fund and Lunch Fund that is related to state and local grants/donations, with restrictions on how they can be spent, being received but as of the year-end have not been spent.

6. *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.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

7. 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 School 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.

8. 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 which are all 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 four 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 three are related to the pension plan for its employees, details can be found in footnote 3.E.

9. 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.

10. 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

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

11. 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.

12. 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.

13. 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

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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.

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 1st 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, 2017, 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	0.5395
Debt Service Funds - Homestead and Non-Homestead	2.6500
Recreation - Homestead and Non-Homestead	0.1298

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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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, 2017.

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, 2017 the District's bank balance was \$5,080,340 and \$4,091,351 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.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

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. 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.

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

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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 reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

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. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

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

The carrying amount of deposits and investments is as follows:

	<u>Total</u>
Deposits – including Fiduciary Funds of \$330,920	<u>\$ 5,060,684</u>

The above amounts are reported in the financial statements as follows:

	<u>Total</u>
Cash - Fiduciary Funds	\$ 330,920
Restricted Cash - 2015 School Building and Site Fund	699,600
Cash - District-Wide	<u>4,030,164</u>
	<u>\$ 5,060,684</u>

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Restricted cash represents the amount of unspent bond proceeds on deposit in the 2015 School Building and Site Fund of \$699,600.

B. Receivables

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

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables			
Accounts	\$ 27,118	\$ 30,734	\$ 57,852
Due from Other Governments	221,411	0	221,411
Accrued Interest Receivable	2,221	0	2,221
	<u> </u>	<u> </u>	<u> </u>
Total Receivables	<u>\$ 250,750</u>	<u>\$ 30,734</u>	<u>\$ 281,484</u>

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

C. Capital Assets

Capital assets activity for the year ended June 30, 2017, was as follows:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Assets Not Being Depreciated:				
Land	\$ 2,660,623	\$ 0	\$ 0	\$ 2,660,623
Construction in Progress	21,028	0	21,028	0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets Not Being Depreciated	<u>2,681,651</u>	<u>0</u>	<u>21,028</u>	<u>2,660,623</u>
Other Capital Assets				
Land Improvements	2,040,486	0	47,668	1,992,818
Buildings and Additions	46,381,265	311,537	0	46,692,802
Furniture and Equipment	4,947,811	525,557	116,315	5,357,053
Transportation Equipment	490,033	25,960	0	515,993
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Subtotal	<u>53,859,595</u>	<u>863,054</u>	<u>163,983</u>	<u>54,558,666</u>

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	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Accumulated Depreciation				
Land Improvements	951,809	46,884	47,668	951,025
Buildings and Additions	14,084,003	954,571	0	15,038,574
Furniture and Equipment	2,361,168	567,246	116,315	2,812,099
Transportation Equipment	257,740	42,842	0	300,582
Total Accumulated Depreciation	17,654,720	1,611,543	163,983	19,102,280
Net Other Capital Assets	36,204,875	(748,489)	0	35,456,386
Net Capital Assets	\$ 38,886,526	\$ (748,489)	\$ 21,028	\$ 38,117,009

Depreciation for the fiscal year ended June 30, 2017, amounted to \$1,611,543. 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.

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.

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:

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

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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.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

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 (MPERS) who became a member of MPERS 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.

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 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, age 46 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 60th birthday and has

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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.

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.

Member 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.

Employer 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. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20 year period for the 2016 fiscal year.

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The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0-4.0%	18.95%
Member Investment Plan	3.0-7.0%	18.95%
Pension Plans	3.0-6.4%	17.73%
Defined Contribution	0.0%	14.56%

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately \$1,658,039. These amounts include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (72.88% for pension and 27.12% for OPEB).

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

Pension Liabilities

At June 30, 2017, the District reported a liability of \$17,398,661 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015 and rolled-forward using generally accepted actuarial procedures. The District's 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, 2016 and 2015, the District's proportion was .0697364% and .069505%

MPSERS (Plan) Net Pension Liability – As of September 30, 2016 and September 30, 2015

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Total Pension Liability	\$ 67,917,445,078	\$ 66,312,041,902
Plan Fiduciary Net Position	42,968,263,308	41,887,015,147
Net Pension Liability	<u>\$ 24,949,181,770</u>	<u>\$ 24,425,026,755</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.27%	63.17%
Net Pension Liability as a Percentage of Covered-Employee Payroll	295.81%	292.61%

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

For the year ended June 30, 2017, the District recognized total pension expense of \$978,708. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 216,833	\$ 41,235
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	535,461
Changes of assumptions	272,014	0
Net difference between projected and actual earnings on pension plan investments	289,166	0
Changes in proportion and differences between District contributions and proportionate share of contributions	260,875	10,697
District contributions subsequent to the measurement date	1,574,058	0
Total	\$ 2,612,946	\$ 587,393

\$1,574,058 reported as deferred outflows of resources and \$535,461 reported as deferred inflows of 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, 2018. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2017	\$ 226,112
2018	203,374
2019	484,835
2020	72,635
	\$ 986,956

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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.

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, 2016, is based on the results of an actuarial valuation date of September 30, 2015, 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: 4.6273.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report.

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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, 2016, 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>100.00%</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 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.

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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%
\$ 22,405,096	\$ 17,398,661	\$ 13,177,755

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 2016 Comprehensive Annual Financial Report.

H. Payables to the Pension Plan

As of June 30, 2017, the District is current on all required pension plan payments. As of June 30, 2017, the District reported payables in the amount of \$245,334 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. 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 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.

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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.

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 February 1, 2013.

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; from 6.40% - 6.83% of covered payroll for the period from October 1, 2015 through September 30, 2016; and from 5.69% - 5.91% of covered payroll for the period from October 1 2016 through September 30, 2017 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, 2017, 2016, and 2015 were approximately \$560,000, \$515,000, and \$147,000.

J. Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees.

The District participates in a distinct pool of education institutions within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation. The pool is considered a 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 assessment to make up the deficiency. The District has not been informed of any special assessments being required.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017:

	Balance July 1, 2016	Increases	(Decreases)	Balance June 30, 2017	Due Within Year
Bonds Payable	\$ 19,895,000	\$ 6,455,000	\$ (8,770,000)	\$ 17,580,000	\$ 2,350,000
Compensated Absences	170,199	0	(17,503)	152,696	unknown
Early Retirement Incentive	100,000	0	(50,000)	50,000	50,000
Net Pension Liability	16,976,615	2,457,409	(2,035,363)	17,398,661	unknown
Total	\$ 37,141,814	\$ 8,912,409	\$ (10,872,866)	\$ 35,181,357	\$ 2,400,000

Bonds payable at June 30, 2017, 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% \$ 545,000

2015 School Building and Site Bonds Due in Annual Installments of \$25,000 to \$375,000 through May 1, 2021, Interest at 2.00% 1,170,000

2016 Refunding Bonds Due in Annual Installments of \$0 to \$1,950,000 through May 1, 2026, Interest at 2.00% 9,410,000

2017 Refunding Bonds Due in Annual Installments of \$180,000 to \$1,570,000 through May 1, 2022, Interest at 3.00% 6,455,000

Other

Accrued Compensated Absences 152,696

Early Retirement Incentive 50,000

Net Pension Liability 17,398,661

Total General Obligation Debt \$ 35,181,357

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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
2018	\$ 2,350,000	\$ 466,849	\$ 2,816,849
2019	1,890,000	372,950	2,262,950
2020	1,945,000	319,950	2,264,950
2021	1,990,000	265,350	2,255,350
2020	1,815,000	209,400	2,024,400
2023-2026	7,590,000	461,000	8,051,000
	<u>\$ 17,580,000</u>	<u>\$ 2,095,499</u>	<u>\$ 19,675,499</u>

L. Interfund Receivables and Payables

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 17,445	\$ 0
School Service Fund - Food Services	0	13,841
School Service Fund - Community Services	0	3,604
	<u>\$ 17,445</u>	<u>\$ 17,445</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, 2017, are expected to be repaid within one year.

M. Interfund Transfers

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 84,155
School Service Fund - Food Service Fund	55,416	0
School Service Fund - Community Services	28,739	0
School Debt Fund - 2007 Refunding	0	265,092
School Debt Fund - 2017 Refunding	265,092	0
	<u>\$ 349,247</u>	<u>\$ 349,247</u>

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, fund balances are composed of the following:

	General Fund	2015 School Building and Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ 26,802	\$ 0	\$ 6,881	\$ 33,683
Prepaid Expenditures	36,105	0	3,566	39,671
Restricted:				
Capital Projects	0	699,600	122,012	821,612
Debt Service	0	0	225,989	225,989
Assigned:				
Subsequent Year Budget Shortfall	51,598	0	0	51,598
Technology Improvements	446,378	0	0	446,378
Community Services	0	0	310,469	310,469
Unassigned	1,706,256	0	0	1,706,256
Total Fund Balances	\$ 2,267,139	\$ 699,600	\$ 668,917	\$ 3,635,656

O. 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.

P. 2017 Refunding Bonds

On March 3, 2017, the District issued \$6,455,000 in General Obligation Bonds with interest rates of 3% to advance refund \$6,645,000 of outstanding 2007 Refunding Bonds with interest rates of 4%. As a result, \$6,645,000 of the 2007 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, 2017, the bond refunding escrow agent called the entire \$6,645,000 of outstanding 2007 Refunding Bonds and retired them.

The District advance refunded a portion of the 2007 refunding bond issue to reduce its total future debt service payments by \$486,301 and resulted in an economic gain of \$470,655.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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. Tax Abatements

Effective for the year ended June 30, 2017, the District is required to disclose significant tax abatements as required by GASB statement 77 (tax abatements). The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by Little Traverse Township within the District. Industrial facility exemptions are intended to promote construction of new industrial facilities, acquisition of personal property or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2017, (tax year 2016) the District's property tax revenues were reduced by \$14,732 under these programs.

S. 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, 2017, the District had approved bids as follows, \$49,164 for an air make up unit in the woodshop, \$127,657 for a maintenance building, \$93,043 for computers and cases and \$137,766 related to a fiber optic build project. All of the expenditures related to the outstanding approved bids will occur in the 2017-2018 fiscal year.

2. Subsequent Event

In July 2017, the District approved technology purchases in the amount of \$32,406.

No adjustment was made to the financial statements for the year ended June 30, 2017, related to this subsequent event.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – UPCOMING ACCOUNTING PRONOUNCEMENTS

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year end. The Statement requires governments that participate in defined postemployment benefit plans to report in their statement of net position a net postemployment benefit liability. The net postemployment benefit liability is the difference between the total postemployment benefit liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net postemployment benefit liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the postemployment benefit liabilities and expense.

Governmental Accounting Standards Board (GASB) Statement No. 84 – *Fiduciary Activities*

GASB Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 fiscal year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 9,695,724	\$ 9,774,359	\$ 9,772,236
State Sources	1,093,946	1,168,820	1,168,829
Federal Sources	149,772	149,984	150,288
Other Transactions	752,747	434,758	437,150
Total Revenues	<u>11,692,189</u>	<u>11,527,921</u>	<u>11,528,503</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	6,413,092	6,442,110	6,439,528
Added Needs	1,005,147	788,597	787,949
Supporting Services			
Pupil	471,598	453,691	453,761
Instructional Staff	168,291	207,947	207,917
General Administration	456,637	482,106	477,537
School Administration	756,586	740,324	739,327
Business	290,022	311,365	311,303
Operating and Maintenance	1,343,417	1,350,189	1,345,078
Pupil Transportation	347,763	306,676	302,178
Central Services	166,778	172,989	172,439
Other-Athletic Activities	329,524	328,312	328,215
Community Services			
Community Activities	1,499	0	0
Facilities Acquisition			
Architecture and Engineering Services	0	10,500	14,291
Total Expenditures	<u>11,750,354</u>	<u>11,594,806</u>	<u>11,579,523</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(58,165)</u>	<u>(66,885)</u>	<u>(51,020)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from the Sale of Capital Assets	0	0	3,200
Transfers In (Out)	(81,625)	(91,679)	(84,155)
Total Other Financing Sources (Uses)	<u>(81,625)</u>	<u>(91,679)</u>	<u>(80,955)</u>
Net Change in Fund Balance	(139,790)	(158,564)	(131,975)
<u>FUND BALANCE</u> - Beginning of Year	<u>2,308,775</u>	<u>2,399,114</u>	<u>2,344,186</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 2,168,985</u>	<u>\$ 2,240,550</u>	<u>\$ 2,212,211</u>

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

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, 2017

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)								0.06974%	0.06951%	0.06791%
District's proportionate share of net pension liability								\$ 17,398,661	\$ 16,976,615	\$ 14,957,368
District's covered-employee payroll								5,403,054	5,536,887	5,789,172
District's proportionate share of net pension liability as a percentage of its covered-employee payroll								322.02%	306.61%	258.37%
Plan fiduciary net position as a percentage of total pension liability								63.27%	63.17%	66.20%

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

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, 2017

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions								\$ 1,658,039	\$ 1,513,042	\$ 1,316,797
Contributions in relation to statutorily required contributions *								1,658,039	1,513,042	1,316,797
Contribution deficiency (excess)								\$ 0	\$ 0	\$ 0
Covered-Employee Payroll								\$ 5,906,558	\$ 5,322,738	\$ 5,802,318
Contributions as a percentage of covered-employee payroll								28.07%	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.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2017

A. Changes of Benefit Terms:

There were no changes of benefit terms for the plan year ended September 30, 2016.

B. Changes of Assumptions:

There were no changes of benefit assumptions for the plan year ended September 30, 2016.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2017

	<u>SPECIAL REVENUE FUNDS</u>		<u>DEBT SERVICE FUNDS</u>				<u>CAPITAL PROJECT FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>FOOD SERVICE FUND</u>	<u>COMMUNITY SERVICES FUND</u>	<u>2012 BOND ISSUE</u>	<u>2015 BOND ISSUE</u>	<u>2016 REFUNDING</u>	<u>2017 REFUNDING</u>	<u>SINKING FUND</u>	
<u>ASSETS</u>								
Cash	\$ 19,371	\$ 293,508	\$ 48,494	\$ 18,466	\$ 33,936	\$ 125,093	\$ 122,012	\$ 660,880
Accounts Receivable	4,643	26,091	0	0	0	0	0	30,734
Inventories	6,881	0	0	0	0	0	0	6,881
Prepaid Expenditures	214	3,352	0	0	0	0	0	3,566
TOTAL ASSETS	\$ 31,109	\$ 322,951	\$ 48,494	\$ 18,466	\$ 33,936	\$ 125,093	\$ 122,012	\$ 702,061
<u>LIABILITIES AND FUND BALANCE</u>								
<u>LIABILITIES</u>								
Accounts Payable	\$ 8,893	\$ 3,923	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,816
Accrued Expenditures	277	1,603	0	0	0	0	0	1,880
Unearned Revenue	1,003	0	0	0	0	0	0	1,003
Due to Other Funds	13,841	3,604	0	0	0	0	0	17,445
Total Liabilities	24,014	9,130	0	0	0	0	0	33,144
<u>FUND BALANCE</u>								
Nonspendable								
Inventory	6,881	0	0	0	0	0	0	6,881
Prepaid Expenditures	214	3,352	0	0	0	0	0	3,566
Restricted for:								
Debt Service	0	0	48,494	18,466	33,936	125,093	0	225,989
Capital Projects	0	0	0	0	0	0	122,012	122,012
Assigned for:								
Community Services	0	310,469	0	0	0	0	0	310,469
Total Fund Balance	7,095	313,821	48,494	18,466	33,936	125,093	122,012	668,917
TOTAL LIABILITIES AND FUND BALANCE	\$ 31,109	\$ 322,951	\$ 48,494	\$ 18,466	\$ 33,936	\$ 125,093	\$ 122,012	\$ 702,061

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

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

YEAR ENDED JUNE 30, 2017

	<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>2012 BOND ISSUE</u>	<u>2015 BOND ISSUE</u>	<u>2016 REFUNDING</u>	<u>2017 REFUNDING</u>	<u>SINKING FUND</u>	
<u>REVENUES</u>								
Local Sources	\$ 162,477	\$ 520,853	\$ 568,679	\$ 56,852	\$ 384,398	\$ 1	\$ 564,821	\$ 2,258,081
State Sources	10,059	0	1,858	186	1,259	0	1,857	15,219
Federal Sources	90,115	0	0	0	0	0	0	90,115
Total Revenues	262,651	520,853	570,537	57,038	385,657	1	566,678	2,363,415
<u>EXPENDITURES</u>								
Food Service Activities	317,832	0	0	0	0	0	0	317,832
Community Activities	0	513,961	0	0	0	0	0	513,961
Construction Projects	0	0	0	0	0	0	381,916	381,916
Debt Service								
Principal	0	0	525,000	25,000	135,000	0	0	685,000
Interest	0	0	21,400	23,900	244,882	132,900	0	423,082
Bond Issuance Costs	0	0	0	0	0	91,113	0	91,113
Other Transactions	0	0	203	500	687	0	0	1,390
Total Expenditures	317,832	513,961	546,603	49,400	380,569	224,013	381,916	2,414,294
Excess (Deficiency) of Revenues Over (Under) Expenditures	(55,181)	6,892	23,934	7,638	5,088	(224,012)	184,762	(50,879)
<u>OTHER FINANCING SOURCES (USES)</u>								
Face Value of Bonds Issued	0	0	0	0	0	6,455,000	0	6,455,000
Premium on Bonds Issued	0	0	0	0	0	268,759	0	268,759
Payments to Refunding Bond Escrow Agent	0	0	0	0	0	(6,639,746)	0	(6,639,746)
Transfers In (Out)	55,416	28,739	0	0	0	265,092	0	349,247
Total Other Financing Sources (Uses)	55,416	28,739	0	0	0	349,105	0	433,260
Net Change in Fund Balance	235	35,631	23,934	7,638	5,088	125,093	184,762	382,381
FUND BALANCE - Beginning of Year (Deficit)	6,860	278,190	24,560	10,828	28,848	0	(62,750)	286,536
FUND BALANCE - End of Year	\$ 7,095	\$ 313,821	\$ 48,494	\$ 18,466	\$ 33,936	\$ 125,093	\$ 122,012	\$ 668,917

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

FIDUCIARY FUND TYPES
COMBINING BALANCE SHEET

JUNE 30, 2017

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 62,992	\$ 267,928	\$ 330,920
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Due to Groups and Organizations	\$ 0	\$ 267,928	\$ 267,928
<u>FUND BALANCE</u>			
Restricted for:			
Scholarships and Memorials	4,326	0	4,326
Endowments	56,666	0	56,666
Unrestricted	2,000	0	2,000
Total Fund Balance	62,992	0	62,992
TOTAL LIABILITIES AND FUND BALANCE	\$ 62,992	\$ 267,928	\$ 330,920

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2017

	<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	\$ 56,781	\$ 6,211	\$ 62,992
<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	1,552	2,774	4,326
Endowments	53,229	3,437	56,666
Unrestricted	2,000	0	2,000
Total Fund Balance	56,781	6,211	62,992
TOTAL LIABILITIES AND FUND BALANCE	\$ 56,781	\$ 6,211	\$ 62,992

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, 2017

	<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	56,724	6,208	62,932
<u>FUND BALANCE</u> - End of Year	<u>\$ 56,781</u>	<u>\$ 6,211</u>	<u>\$ 62,992</u>

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE

YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u>
	7/01/16	(Including Transfers)		6/30/17
Alumni	\$ 1,576	\$ 3	\$ 0	\$ 1,579
Athletic Boosters	45,558	24,329	69,887	0
Athletic Boosters Scholarship Acct	3,562	0	3,562	0
Athletic Director	1,903	3	0	1,906
Safe Route To Schools Grant	823	1	0	824
Band Activities	1,081	17,455	18,132	404
Band Boosters (IMP)	10,075	33,169	33,176	10,068
Benny Davis - NCF - Clothing	39	13	0	52
Benny Davis - NCF- Books	26	13	0	39
Benny Davis - Undesignated	13,000	0	0	13,000
Elementary Library	1,669	3	0	1,672
Blackbird Pop Fund	900	2	17	885
Field Trips - BB/Shay	150	1	0	151
BB/Shay Visual Arts	591	915	1,416	90
Blackbird Fundraiser	8,882	2,839	3,979	7,742
Birthday Book Club	224	0	0	224
Preschool Fundraiser	1,125	2	0	1,127
Blackbird Music Program	130	678	0	808
PTO - ES	381	0	0	381
HS Textbooks - Fees and Fines	1,076	2	0	1,078
Class of 2014	316	0	0	316
Class of 2015	1,322	2	0	1,324
Class of 2016	2,111	4	124	1,991
Class of 2017	3,302	563	3,578	287
Class of 2018	3	8,595	4,658	3,940
Class of 2020	0	62	0	62
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	3,337	3,764	4,022	3,079
HS- Softball	2,183	252	1,068	1,367
HS - Basketball Program	3,047	2	2,004	1,045
HS - Cheerleading	2	0	0	2
HS - Golf	0	4,796	1,789	3,007
HS - Girls Golf	3,994	5,901	3,720	6,175

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE

YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u>
	7/01/16	(Including Transfers)		6/30/17
HS - Community Adult Band	4,524	1,134	1,227	4,431
HS - Boys Tennis	40	0	0	40
HS - Girls Tennis	(33)	201	0	168
HS - Track	3,091	36,891	34,897	5,085
HS - Football	10,941	11,724	9,397	13,268
HS - Varsity Girls Soccer	2,303	6,690	5,314	3,679
HS - Snowboard Club	1,492	2	0	1,494
HS - Student and Staff Support	(85)	763	584	94
National Honor Society	759	1,748	2,555	(48)
Fine Arts Trips HS	4,736	3,222	6,872	1,086
Schiller / Art	138	0	0	138
HS - Women's Basketball	10,473	17	536	9,954
HS - Volleyball	7,248	755	1,660	6,343
HS - Wrestling Club	968	1	0	969
HS - Rec Soccer	2,449	4	0	2,453
HS - Dance Club	122	0	0	122
Interest	199	1,227	1,351	75
Key Club	745	997	3,178	(1,436)
MI Youth In Government	1,392	13,570	13,588	1,374
HS - Physics	1,123	2	14	1,111
District Theatre Arts	16,036	17,575	18,346	15,265
Young Americans Account	500	2,590	236	2,854
MS - Boosters	3,526	907	0	4,433
MS-Anna Bosma-Memorial Scholarship	0	275	0	275
MS - Job Skills	433	0	0	433
MS - Book Deposits	7,492	0	7,492	0
MS - Activities	220	2,143	2,357	6
MS - Fees and Fines	396	0	0	396
MS - Magazine	0	62,314	57,583	4,731
MS - 7th Grade Integrated Studies	3,733	469	0	4,202
MS - 6th Grade Team	6,601	975	2,783	4,793
MS - Science Olympiad	960	1	0	961
MS - Tackle Football	281	1,979	125	2,135
MS-Track	0	396	340	56
MS - Volleyball	786	1	0	787
MS - Boys BB	694	641	240	1,095
Parents Advisory-Pac/Cac	3,058	15,518	15,176	3,400

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE

YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u>
	7/01/16	(Including Transfers)		6/30/17
Rampage (yearbook)	1,828	5,406	3,150	4,084
Shay - Multi-Age	21	0	0	21
Shay - Carnival	1,954	3	411	1,546
Shay - Fundraiser Acct.	2,038	2	0	2,040
Shay 3rd Grade	79	7,261	6,918	422
Shay 4th Grade	1,943	6,563	6,552	1,954
Shay 5th Grade	2,523	9,083	6,692	4,914
Shay - Student Council	1,348	438	126	1,660
Shay - Pop Machine	3,599	67	152	3,514
Shay - Enrichment	3,532	6	38	3,500
Mary Kay Farley Scholarship	70,794	46,500	117,294	0
Lucy Causley Scholarship	411	1,773	599	1,585
Ski Team Boosters	43,955	72,811	62,858	53,908
Spanish Club	139	8,814	0	8,953
HS - Special Education	2,581	1,055	622	3,014
Special Art Fund	934	1	0	935
Strive	657	1	0	658
HS - Student Council	643	166	239	570
HS - Student Council Gift	11,568	18	0	11,586
MS - Student Council	1,093	692	833	952
	<u>\$ 362,634</u>	<u>\$ 448,761</u>	<u>\$ 543,467</u>	<u>\$ 267,928</u>

Represented by

Assets

Cash and Cash Equivalents	\$ 348,679	\$ 267,928
Investments	13,000	0
Due from Other Funds	1,552	0
Total Assets	<u>\$ 363,231</u>	<u>\$ 267,928</u>

Liabilities

Due to Other Funds	\$ 597	\$ 0
Due to Groups and Organizations	362,634	267,928
Total Liabilities	<u>\$ 363,231</u>	<u>\$ 267,928</u>

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SELECTED STATISTICAL DATA
YEARS 2008 TO 2017

SOURCE: ANNUAL AUDITED STATEMENTS

YEAR ENDED JUNE 30,	2017	2016	2015	2014	2013
Total Taxable Value	\$ 1,042,996,303	\$ 1,038,541,810	\$ 1,018,679,786	\$ 1,004,637,717	\$ 1,012,581,577
Non-Homestead Taxable Value	689,620,064	679,568,858	667,991,977	661,373,879	660,355,376
Blended Student Count	802	818	824	843	869
Taxable Value Per Student	1,300,494	1,269,611	1,236,262	1,191,741	1,165,226
Per Pupil Foundation Allowance	8,366	8,357	8,287	8,237	8,207
Mills Levied					
Operations - Non-Homestead	13.9911	13.9911	13.9911	13.9911	13.9911
Debt	2.6500	2.6500	2.6500	2.7000	3.2800
Sinking Fund	0.5395	0.5399	0.5399	0.5400	0.5400
Community Schools	0.1298	0.1299	0.1299	0.1300	0.0000
Property Tax Revenues					
Operations	9,463,502	9,415,308	9,208,987	9,094,165	9,188,353
Debt	2,771,466	2,748,762	2,701,214	2,720,322	3,322,565
Sinking Fund	564,263	559,744	550,296	543,945	546,617
Recreation	135,479	134,595	132,331	130,891	0
State Aid - Foundation Grant (Excluding Categoricals)	141,069	131,150	157,746	193,655	212,189
Other General Fund Data					
Total Fund Balance	2,212,211	2,399,114	2,344,186	2,347,739	2,464,389
Total Local Revenues	9,772,236	9,747,483	9,510,632	9,368,995	9,490,634
Total State Revenues	1,168,829	1,036,630	900,404	817,179	615,073
Total Expenditures*	11,579,523	11,197,988	10,940,300	10,850,637	10,817,650
*note-2011 was first year Athletics were reported in General Fund					
Long Term Debt Data					
Bonds Payable	17,580,000	19,895,000	22,105,000	22,810,000	24,680,000
Contracts Payable and Retirement Incentives	50,000	100,000	0	0	0
Compensated Absences	152,696	170,199	191,744	188,809	189,297

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SELECTED STATISTICAL DATA
YEARS 2008 TO 2017

SOURCE: ANNUAL AUDITED STATEMENTS

YEAR ENDED JUNE 30,	2012	2011	2010	2009	2008
Total Taxable Value	\$ 1,029,274,640	\$ 1,080,156,555	\$ 1,138,942,327	\$ 1,113,835,247	\$ 1,073,676,024
Non-Homestead Taxable Value	678,218,266	720,819,337	764,103,492	751,717,500	733,142,721
Blended Student Count	880	984	1,024	1,061	1,114
Taxable Value Per Student	1,169,630	1,097,720	1,112,248	1,049,798	963,803
Per Pupil Foundation Allowance	8,207	8,677	8,677	8,677	8,433
Mills Levied					
Operations - Non-Homestead	13.9911	13.9911	13.9911	13.9911	13.9911
Debt	3.1000	2.9600	2.9200	2.9500	3.0300
Sinking Fund	0.6600	0.6600	0.6600	0.6600	0.6600
Community Schools	0.0000	0.0000	0.0000	0.0000	0.0000
Property Tax Revenues					
Operations	9,367,003	9,884,590	10,624,443	10,349,061	10,257,405
Debt	3,195,991	3,196,568	3,332,759	3,290,790	3,253,059
Sinking Fund	680,864	712,657	752,835	732,749	708,587
Recreation	0	0	0	0	0
State Aid - Foundation Grant (Excluding Categoricals)	201,721	202,030	186,025	179,214	250,799
Other General Fund Data					
Total Fund Balance	2,689,684	3,422,045	3,534,150	3,358,794	3,333,867
Total Local Revenues	9,623,898	10,233,466	10,863,120	10,666,557	10,725,418
Total State Revenues	507,599	330,510	243,513	395,405	298,894
Total Expenditures*	11,375,378	11,615,291	11,120,689	11,199,483	10,991,354
*note-2011 was first year Athletics were reported in General Fund					
Long Term Debt Data					
Bonds Payable	25,895,499	24,523,734	25,775,851	27,054,959	28,356,684
Contracts Payable and Retirement Incentives	0	100,000	200,000	0	118,400
Compensated Absences	176,878	199,239	289,933	320,534	300,427

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2017

<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	\$ 1,360,000	
Redeemed During Current Year	1,440,000	
Refunded During Current Year	<u>6,645,000</u>	<u>9,445,000</u>
<u>BALANCE OUTSTANDING - June 30, 2017</u>		<u><u>\$ 0</u></u>

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2017

<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>135,000</u>	<u>135,000</u>
<u>BALANCE OUTSTANDING - June 30, 2017</u>		<u><u>\$ 9,410,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 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%	<u>1,979,250</u>	<u>29,250</u>	<u>1,950,000</u>
		<u><u>\$ 10,894,700</u></u>	<u><u>\$ 1,484,700</u></u>	<u><u>\$ 9,410,000</u></u>

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2017

<u>TITLE OF ISSUE</u>	2017 Refunding Bonds	
<u>PURPOSE</u>	To refund the 2007 bonds to take advantage of lower advantage of lower interest rates.	
<u>DATE OF ISSUE</u>	March 3, 2017	
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year	
<u>AMOUNT OF ISSUE</u>		\$ 6,455,000
<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, 2017</u>		<u><u>\$ 6,455,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2017		\$ 128,024	\$ 128,024	
May 1, 2018	3.00%	1,666,825	96,825	\$ 1,570,000
November 1, 2018		73,275	73,275	
May 1, 2019	3.00%	1,593,275	73,275	1,520,000
November 1, 2019		50,475	50,475	
May 1, 2020	3.00%	1,620,475	50,475	1,570,000
November 1, 2020		26,925	26,925	
May 1, 2021	3.00%	1,641,925	26,925	1,615,000
November 1, 2021		2,700	2,700	
May 1, 2022	3.00%	<u>182,700</u>	<u>2,700</u>	<u>180,000</u>
		<u><u>\$ 6,986,599</u></u>	<u><u>\$ 531,599</u></u>	<u><u>\$ 6,455,000</u></u>

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2017

<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	\$	1,620,000	
Redeemed During Current Year		<u>525,000</u>	<u>2,145,000</u>
<u>BALANCE OUTSTANDING - June 30, 2017</u>		\$	<u><u>545,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2017		\$ 5,450	\$ 5,450	
May 1, 2018	2.00%	<u>550,450</u>	<u>5,450</u>	<u>\$ 545,000</u>
		<u>\$ 555,900</u>	<u>\$ 10,900</u>	<u>\$ 545,000</u>

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2017

<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>25,000</u>	<u>25,000</u>
<u>BALANCE OUTSTANDING - June 30, 2017</u>		<u><u>\$ 1,170,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 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%	<u>378,750</u>	<u>3,750</u>	<u>375,000</u>
		<u><u>\$ 1,238,300</u></u>	<u><u>\$ 68,300</u></u>	<u><u>\$ 1,170,000</u></u>



Baird, Cotter & Bishop, P.C.

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July 13, 2017

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, 2017, 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 13, 2017.

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 purpose 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.

