HARBOR SPRINGS PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)

JUNE 30, 2019

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, 2019

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HARBOR SPRINGS, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019

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August 5, 2019

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, 2019, 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, 2019, 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 xii and 41-46 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 August 5, 2019, 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, 2019

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, 2019. 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, 2017 Refunding Debt Service Fund, and 2018 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 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.

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 2015, 2016, 2017, and 2018 Debt Service Funds.
- Special Revenue Funds – consisting of the Food Service Fund, and the Community Services Fund.
- Capital Projects Funds – consisting of the 2018 School Building and Site Fund, 2015 School Building and Site Fund, Fiber Optic Build 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 an other 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* and *Statement of Changes in 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.

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	
	2018	**2019**
Assets		
Current Assets	$ 8,863,712	$ 7,105,791
Non-Current Assets, Net of Accumulated Depreciation	37,923,978	40,843,638
Total Assets	46,787,690	47,949,429
Deferred Outflows of Resources	4,670,615	8,537,930
Liabilities		
Current Liabilities	3,899,468	5,247,022
Long-Term Liabilities	42,386,966	42,490,033
Total Liabilities	46,286,434	47,737,055
Deferred Inflows of Resources	1,932,759	3,752,126
Net Position		
Net Investment in Capital Assets	22,087,673	23,604,459
Restricted for Specific Purpose	443,546	836,591
Unrestricted (Deficit)	(19,292,107)	(19,442,872)
Total Net Position	$ 3,239,112	$ 4,998,178

Investment in capital assets, net of related debt of $23,604,459, 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 $836,591 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.

Analysis of Financial Position

During the fiscal year ended June 30, 2019, the District's net position increased by $1,759,066, increasing the net position to $4,998,178. 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, 2019, $1,472,713 was recorded for depreciation expense.

2. ***Pension and Other Postemployment Benefits Expense***

   GASB 68 and 75 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 and OPEB liabilities increases or decreases in any given year. For the year ended June 30, 2019, the District reported a decrease in net position related to GASB 68 and 75 which indicates that the District's proportionate share of the net pension and other postemployment benefits liability has increased.

3. ***Capital Outlay Acquisitions***

   For the fiscal year ended June 30, 2019, $4,392,373 of expenditures for equipment, land and land improvements and buildings 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 an increase to capital assets in the amount of $2,919,660 for the fiscal year ended June 30, 2019.

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	
	2018	**2019**
Revenues		
Program Revenues		
Charges for Services	$ 773,108	$ 807,115
Operating Grants and Contributions	2,134,771	2,058,541
Capital Grants	230,000	135,129
General Revenues		
Property Taxes	13,587,801	13,695,601
Regional Enhancement Millage	0	533,462
Unrestricted Investment Interest	19,859	92,458
State Sources	88,720	99,418
Proceeds from the Sale of Capital Assets	35,250	0
Other	69,349	248,887
Total Revenues	16,938,858	17,670,611
Expenses		
Instruction	8,270,883	7,665,410
Supporting Services	4,011,839	5,330,184
Community Services	292,070	435,821
Food Services	458,425	228,988
Facilities Acquisition, Construction, and Improvements	162,187	390,490
Interest/Fees on Long-Term Debt	369,142	385,570
Bond Issuance Costs	58,414	0
Other Transactions	1,857	2,369
Depreciation (Unallocated)	1,718,619	1,472,713
Total Expenses	15,343,436	15,911,545
Increase in Net Position	$ 1,595,422	$ 1,759,066

Of the District's total revenues available to operate the District, a portion came from fees charged to those who benefited from the programs (charges for services). Additionally, a significant portion of revenues came from other governments or organizations that subsidize certain programs with grants and other directed types of funding (operating grants and contributions).

Local property taxes 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, community services fund (recreation millage) and debt retirement funds.

The State guaranteed foundation allowance for the District is $8,597 per student, while locally generated revenue is significantly 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 tax revenue that is generated by a special millage specifically for capital expenditures (Sinking Fund Millage). 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. Support services amounted to the next highest 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 $4.38 million, which is a decrease of approximately $3.00 million from the prior year.

Approximately 2.41 million of total combined fund balance, constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of the fund balance 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 $2.41 million, while total fund balance was approximately $2.93 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.

The fund balance of the District's General Fund increased by $513,112 during the current fiscal year bringing the fund balance to $2,926,730, of which $2,413,804 is unassigned, $453,674 is assigned for technology, and $59,252 is nonspendable for inventory and prepaid expenditures.

The 2017 Refunding Debt Service Fund decreased its fund balance by $17,853 bringing the fund balance to $146,840.

The 2018 School Building and Site Fund decreased its fund balance by $3,848,835 bringing the fund balance to $143,854, 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 change in the Total Revenue Original Budget to Final Budget was an increase of $432,343. The majority of the local revenue increase was due to a large donation to our band program. Budgeted interest revenue increased by $54,000 as the District invested funds to take advantage of higher interest rates and Preschool Tuition increased by $15,200. State revenue increased due to the receipt of a Michigan State Police Safety Grant of $208,194, as well as several smaller State grants. In addition, the District received a large insurance reimbursement of $190,544. This is the first installment towards repairs to the Blackbird Elementary roof which was severely damaged during the winter storms.

The change in Total Expenditures Original Budget to Final Budget was an increase of $53,664. The budgeted increase was due to an increase in Facilities Acquisition paid with the Michigan State Police Safety Grant and the Blackbird Elementary Roof repair. This increase of $421,609 was largely offset by decreased expenditures in most other functions.

The difference between final budgeted revenue and expenditures and actual revenue and expenditures was primarily due to the timing of the Michigan State Police Safety Grant Project and Blackbird Roof Repairs which were still in progress at fiscal year-end.

Overall, the changes in the 2018-2019 fiscal year budget were positive.

Capital Asset and Debt Administration

Capital Assets. By the end of June 30, 2019, the District had invested in a broad range of capital assets, including school buildings, land, vehicles, furniture and equipment (net of depreciation). More detailed information about capital assets is available in Note 3 C. to the financial statements.

Harbor Springs Public Schools
Capital Assets

	2018	2019
Land	$ 2,660,623	$ 2,764,746
Construction-in-Progress	631,433	4,250,246
Land Improvements	2,007,730	2,566,003
Buildings and Additions	46,910,055	46,943,415
Furniture and Equipment	5,756,330	5,781,404
Transportation Equipment	778,706	767,206
Total Capital Assets	58,744,877	63,073,020
Less Accumulated Depreciation	20,820,899	22,229,382
Net Capital Assets	$ 37,923,978	$ 40,843,638

Major capital asset contributions during the 18-19 fiscal year include:

- Various technology equipment in the amount of $40,485
- Whisper room in the amount of $33,360
- High school boiler replacement work totaling $259,790 of which, $182,343 was recorded in construction in progress in the prior year
- Access control locks and window film related to a school security grant the District received in the amount of $58,028, which is added to construction in progress, as the project is not complete
- Blackbird Elementary School roof repair/replacement in the amount of $190,544 which is added to construction in progress, as the project is not complete – this roof repair/replacement is being funded through insurance proceeds
- Various other equipment purchases amounting to $37,319
- Fiber Optic build project was placed into service during the fiscal year
- Land at 283 Lake Street in the amount of $104,123
- Athletic bond capital project work additional construction in progress of $3,935,225

In addition to purchasing the above assets the School has committed to spend approximately $471,910 worth of various capital assets that will be added to capital assets in the 2019-2020 fiscal year.

Debt. At year-end, the District had approximately $16.88 million in general obligation bonds and – a decrease of 2.42 million from last year. The District's net pension liability is $21.64 million and the OPEB liability is 5.75 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 2019-20 fiscal year budget.

- Approximately 79% of the General Fund revenues are from non-homestead property tax. That makes our non-homestead property values one of the most important factors impacting our budget. Property tax revenue is estimated to increase by 4.3% for 2019-20.
- In 2018-19, the District received a very generous donation of over $540,000 from the Estate of Ronald Robert Pawlak for the benefit of our Music Program. This has already benefited our program and students in terms of new instruments, equipment and music camps. It will continue to strengthen our already outstanding music program for many years to come.

- The District will expand its Daycare program to include infants and toddlers beginning in September 2019. This will replace the program operated by North Country Kids and housed in rooms leased from our District. The program will be run through our Community Schools fund and will be self-supporting with no transfer from the General Fund.

- The District has just hired a Food Service Director and will begin to manage the Food Service program directly in 2019-20. The subsidy from General Fund to support the program has decreased over the last few years; from $55,416 in 2016-17 to $32,578 in 2017-18 to $25,000 in 2018-19. We are optimistic that having someone on-site full-time will enable us to expand participation and bring the program even closer to profitability.

- The District has just undergone a Facilities Audit and is expecting the results in early 2019-20. This will help the District with both short-term and long-term planning for the maintenance and improvement of our facilities.

- The District's labor contract with the Harbor Springs Education Association, which represents the District's teachers, will expire August 2019. The District's labor contract with the Harbor Springs Educational Support Personnel Association, which represents the District's support personnel, expired July 2019. Negotiations are underway and at the time of this audit, the District felt that both contracts were close to settlement.

- The general enrollment trend in the District has been on a decline over the past 10 years (from 1,050 students in 2009 to 801 students in 2019). We anticipate student enrollment to continue to decline slightly over the next several years, following an overall regional trend. Subsequently, it will be necessary to make staffing adjustments as that occurs. Fortunately, as an out-of-formula District, HSPS is not heavily impacted financially by loss of student enrollment.

- Despite an overall declining student enrollment trend, Harbor Springs Public Schools prides itself in offering a comprehensive academic, arts, and athletic program to its students.

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.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2019

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	2,834,620
Restricted Cash		838,513
Investments		2,971,380
Accounts Receivable		23,087
Taxes Receivable		40,342
Receivable from External Parties		1,827
Due from Other Governments		323,403
Accrued Interest Receivable		3,331
Inventories		26,592
Prepaid Expenses		42,696
Total Current Assets		7,105,791
NON CURRENT ASSETS		
Capital Assets		63,073,020
Less Accumulated Depreciation		(22,229,382)
Total Non Current Assets		40,843,638
TOTAL ASSETS		47,949,429
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions		7,374,821
Related to Other Postemployment Benefits		1,163,109
TOTAL DEFERRED OUTFLOWS OF RESOURCES		8,537,930
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable		746,760
Due to Other Governments		159,636
Payroll Deductions and Withholdings		23,064
Salaries Payable		617,045
Accrued Expenses		301,533
Unearned Revenue		873,984
Current Portion of Non Current Liabilities		2,525,000
Total Current Liabilities		5,247,022

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, 2019

NON CURRENT LIABILITIES		
Bonds Payable - Net		17,383,033
Accrued Interest		71,025
Compensated Absences		170,039
Net Other Postemployment Benefits Liability		5,747,007
Net Pension Liability		21,643,929
Less Current Portion of Non Current Liabilities		(2,525,000)
Total Non Current Liabilities		42,490,033
TOTAL LIABILITIES		47,737,055
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Refunding - Net		5,356
Related to Pensions		2,454,820
Related to Other Postemployment Benefits		1,291,950
TOTAL DEFERRED INFLOWS OF RESOURCES		3,752,126
NET POSITION		
Net Investment in Capital Assets		23,604,459
Restricted for Debt Service		191,479
Restricted for Capital Projects		645,112
Unrestricted (Deficit)		(19,442,872)
TOTAL NET POSITION	$	4,998,178

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, 2019

FUNCTIONS/PROGRAMS	EXPENDITURES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS	PROGRAM REVENUES: CAPITAL GRANTS	GOVERNMENTAL ACTIVITIES: NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES					
Instruction	$ 7,665,410	$ 33,927	$ 1,772,577	$ 0	$ (5,858,906)
Supporting Services	5,330,184	161,522	175,062	0	(4,993,600)
Community Services	435,821	435,068	6,990	0	6,237
Food Service Activities	228,988	176,598	103,912	0	51,522
Facilities Acquisition, Construction, and Improvements	390,490	0	0	135,129	(255,361)
Interest on Long-Term Debt	385,570	0	0	0	(385,570)
Other Transactions	2,369	0	0	0	(2,369)
Unallocated Depreciation	1,472,713	0	0	0	(1,472,713)
TOTAL GOVERNMENTAL ACTIVITIES	$ 15,911,545	$ 807,115	$ 2,058,541	$ 135,129	(12,910,760)
GENERAL REVENUES					
Property Taxes - Levied for General Purposes					10,042,573
Property Taxes - Levied for Debt Service					2,918,958
Property Taxes - Levied for Sinking Capital Projects					591,803
Property Taxes - Levied for Recreation					142,267
Regional Enhancement Millage					533,462
Investment Earnings					92,458
State Sources					99,418
Other					248,887
Total General Revenues					14,669,826
Change in Net Position					1,759,066
NET POSITION - Beginning of Year					3,239,112
NET POSITION - End of Year					$ 4,998,178

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, 2019

	GENERAL FUND	2017 REFUNDING DEBT SERVICE FUND	2018 SCHOOL BUILDING AND SITE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	$ 2,137,416	$ 139,000	$ 0	$ 558,204	$ 2,834,620
Restricted Cash	0	0	838,427	86	838,513
Investments	2,343,148	0	0	628,232	2,971,380
Accounts Receivable	5,398	0	0	17,689	23,087
Taxes Receivable	32,613	3,465	0	4,264	40,342
Due from Other Funds	33,845	4,375	0	6,096	44,316
Due from Other Governments	313,403	0	0	10,000	323,403
Accrued Interest Receivable	3,331	0	0	0	3,331
Inventories	22,111	0	0	4,481	26,592
Prepaid Expenditures	37,141	0	0	5,555	42,696
TOTAL ASSETS	$ 4,928,406	$ 146,840	$ 838,427	$ 1,234,607	$ 7,148,280
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts and Retainage Payable	$ 36,218	$ 0	$ 694,573	$ 15,969	$ 746,760
Due to Other Governments	159,636	0	0	0	159,636
Payroll Deductions and Withholdings	23,064	0	0	0	23,064
Salaries Payable	617,045	0	0	0	617,045
Accrued Expenditures	289,854	0	0	11,679	301,533
Due to Other Funds	10,385	0	0	32,104	42,489
Unearned Revenue	865,474	0	0	8,510	873,984
Total Liabilities	2,001,676	0	694,573	68,262	2,764,511
FUND BALANCES					
Nonspendable - Inventory					
Inventory	22,111	0	0	4,481	26,592
Prepaid Expenditures	37,141	0	0	5,555	42,696
Restricted for:					
Food Service	0	0	0	5,594	5,594
Capital Projects	0	0	143,854	643,521	787,375
Debt Service	0	146,840	0	115,664	262,504
Assigned, Reported in:					
General Fund	453,674	0	0	0	453,674
Special Revenue Fund-Community Services	0	0	0	391,530	391,530
Unassigned	2,413,804	0	0	0	2,413,804
Total Fund Balances	2,926,730	146,840	143,854	1,166,345	4,383,769
TOTAL LIABILITIES AND FUND BALANCES	$ 4,928,406	$ 146,840	$ 838,427	$ 1,234,607	$ 7,148,280

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, 2019

Total Governmental Fund Balances		$ 4,383,769
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	$ 63,073,020	
Accumulated depreciation is	(22,229,382)	40,843,638
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		(5,356)
Bond Discount (Premium)		(503,033)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds Payable		(16,880,000)
Compensated Absences		(170,039)
Some liabilities, including net pension and other postemployment benefit obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability		(21,643,929)
Net Other Postemployment Benefits Liability		(5,747,007)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources		8,537,930
Deferred Inflows of Resources		(3,746,770)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.		(71,025)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 4,998,178

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, 2019

	GENERAL FUND	2017 REFUNDING DEBT SERVICE FUND	2018 SCHOOL BUILDING AND SITE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Local Sources	$ 10,587,326	$ 1,644,822	$ 29,503	$ 2,636,242	$ 14,897,893
State Sources	1,510,472	4,375	0	16,231	1,531,078
Federal Sources	120,875	0	0	90,835	211,710
Other Transactions	1,093,470	0	0	0	1,093,470
Total Revenues	13,312,143	1,649,197	29,503	2,743,308	17,734,151
EXPENDITURES					
Instruction	7,890,660	0	0	0	7,890,660
Supporting Services	4,578,703	0	0	7,927	4,586,630
Food Service Activities	0	0	0	300,565	300,565
Community Services	44	0	0	557,469	557,513
Facilities, Acquisition, Construction and Improvements	284,624	0	3,878,338	305,650	4,468,612
Debt Service					
Principal	0	1,520,000	0	900,000	2,420,000
Interest	0	146,550	0	361,727	508,277
Other Transactions	0	500	0	1,869	2,369
Total Expenditures	12,754,031	1,667,050	3,878,338	2,435,207	20,734,626

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, 2019

	GENERAL FUND	2017 REFUNDING DEBT SERVICE FUND	2018 SCHOOL BUILDING AND SITE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Excess (Deficiency) of Revenues Over (Under) Expenditures	558,112	(17,853)	(3,848,835)	308,101	(3,000,475)
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	(45,000)	0	0	45,000	0
Net Change in Fund Balance	513,112	(17,853)	(3,848,835)	353,101	(3,000,475)
FUND BALANCE - Beginning of Year	2,413,618	164,693	3,992,689	813,244	7,384,244
FUND BALANCE - End of Year	$ 2,926,730	$ 146,840	$ 143,854	$ 1,166,345	$ 4,383,769

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, 2019

Net Change in Fund Balances Total Governmental Funds	$ (3,000,475)
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	(1,472,713)
Capital Outlay	4,392,373
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	86,917
Accrued Interest Payable - End of Year	(71,025)
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	2,420,000
Amortization of Deferred Charges	106,815
Employee Accumulated Sick Pay is reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accumulated Sick Pay - Beginning of Year	165,046
Accumulated Sick Pay - End of Year	(170,039)

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, 2019

Governmental funds report district pension and other postemployment benefit contributions as expenditures. However, in the Statement of Activities, the cost of pension and other postemployment benefits earned net of employee contributions are reported as expenses.	
Changes in Pension Related Items	(822,033)
Changes in Other Postemployment Benefits Related Items	187,740
Change in Restricted Revenue Reported in the Governmental Funds that is deferred to offset the deferred outflows related to Section 147c pension and other postemployment contributions subsequent to the measurement period:	
Change in State Aid Funding for Pension and Other Postemployment Benefits	(63,540)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 1,759,066

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, 2019

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents	$ 63,113	$ 75,369
Investments	0	202,485
Due from other funds	0	1,000
Total Assets	63,113	278,854
LIABILITIES		
Due to other funds	0	2,827
Due to Groups and Organizations	0	276,027
Total Liabilities	0	278,854
NET POSITION		
Restricted for Trust Activities	61,113	0
Unrestricted	2,000	0
TOTAL NET POSITION	$ 63,113	$ 0

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, 2019

	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS	
Earnings on Investments and Deposits	$ 60
DEDUCTIONS	
Scholarship Awards	0
Change in Net Position	60
NET POSITION - Beginning of Year	63,053
NET POSITION - End of Year	$ 63,113

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Description of Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

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 *2017 Refunding 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 *2018 School Building and Site Fund* accounts for activities related to various athletic facilities and fields as well as relates structures as approved by voters.

Other nonmajor 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, a fiber optic cable build, and capital project activities funded with the Sinking Fund millage.

Additionally, the District reports the following fiduciary funds:

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

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

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

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.

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 25, 2018, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures Over Appropriations*

	APPROPRIATIONS	EXPENDITURES
General Fund		
Supporting Services		
Business	$ 361,267	$ 377,138
Community Services Fund		
Community Services	556,179	557,469

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

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. Some investments authorized by state law are shown as cash on the financial statements.

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.
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.

7. Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefits liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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 two items that qualify for reporting in this category which are all related to the pension and other postemployment benefits plans for its employees. Details can be found in footnote 3-E and 3-F.

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 three 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 two are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liabilities and the actual results. Details can be found in footnote 3-E and 3-F.

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 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 2018 School Building and Site Fund and the 2015 School Building and Site Fund are set aside for capital outlay and classified as restricted cash on the balance sheet because their use is limited by applicable bond covenants.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The local portion of the foundation is funded primarily by non-homestead property taxes. Since the District's property tax collections exceed the state's formula, the foundation grant approach does not apply to the District. Instead, the District uses it's 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, 2019, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General Fund - Non-Homestead	13.9911
General Fund - Non-Homestead Commercial PPT	1.9911
Capital Projects Sinking Fund - Homestead and Non-Homestead	0.5369
Debt Service Funds - Homestead and Non-Homestead	2.6500
Recreation - Homestead and Non-Homestead	0.1292

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.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2019.

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, 2019 the District's bank balance was $3,871,271 and $2,859,639 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.

As of June 30, 2019, the District had the following investments:

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF+ External Investment Pool - Cash Mgmt Class	$ 1,832,614	0.0027	AAAm	57.74%
MILAF+ External Investment Pool - Max Class	1,341,251	0.0027	AAAm	42.26%
	$ 3,173,865			100.00%
Portfolio Weighted Average Maturity		0.0027		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of "qualified" investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2019, the fair value of the District's investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

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

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

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that 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:

	Total
Deposits – including Fiduciary Funds of $138,482	$ 3,811,281
Petty Cash	334
Investments - including Fiduciary Funds of $202,485	3,173,865
	$ 6,985,480

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

	Total
Cash - Fiduciary Funds	$ 138,482
Investments - Fiduciary Funds	202,485
Restricted Cash - 2018 & 2015 School Building and Site Fund	838,513
Investments - District-Wide	2,971,380
Cash - District-Wide	2,834,620
	$ 6,985,480

Restricted cash represents the amount of unspent bond proceeds on deposit in the 2018 and 2015 School Building and Site Funds of $838,427 and $86 respectively.

B. Receivables

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

	General	2017 Refunding Fund	Nonmajor Funds	Total
Receivables				
Accounts	$ 5,398	$ 0	$ 17,689	$ 23,087
Taxes	32,613	3,465	4,264	40,342
Due from Other Governments	313,403	0	10,000	323,403
Accrued Interest Receivable	3,331	0	0	3,331
Total Receivables	$ 354,745	$ 3,465	$ 31,953	$ 390,163

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, 2019, was as follows:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Assets Not Being Depreciated:				
Land	$ 2,660,623	$ 104,123	$ 0	$ 2,764,746
Construction in Progress	631,433	4,099,639	480,826	4,250,246
Total Assets Not Being Depreciated	3,292,056	4,203,762	480,826	7,014,992
Other Capital Assets				
Land Improvements	2,007,730	558,273	0	2,566,003
Buildings and Additions	46,910,055	33,360	0	46,943,415
Furniture and Equipment	5,756,330	77,804	52,730	5,781,404
Transportation Equipment	778,706	0	11,500	767,206
Subtotal	55,452,821	669,437	64,230	56,058,028
Accumulated Depreciation				
Land Improvements	997,910	62,053	0	1,059,963
Buildings and Additions	15,999,687	954,579	0	16,954,266
Furniture and Equipment	3,471,999	381,196	52,730	3,800,465
Transportation Equipment	351,303	74,885	11,500	414,688
Total Accumulated Depreciation	20,820,899	1,472,713	64,230	22,229,382
Net Other Capital Assets	34,631,922	(803,276)	0	33,828,646
Net Capital Assets	$ 37,923,978	$ 3,400,486	$ 480,826	$ 40,843,638

Depreciation for the fiscal year ended June 30, 2019, amounted to $1,472,713. 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-Employment 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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/mpsers-cafr.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees Retirement Act.

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.

Benefit Provisions- Overall

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:

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after

June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

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.

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

Option 1 – Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until terminate public school employment.

- Basic plan members: 4% contribution

- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service their after would include a 1.25% pension factor.

Option 3 – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 accounts. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

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.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other Postemployment Benefit (OPEB)

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 healthcare 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.

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.

Regular Retirement (no reduction factor for age)

Eligibility – A basic plan member may retire at 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 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 – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% to 7% for pension and 0% to 3% for other postemployment benefits. 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.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately $1,960,251, with $1,946,070 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were approximately $509,133, with $490,187 specifically for the Defined Benefit Plan.

These amounts for both pension and OPEB, include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% 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, 2019, the District reported a liability of $21,643,929 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2017 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, 2017 and 2018, the District's proportion was .0709329% and .0719981%

MPSERS (Plan) Non-University Employers Net Pension Liability – As of September 30, 2017 and September 30, 2018

	September 30, 2017	September 30, 2018
Total Pension Liability	$ 72,407,218,688	$ 79,863,694,444
Plan Fiduciary Net Position	46,492,967,573	49,801,889,205
Net Pension Liability	$ 25,914,251,115	$ 30,061,805,239
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.21%	62.36%
Net Pension Liability as a Percentage of Covered Payroll	309.13%	352.81%

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

For the year ended June 30, 2018, the District recognized total pension expense of $2,768,103.

At June 30, 2019, 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	$ 100,432	$ 157,283
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	797,555
Changes of assumptions	5,012,716	0
Net difference between projected and actual earnings on pension plan investments	0	1,479,895
Changes in proportion and differences between District contributions and proportionate share of contributions	437,098	20,087
District contributions subsequent to the measurement date	1,824,575	0
Total	$ 7,374,821	$ 2,454,820

$1,824,575 reported as deferred outflows of resources and $797,555 reported as deferred inflows or resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. 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
2019	$	1,592,247
2020		1,168,645
2021		810,800
2022		321,289
	$	3,892,981

F. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Liabilities

At June 30, 2019, the District reported a liability of 5,747,007 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and September 30, 2018, the District's proportion was 0.0707437% and 0.0722989%.

MPSERS (Plan) Non-University Employers Net OPEB Liability – As of September 30, 2017 and September 30, 2018

		September 30, 2017		September 30, 2018
Total OPEB Liability	$	13,920,945,991	$	13,932,170,264
Plan Fiduciary Net Position		5,065,474,948		5,983,218,473
OPEB Liability	$	8,855,471,043	$	7,948,951,791
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		36.39%		42.95%
OPEB Liability as a Percentage of Covered Payroll		105.64%		93.29%

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized total OPEB expense of $419,615.

At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 1,069,666
Changes of assumptions	608,611	0
Net difference between projected and actual earnings on OPEB plan investments	0	220,871
Changes in proportion and differences between District contributions and proportionate share of contributions	117,168	1,413
District contributions subsequent to the measurement date	437,330	0
Total	$ 1,163,109	$ 1,291,950

$437,330 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	Amount
2019	$ (143,239)
2020	(143,239)
2021	(143,239)
2022	(98,193)
2023	(38,261)
	$ (566,171)

G. Actuarial Valuations and Assumptions of the Pension and OPEB Plans

Investment rate of return for pension - 7.05% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus Plan).

Investment rate of return for OPEB - 7.15% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75%.

Inflation - 3.0%.

Mortality assumptions –

Retirees: RP-2014 Male and Female Healthy Annuitant Morality Tables scaled by 82% for males and 78% for females and adjusted for morality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Morality Tables scaled 100% and adjusted for morality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2017. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2017 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments The pension rate was 7.05% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.15%, net of investment and administrative expenses 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.

Cost of living pension adjustments - 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit - 7.5% for year one and graded to 3.0% to year twelve.

Additional assumptions for other postemployment benefit only - Applies to individuals hired before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Pools	28.00%	5.60%
Alternative Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	-0.10%
Real Estate & Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short-Term Investment Pools	2.00%	-0.90%
	100%	

*Long-term rate of return is net of administrative expenses and 2.3% inflation.

Pension Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan and 6.0% for the Pension Plus 2 Plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan and 6.0% for the Pension Plus 2 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 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.

OPEB Discount Rate

The discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. 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 school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.05 percent (7.0% for the Pension Plus plan and 6.0% for the Pension Plus 2 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 than the current rate:

1% Decrease	Discount Rate	1% Increase
$ 28,416,807	$ 21,643,929	$ 16,016,768

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

The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease	Discount Rate	1% Increase
$ 6,899,165	$ 5,747,007	$ 4,777,901

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.0%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease	Healthcare Cost Trend Rates	1% Increase
$ 4,726,850	$ 5,747,007	$ 6,917,336

H. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2018 Comprehensive Annual Financial Report.

I. Payables to the Pension Plan

As of June 30, 2019, the District is current on all required pension and OPEB plan payments. As of June 30, 2019, the District reported payables in the amount of $307,353 to the pension and OPEB 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.

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.

K. Long-Term Obligations

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, 2019:

	Balance July 1, 2018	Increases	(Decreases)	Balance June 30, 2019	Due Within Year
General Obligation Bonds	$ 19,300,000	$ 0	$ (2,420,000)	$ 16,880,000	$ 2,525,000
Compensated Absences	165,046	4,993	0	170,039	unknown
Net OPEB Liability	6,264,686	0	(517,679)	5,747,007	unknown
Net Pension Liability	18,381,735	5,174,329	(1,912,135)	21,643,929	unknown
Total	$ 44,111,467	$ 5,179,322	$ (4,849,814)	$ 44,440,975	$ 2,525,000

Bonds payable at June 30, 2019, are comprised of the following issues:

General Obligation Serial Bonds		
2018 School Building and Site Bonds Due in Annual Installments of $580,000 to $800,000 through May 1, 2024, Interest at 3.00%	$	3,540,000
2015 School Building and Site Bonds Due in Annual Installments of $375,000 through May 1, 2021, Interest at 2.00%		750,000
2016 Refunding Bonds Due in Annual Installments of $0 to $1,950,000 through May 1, 2026, Interest at 2.00%		9,225,000
2017 Refunding Bonds Due in Annual Installments of $180,000 to $1,615,000 through May 1, 2022, Interest at 3.00%		3,365,000
Other		
Accrued Compensated Absences		170,039
Net OPEB Liability		5,747,007
Net Pension Liability		21,643,929
Total General Obligation Debt	$	44,440,975

The compensated absences, the net OPEB liability 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:

	Bonds Payable		Amounts
Year Ending June 30,	Principal	Interest	Payable
2020	$ 2,525,000	$ 426,150	$ 2,951,150
2021	2,630,000	354,150	2,984,150
2022	2,560,000	279,000	2,839,000
2023	2,620,000	218,550	2,838,550
2024	2,680,000	158,400	2,838,400
2025-2026	3,865,000	155,300	4,020,300
	$ 16,880,000	$ 1,591,550	$ 18,471,550

L. Interfund Receivables and Payables

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	$ 33,845	$ 10,385
School Debt Fund - 2017 Refunding Fund	4,375	0
School Service Fund - Food Services	0	31,018
School Service Fund - Community Services	505	1,000
School Debt Fund - 2018 Bond Issue Fund	1,938	0
School Debt Fund - 2015 Bond Issue Fund	975	86
School Debt Fund - 2016 Refunding Fund	493	0
Capital Projects Fund - Fiber Optic Build Fund	86	0
Capital Projects Fund - Sinking Fund	2,099	0
Fiduciary Fund - Agency Fund	1,000	2,827
	$ 45,316	$ 45,316

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, 2019, are expected to be repaid within one year.

M. Interfund Transfers

	TRANSFERS IN	TRANSFERS OUT
General Fund	$ 0	$ 45,000
School Service Fund - Food Service Fund	25,000	0
School Service Fund - Community Services	10,000	0
School Debt Fund - 2015 Bond Issue	0	86
School Capital Projects Fund - Fiber Optic Build Fund	10,086	0
	$ 45,086	$ 45,086

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, 2019, fund balances are composed of the following:

	General Fund	2017 Refunding Debt Service Fund	2018 School Building and Site Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory	$ 22,111	$ 0	$ 0	$ 4,481	$ 26,592
Prepaid Expenditures	37,141	0	0	5,555	42,696
Restricted:					
Food Service	0	0	0	5,594	5,594
Capital Projects	0	0	143,854	643,521	787,375
Debt Service	0	146,840	0	115,664	262,504
Assigned:					
Technology Improvements	453,674	0	0	0	453,674
Community Services	0	0	0	391,530	391,530
Unassigned	2,413,804	0	0	0	2,413,804
Total Fund Balances	$ 2,926,730	$ 146,840	$ 143,854	$ 1,166,345	$ 4,383,769

O. 2018 and 2015 School Building and Site Capital Projects Funds

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.

Beginning with the year of bond issuance, the school district has reported the annual construction activity in the 2015 Building and Site Capital Projects Fund. The project for which the 2015 Building and Site Bonds were issued was considered complete on June 30, 2018, however, a small residual balance was spent in the 2018-2019 fiscal year bringing the cumulative expenditures recognized for the construction period to $1,212,198.

P. Sinking Fund Tax Levy

The School is authorized to levy 0.569 mills for 5 years beginning with the 2016 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.

Q. 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 facilities 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, 2019, (tax year 2018) the District's property tax revenues were reduced by $24,955 under these programs.

R. Other Information

1. Commitments and Contingencies

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

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

Commitments – The District has outstanding contracts with vendors related to the Athletic bond projects totaling $182,796 and an outstanding contract to finish the repair/replacement of the Blackbird Elementary roof in the amount of $289,114.

Also, The District has a commitment of up to $50,000 of land improvements related to a flood mitigation project. This work is expected to be performed in the 2019-2020 fiscal year.

NOTE 4 – UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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.

Governmental Account Standards Board (GASB) Statement No. 87, *Leases,* was issued by the GASB in June 2017 and will be effective for the District’s 2021 year end. The objective of this Statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES			
Local Sources	$ 10,294,776	$ 10,544,139	$ 10,587,326
State Sources	1,404,148	1,655,594	1,510,472
Federal Sources	125,003	120,210	120,875
Other Transactions	1,154,845	1,091,172	1,093,470
Total Revenues	12,978,772	13,411,115	13,312,143
EXPENDITURES			
Instruction			
Basic Programs	7,042,550	6,867,803	6,855,603
Added Needs	1,071,532	1,038,819	1,035,057
Supporting Services			
Pupil	458,688	421,806	420,698
Instructional Staff	194,596	192,261	189,414
General Administration	487,930	426,065	424,507
School Administration	832,745	844,301	840,777
Business	300,052	361,267	377,138
Operating and Maintenance	1,511,444	1,447,872	1,436,862
Pupil Transportation	353,393	324,885	324,543
Central Services	228,954	207,035	203,291
Other-Athletic Activities	381,596	363,947	361,473
Community Services			
Community Activities	570	44	44
Facilities Acquisition			
Architecture and Engineering Services	0	421,609	284,624
Total Expenditures	12,864,050	12,917,714	12,754,031
Excess (Deficiency) of Revenues Over (Under) Expenditures	114,722	493,401	558,112
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	(60,599)	(48,000)	(45,000)
Net Change in Fund Balance	54,123	445,401	513,112
FUND BALANCE - Beginning of Year	2,267,296	2,413,618	2,413,618
FUND BALANCE - End of Year	$ 2,321,419	$ 2,859,019	$ 2,926,730

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 PLAN YEAR)
JUNE 30, 2019

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)						0.0719981%	0.0709329%	0.0697364%	0.0695050%	0.0679100%
District's proportionate share of net pension liability						$ 21,643,929	$ 18,381,735	$ 17,398,661	$ 16,976,615	$ 14,957,368
District's covered payroll						6,112,731	5,929,880	5,403,054	5,536,887	5,789,172
District's proportionate share of net pension liability as a percentage of its covered payroll						354.08%	309.98%	322.02%	306.61%	258.37%
Plan fiduciary net position as a percentage of total pension liability						62.36%	64.21%	63.27%	63.17%	66.20%

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2019

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions						$ 1,946,070	$ 1,823,265	$ 1,658,039	$ 1,513,042	$ 1,316,797
Contributions in relation to statutorily required contributions *						1,946,070	1,823,265	1,658,039	1,513,042	1,316,797
Contribution deficiency (excess)						$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll						$ 6,335,425	$ 6,036,127	$ 5,906,558	$ 5,322,738	$ 5,802,318
Contributions as a percentage of covered payroll						30.72%	30.21%	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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2019

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)									0.0722989%	0.0707437%
District's proportionate share of net OPEB liability									$ 5,747,007	$ 6,264,686
District's covered payroll									6,112,731	5,929,880
District's proportionate share of net OPEB liability as a percentage of its covered payroll									94.02%	105.65%
Plan fiduciary net position as a percentage of total OPEB liability									42.95%	36.39%

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2019

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions									$ 490,187	$ 441,062
Contributions in relation to statutorily required contributions *									490,187	441,062
Contribution deficiency (excess)									$ 0	$ 0
Covered Payroll									$ 6,335,425	$ 6,036,127
Contributions as a percentage of covered payroll									7.74%	7.31%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2019

A. Changes of Benefit Terms:

There were no changes of benefit terms for the plan year ended September 30, 2018.

B. Changes of Assumptions:

There were no changes of benefit assumptions for the plan year ended September 30, 2018.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2019

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS			TOTAL
	FOOD SERVICE FUND	COMMUNITY SERVICES FUND	2018 BOND ISSUE	2015 BOND ISSUE	2016 REFUNDING	2015 SCHOOL BUILDING AND SITE FUND	FIBER OPTIC BUILD FUND	SINKING FUND	NONMAJOR GOVERNMENTAL FUNDS
ASSETS									
Cash	$ 48,719	$ 172,997	$ 59,729	$ 32,841	$ 16,976	$ 0	$ 22,519	$ 204,423	$ 558,204
Restricted Cash	0	0	0	0	0	86	0	0	86
Investments	0	223,689	0	0	0	0	0	404,543	628,232
Accounts Receivable	4,289	13,400	0	0	0	0	0	0	17,689
Taxes Receivable	0	301	1,538	774	400	0	0	1,251	4,264
Due from Other Governments	0	0	0	0	0	0	10,000	0	10,000
Due from Other Funds	0	505	1,938	975	493	0	86	2,099	6,096
Inventories	4,481	0	0	0	0	0	0	0	4,481
Prepaid Expenditures	217	3,747	0	0	0	0	0	1,591	5,555
TOTAL ASSETS	$ 57,706	$ 414,639	$ 63,205	$ 34,590	$ 17,869	$ 86	$ 32,605	$ 613,907	$ 1,234,607
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Accounts Payable	$ 7,390	$ 7,179	$ 0	$ 0	$ 0	$ 0	$ 1,400	$ 0	$ 15,969
Accrued Expenditures	496	11,183	0	0	0	0	0	0	11,679
Unearned Revenue	8,510	0	0	0	0	0	0	0	8,510
Due to Other Funds	31,018	1,000	0	0	0	86	0	0	32,104
Total Liabilities	47,414	19,362	0	0	0	86	1,400	0	68,262
FUND BALANCE									
Nonspendable									
Inventory	4,481	0	0	0	0	0	0	0	4,481
Prepaid Expenditures	217	3,747	0	0	0	0	0	1,591	5,555
Restricted for:									
Food Service	5,594	0	0	0	0	0	0	0	5,594
Debt Service	0	0	63,205	34,590	17,869	0	0	0	115,664
Capital Projects	0	0	0	0	0	0	31,205	612,316	643,521
Assigned for:									
Community Services	0	391,530	0	0	0	0	0	0	391,530
Total Fund Balance	10,292	395,277	63,205	34,590	17,869	0	31,205	613,907	1,166,345
TOTAL LIABILITIES AND FUND BALANCE	$ 57,706	$ 414,639	$ 63,205	$ 34,590	$ 17,869	$ 86	$ 32,605	$ 613,907	$ 1,234,607

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

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

YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS			TOTAL
	FOOD SERVICE FUND	COMMUNITY SERVICES FUND	2018 BOND ISSUE	2015 BOND ISSUE	2016 REFUNDING	2015 SCHOOL BUILDING AND SITE FUND	FIBER OPTIC BUILD FUND	SINKING FUND	NONMAJOR GOVERNMENTAL FUNDS
REVENUES									
Local Sources	$ 176,672	$ 582,484	$ 727,094	$ 367,397	$ 185,219	$ 42	$ 395	$ 596,939	$ 2,636,242
State Sources	10,726	0	1,938	975	493	0	0	2,099	16,231
Federal Sources	90,835	0	0	0	0	0	0	0	90,835
Total Revenues	278,233	582,484	729,032	368,372	185,712	42	395	599,038	2,743,308
EXPENDITURES									
Food Service Activities	300,565	0	0	0	0	0	0	0	300,565
Supporting Services	0	0	0	0	0	0	7,927	0	7,927
Community Services	0	557,469	0	0	0	0	0	0	557,469
Facilities Acquisition, Construction and Improvements	0	0	0	0	0	79,544	0	226,106	305,650
Debt Service									
Principal	0	0	530,000	370,000	0	0	0	0	900,000
Interest	0	0	135,327	22,400	204,000	0	0	0	361,727
Other Transactions	0	0	500	640	729	0	0	0	1,869
Total Expenditures	300,565	557,469	665,827	393,040	204,729	79,544	7,927	226,106	2,435,207
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,332)	25,015	63,205	(24,668)	(19,017)	(79,502)	(7,532)	372,932	308,101
OTHER FINANCING SOURCES (USES)									
Transfers In (Out)	25,000	10,000	0	0	0	(86)	10,086	0	45,000
Net Change in Fund Balance	2,668	35,015	63,205	(24,668)	(19,017)	(79,588)	2,554	372,932	353,101
FUND BALANCE - Beginning of Year	7,624	360,262	0	59,258	36,886	79,588	28,651	240,975	813,244
FUND BALANCE - End of Year	$ 10,292	$ 395,277	$ 63,205	$ 34,590	$ 17,869	$ 0	$ 31,205	$ 613,907	$ 1,166,345

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

FIDUCIARY FUND TYPES
COMBINING BALANCE SHEET

JUNE 30, 2019

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 63,113	$ 75,369	$ 138,482
Investments	0	202,485	202,485
Due from other Funds	0	1,000	1,000
Total Assets	$ 63,113	$ 278,854	$ 341,967
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to other Funds	$ 0	$ 2,827	$ 2,827
Due to Groups and Organizations	0	276,027	276,027
Total Liabilities	$ 0	$ 278,854	$ 278,854
FUND BALANCE			
Restricted for:			
Scholarships and Memorials	4,447	0	4,447
Endowments	56,666	0	56,666
Unrestricted	2,000	0	2,000
Total Fund Balance	63,113	0	63,113
TOTAL LIABILITIES AND FUND BALANCE	$ 63,113	$ 278,854	$ 341,967

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2019

	SHAY SCHOLARSHIP FUND	MIDSHIPMEN DRUM AND BUGLE FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 56,895	$ 6,218	$ 63,113
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to Groups and Organizations	$ 0	$ 0	$ 0
FUND BALANCE			
Restricted for:			
Scholarships and Memorials	1,666	2,781	4,447
Endowments	53,229	3,437	56,666
Unrestricted	2,000	0	2,000
Total Fund Balance	56,895	6,218	63,113
TOTAL LIABILITIES AND FUND BALANCE	$ 56,895	$ 6,218	$ 63,113

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

JUNE 30, 2019

	SHAY SCHOLARSHIP FUND	MIDSHIPMEN DRUM AND BUGLE FUND	TOTAL
REVENUES			
Investment Income:			
Interest and Dividends	$ 57	$ 3	$ 60
EXPENDITURES			
Scholarship Awards	0	0	0
Excess of Revenues Over (Under) Expenditures	57	3	60
FUND BALANCE - Beginning of Year	56,838	6,215	63,053
FUND BALANCE - End of Year	$ 56,895	$ 6,218	$ 63,113

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE

JUNE 30, 2019

	BALANCE 7/01/18	RECEIPTS	DISBURSEMENTS	BALANCE 6/30/19
		(Including Transfers)		
Alumni	$ 1,579	$ 0	$ 1,579	$ 0
Athletic Director	2,056	369	0	2,425
Safe Route To Schools Grant	824	0	824	0
Band Activities	1,948	24,682	23,010	3,620
Band Boosters (IMP)	13,867	23,147	27,830	9,184
Benny Davis - NCF - Clothing	65	0	0	65
Benny Davis - NCF- Books	52	0	0	52
Benny Davis - Undesignated	13,000	32	0	13,032
Elementary Library	1,672	0	1,672	0
Blackbird Pop Fund	1,094	577	1,657	14
Field Trips - BB/Shay	151	0	151	0
BB/Shay Visual Arts	(1,068)	1,183	9	106
Blackbird Fundraiser	9,990	3,185	4,349	8,826
Birthday Book Club	224	0	224	0
Preschool Fundraiser	1,127	0	0	1,127
Blackbird Music Program	1,756	314	441	1,629
PTO - ES	381	0	0	381
HS Textbooks - Fees and Fines	1,078	0	1,078	0
Class of 2014	316	0	316	0
Class of 2015	1,324	0	1,324	0
Class of 2016	1,991	0	1,991	0
Class of 2017	287	0	287	0
Class of 2018	42	0	42	0
Class of 2019	1,707	1,156	2,291	572
Class of 2020	325	4,561	2,793	2,093
Book Deposits Class of 2010	39	0	39	0
Book Deposits Class of 2011	627	0	627	0
Book Deposits Class of 2012	347	0	347	0
Community Tennis - HSPS	234	0	0	234
Echoes	18	0	18	0
HS - Baseball	10,429	5,860	5,864	10,425
HS- Softball	515	0	96	419
HS - Basketball Program	3,538	6,670	5,441	4,767
HS - Cheerleading	2	0	2	0
HS - Golf	3,213	950	914	3,249
HS - Girls Golf	2,219	4,195	2,797	3,617
HS - Community Adult Band	5,294	2,024	2,099	5,219

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE

JUNE 30, 2019

	BALANCE 7/01/18	RECEIPTS	DISBURSEMENTS (Including Transfers)	BALANCE 6/30/19
HS - Boys Tennis	40	0	0	40
HS - Girls Tennis	(406)	3,610	3,739	(535)
HS - Track	6,163	46,681	47,113	5,731
HS - Football	13,519	5,500	4,690	14,329
HS - Varsity Girls Soccer	2,368	9,139	6,562	4,945
HS - Varsity Boys Soccer	0	500	200	300
HS - Snowboard Club	1,494	0	1,494	0
HS - Student and Staff Support	821	1,309	861	1,269
National Honor Society	487	2,598	2,051	1,034
Fine Arts Trips HS	7,011	10,405	12,399	5,017
HS - Drone Program	0	1,000	796	204
HS - Women's Basketball	10,569	11,098	15,556	6,111
HS - Volleyball	366	3,366	1,477	2,255
HS - Wrestling Club	969	0	0	969
HS - Rec Soccer	2,453	0	2,453	0
HS - Dance Club	122	0	122	0
Interest	316	7,468	3,427	4,357
Key Club	617	166	156	627
MI Youth In Government	859	13,830	14,175	514
HS - Physics	1,076	775	724	1,127
District Theatre Arts	13,314	12,107	10,584	14,837
Young Americans Account	420	0	0	420
MS - Boosters	4,322	618	2,156	2,784
MS-Anna Bosma-Memorial Scholarship	275	0	0	275
MS - Job Skills	433	0	433	0
MS - Activities	(269)	2,050	1,781	0
MS - Fees and Fines	396	0	396	0
MS - Magazine	1,433	67,886	63,740	5,579
MS - Class of 2022	0	1,045	951	94
MS - 7th Grade Integrated Studies	3,766	4,128	3,532	4,362
MS - 6th Grade Team	3,858	650	569	3,939
MS - Science Olympiad	961	0	961	0
MS - Tackle Football	1,975	0	120	1,855
MS-Track	56	0	56	0
MS - Volleyball	104	0	0	104
MS - Boys BB	1,433	1,430	0	2,863

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE

JUNE 30, 2019

	BALANCE 7/01/18	RECEIPTS	DISBURSEMENTS	BALANCE 6/30/19
		(Including Transfers)		
Parents Advisory-Pac/Cac	3,470	4,525	4,295	3,700
Rampage (yearbook)	4,579	2,610	3,375	3,814
Rambotics	0	2,410	206	2,204
Shay - Multi-Age	21	0	21	0
Shay - Carnival	1,546	0	1,546	0
Shay - Fundraiser Acct.	1,837	0	1,837	0
Shay 3rd Grade	482	6,790	6,599	673
Shay 4th Grade	2,287	3,831	3,734	2,384
Shay 5th Grade	2,254	6,673	7,211	1,716
Shay - Student Council	1,235	3,588	757	4,066
Shay - Pop Machine	2,939	3,357	4,885	1,411
Shay - Enrichment	1,350	0	1,350	0
Lucy Causley Scholarship	1,585	0	1,377	208
Ski Team Boosters	66,275	63,081	56,847	72,509
Spanish Club	2,205	65,065	59,954	7,316
HS - Special Education	3,014	2,116	1,266	3,864
Special Art Fund	935	0	0	935
Strive	658	0	658	0
HS - Student Council	570	2,286	1,885	971
HS - Student Council Gift	9,278	5,576	1,616	13,238
MS - Student Council	613	364	421	556
	$ 270,717	$ 458,536	$ 453,226	$ 276,027

	BALANCE 7/01/18	BALANCE 6/30/19
Represented by		
Assets		
Cash and Cash Equivalents	$ 270,717	$ 75,369
Investments	0	202,485
Due from other Funds	0	1,000
Total Assets	$ 270,717	$ 278,854
Liabilities		
Due to Other Funds	$ 0	$ 2,827
Due to Groups and Organizations	270,717	276,027
Total Liabilities	$ 270,717	$ 278,854

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SELECTED STATISTICAL DATA
YEARS 2010 TO 2019

SOURCE: ANNUAL AUDITED STATEMENTS

YEAR ENDED JUNE 30,	2019	2018	2017	2016	2015
Total Taxable Value	$ 1,099,860,281	$ 1,069,602,261	$ 1,042,996,303	$ 1,038,541,810	$ 1,018,679,786
Non-Homestead Taxable Value	723,902,460	711,454,174	689,620,064	679,568,858	667,991,977
Blended Student Count	792	767	802	818	824
Taxable Value Per Student	1,388,712	1,394,527	1,300,494	1,269,611	1,236,262
Per Pupil Foundation Allowance	8,597	8,472	8,366	8,357	8,287
Mills Levied					
Operations - Non-Homestead	13.9911	13.9911	13.9911	13.9911	13.9911
Debt	2.6500	2.6500	2.6500	2.6500	2.6500
Sinking Fund	0.5369	0.5369	0.5395	0.5399	0.5399
Community Schools	0.1292	0.1292	0.1298	0.1299	0.1299
Property Tax Revenues					
Operations	10,072,100	9,825,648	9,463,502	9,415,308	9,208,987
Debt	2,914,630	2,833,631	2,771,466	2,748,762	2,701,214
Sinking Fund	590,516	575,031	564,263	559,744	550,296
Recreation	142,102	138,251	135,479	134,595	132,331
Regional Enhancement Millage through the ISD *note 2019 was first year	533,462	0	0	0	0
State Aid - Foundation Grant					
(Excluding Categoricals)	177,978	161,600	141,069	131,150	157,746
Other General Fund Data					
Total Fund Balance	2,926,730	2,413,618	2,212,211	2,399,114	2,344,186
Total Local Revenues	10,587,326	10,357,492	9,772,236	9,747,483	9,510,632
Total State Revenues	1,510,472	1,378,921	1,168,829	1,036,630	900,404
Total Expenditures* *note-2011 was first year Athletics were reported in General Fund	12,754,031	12,130,016	11,579,523	11,197,988	10,940,300
Long Term Debt Data					
Bonds Payable	16,880,000	19,300,000	17,580,000	19,895,000	22,105,000
Contracts Payable and Retirement Incentives	0	0	50,000	100,000	0
Compensated Absences	170,039	165,046	152,696	170,199	191,744

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SELECTED STATISTICAL DATA
YEARS 2010 TO 2019

SOURCE: ANNUAL AUDITED STATEMENTS

YEAR ENDED JUNE 30,	2014	2013	2012	2011	2010
Total Taxable Value	$ 1,004,637,717	$ 1,012,581,577	$ 1,029,274,640	$ 1,080,156,555	$ 1,138,942,327
Non-Homestead Taxable Value	661,373,879	660,355,376	678,218,266	720,819,337	764,103,492
Blended Student Count	843	869	880	984	1,024
Taxable Value Per Student	1,191,741	1,165,226	1,169,630	1,097,720	1,112,248
Per Pupil Foundation Allowance	8,237	8,207	8,207	8,677	8,677
Mills Levied					
Operations - Non-Homestead	13.9911	13.9911	13.9911	13.9911	13.9911
Debt	2.7000	3.2800	3.1000	2.9600	2.9200
Sinking Fund	0.5400	0.5400	0.6600	0.6600	0.6600
Community Schools	0.1300	0.0000	0.0000	0.0000	0.0000
Property Tax Revenues					
Operations	9,094,165	9,188,353	9,367,003	9,884,590	10,624,443
Debt	2,720,322	3,322,565	3,195,991	3,196,568	3,332,759
Sinking Fund	543,945	546,617	680,864	712,657	752,835
Recreation	130,891	0	0	0	0
Regional Enhancement Millage through the ISD *note 2019 was first year	0	0	0	0	0
State Aid - Foundation Grant (Excluding Categoricals)	193,655	212,189	201,721	202,030	186,025
Other General Fund Data					
Total Fund Balance	2,347,739	2,464,389	2,689,684	3,422,045	3,534,150
Total Local Revenues	9,368,995	9,490,634	9,623,898	10,233,466	10,863,120
Total State Revenues	817,179	615,073	507,599	330,510	243,513
Total Expenditures* *note-2011 was first year Athletics were reported in General Fund	10,850,637	10,817,650	11,375,378	11,615,291	11,120,689
Long Term Debt Data					
Bonds Payable	22,810,000	24,680,000	25,895,499	24,523,734	25,775,851
Contracts Payable and Retirement Incentives	0	0	0	100,000	200,000
Compensated Absences	188,809	189,297	176,878	199,239	289,933

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2019

TITLE OF ISSUE	2018 School Building and Site Bonds
PURPOSE	Purchasing, erecting, completing, remodeling, and equipping or re-equipping structures, athletic fields and other facilitates, and parts of or additions to those facilities, including without limitation track and field facilities, soccer, softball and baseball fields, tennis courts, football practice field and football stadium, and acquiring, preparing, developing and improving the sites thereof, including parking, fencing, furnishing, landscaping, concession stands, bleachers, restrooms, dugouts, scorer's booths and scoreboards; and furnishings or refurnishing and equipping an re-equipping classrooms, libraries and hallways at the high school and middle school
DATE OF ISSUE	March 22, 2018
INTEREST PAYABLE	May 1, and November 1, of each year

AMOUNT OF ISSUE		$ 4,070,000
AMOUNT REDEEMED		
Redeemed Prior to Current Year	$ 0	
Redeemed During Current Year	530,000	530,000
BALANCE OUTSTANDING - June 30, 2019		$ 3,540,000

		REQUIREMENTS		
DUE DATES	INTEREST RATES	TOTAL	INTEREST	PRINCIPAL
November 1, 2019		$ 53,100	$ 53,100	
May 1, 2020	3.00%	633,100	53,100	$ 580,000
November 1, 2020		44,400	44,400	
May 1, 2021	3.00%	684,400	44,400	640,000
November 1, 2021		34,800	34,800	
May 1, 2022	3.00%	779,800	34,800	745,000
November 1, 2022		23,625	23,625	
May 1, 2023	3.00%	798,625	23,625	775,000
November 1, 2023		12,000	12,000	
May 1, 2024	3.00%	812,000	12,000	800,000
		$ 3,875,850	$ 335,850	$ 3,540,000

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2019

TITLE OF ISSUE	2016 Refunding Bonds		
PURPOSE	To refund the 2006 bonds to take advantage of lower advantage of lower interest rates.		
DATE OF ISSUE	March 2, 2016		
INTEREST PAYABLE	May 1, and November 1, of each year		
AMOUNT OF ISSUE			$ 9,545,000
AMOUNT REDEEMED			
Redeemed Prior to Current Year		$ 320,000	
Redeemed During Current Year		0	320,000
BALANCE OUTSTANDING - June 30, 2019			$ 9,225,000

DUE DATES	INTEREST RATES	REQUIREMENTS TOTAL	INTEREST	PRINCIPAL
November 1, 2019		$ 102,000	$ 102,000	
May 1, 2020	2.00%	102,000	102,000	$ 0
November 1, 2020		102,000	102,000	
May 1, 2021	2.00%	102,000	102,000	0
November 1, 2021		102,000	102,000	
May 1, 2022	2.00%	1,737,000	102,000	1,635,000
November 1, 2022		85,650	85,650	
May 1, 2023	2.00%	1,930,650	85,650	1,845,000
November 1, 2023		67,200	67,200	
May 1, 2024	2.00%	1,947,200	67,200	1,880,000
November 1, 2024		48,400	48,400	
May 1, 2025	2.00%	1,963,400	48,400	1,915,000
November 1, 2025		29,250	29,250	
May 1, 2026	2.00%	1,979,250	29,250	1,950,000
		$ 10,298,000	$ 1,073,000	$ 9,225,000

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2019

TITLE OF ISSUE	2017 Refunding Bonds		
PURPOSE	To refund the 2007 bonds to take advantage of lower advantage of lower interest rates.		
DATE OF ISSUE	March 3, 2017		
INTEREST PAYABLE	May 1, and November 1, of each year		
AMOUNT OF ISSUE			$ 6,455,000
AMOUNT REDEEMED			
Redeemed Prior to Current Year		$ 1,570,000	
Redeemed During Current Year		1,520,000	3,090,000
BALANCE OUTSTANDING - June 30, 2019			$ 3,365,000

DUE DATES	INTEREST RATES	REQUIREMENTS TOTAL	INTEREST	PRINCIPAL
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%	182,700	2,700	180,000
		$ 3,525,200	$ 160,200	$ 3,365,000

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2019

TITLE OF ISSUE	2015 School Building and Site Bonds		
PURPOSE	To acquire and install technology, technology infrastructure, safety and security improvements, furnishings and equipment in school facilities and purchasing new school buses.		
DATE OF ISSUE	June 25, 2015		
INTEREST PAYABLE	May 1, and November 1, of each year		
AMOUNT OF ISSUE			$ 1,195,000
AMOUNT REDEEMED			
Redeemed Prior to Current Year		$ 75,000	
Redeemed During Current Year		370,000	445,000
BALANCE OUTSTANDING - June 30, 2019			$ 750,000

	INTEREST	REQUIREMENTS		
DUE DATES	RATES	TOTAL	INTEREST	PRINCIPAL
November 1, 2019		$ 7,500	$ 7,500	
May 1, 2020	2.00%	382,500	7,500	$ 375,000
November 1, 2020		3,750	3,750	
May 1, 2021	2.00%	378,750	3,750	375,000
		$ 772,500	$ 22,500	$ 750,000

Baird, Cotter & Bishop, P.C.
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August 5, 2019

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, 2019, 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 August 5, 2019.

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.