

**HARBOR SPRINGS PUBLIC SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**JUNE 30, 2021**



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

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HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2021

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# Baird, Cotter & Bishop, P.C.

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August 5, 2021

## 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, 2021, 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, 2021, 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 xiv and 42-47 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, 2021, 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, 2021

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, 2021. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Financial Highlights Section**

**Government-Wide**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,000,564.

**Fund Level**

- As of the close of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$6,301,723, an increase of \$754,963 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,511,342.

**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 Sinking 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*, present financial information about activities for which the District acts solely as an agent for the benefit of students and parents.



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MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

**Government-Wide Financial Statements.**

The government-wide statements provide short-term and long-term financial information about the District’s overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District’s assets and liabilities. All of the year’s revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District’s net position and how they have changed. Net position – the difference between the District’s assets and liabilities – is one way to measure the District’s financial health or position.

Over time, increases and decreases in the District’s net position are indicators of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District’s activities are all shown in one category titled “Governmental Activities”. These activities, including regular and special education, transportation, administration, food services, athletic activities, student activities, and community services, are primarily financed with state and federal aids and property taxes.

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 fund financial statements provide more detailed information about the District’s funds, focusing on its most significant or “major” funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called “non-major” funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

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FOR FISCAL YEAR ENDED JUNE 30, 2021

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

***Governmental Funds*** – The District’s basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

***Fiduciary Funds*** – Fiduciary funds are for assets that belong to others, such as certain student activities funds where the District is the trustee or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

The District maintains one type of fiduciary fund. The Custodial Fund reports resources held by the District in a custodial capacity for individuals, private organizations, and other governments.

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 financing source. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future debt obligations are not recorded.

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-41 of this report.

### **Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

**Summary of Net Position**

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

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

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current Assets	\$ 8,391,856	\$ 7,789,383
Non-Current Assets, Net of Accumulated Depreciation	39,487,358	40,121,053
<b>Total Assets</b>	<b>47,879,214</b>	<b>47,910,436</b>
<b>Deferred Outflows of Resources</b>	<b>7,554,742</b>	<b>9,017,407</b>
<b>Liabilities</b>		
Current Liabilities	4,720,683	4,873,173
Long-Term Liabilities	38,725,625	41,912,000
<b>Total Liabilities</b>	<b>43,446,308</b>	<b>46,785,173</b>
<b>Deferred Inflows of Resources</b>	<b>3,987,084</b>	<b>3,747,881</b>
<b>Net Position</b>		
Net Investment in Capital Assets	27,470,427	25,422,080
Restricted for Specific Purposes	1,216,273	1,223,032
Unrestricted (Deficit)	(20,686,136)	(20,250,323)
<b>Total Net Position</b>	<b>\$ 8,000,564</b>	<b>\$ 6,394,789</b>

Investment in capital assets, net of related debt of \$27,470,427, 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 \$1,216,273 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

**Analysis of Financial Position**

During the fiscal year ended June 30, 2021, the District's net position increased by \$1,605,775, increasing the net position to \$8,000,564. 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, 2021, \$1,563,337 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.

***3. Capital Outlay Acquisitions***

For the fiscal year ended June 30, 2021, \$951,975 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 and disposed capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$633,695 for the fiscal year ended June 30, 2021.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

**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**

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
<b><u>Revenues</u></b>		
Program Revenues		
Charges for Services	\$ 637,964	\$ 810,581
Operating Grants and Contributions	2,865,231	2,230,108
Capital Grants and Contributions	125,314	460,570
General Revenues		
Property Taxes	14,483,880	14,164,837
Regional Enhancement Millage	561,594	544,814
Unrestricted Investment Interest	19,654	83,497
State Sources	131,889	88,715
Other	52,105	222,399
<b>Total Revenues</b>	<b>18,877,631</b>	<b>18,605,521</b>
<b><u>Expenses</u></b>		
Instruction	8,574,911	8,910,680
Supporting Services	5,435,083	5,038,632
Community Services	955,947	522,759
Food Services	380,382	577,026
Facilities Acquisition, Construction, and Improvements	123,136	488,251
Interest/Fees on Long-Term Debt	234,807	307,334
Other Transactions	4,253	3,538
Depreciation (Unallocated)	1,563,337	1,460,517
<b>Total Expenses</b>	<b>17,271,856</b>	<b>17,308,737</b>
<b>Increase in Net Position</b>	<b>\$ 1,605,775</b>	<b>\$ 1,296,784</b>

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).

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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 \$8,717 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 in November 2016 and renewed for another 4 years expiring in December 2024.

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, student activities, 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 \$6.3 million, which is an increase of approximately \$755,000 from the prior year.

Approximately \$3.5 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 \$3.5 million, while total fund balance was approximately \$4.39 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 \$754,963 during the current fiscal year bringing the fund balance to \$4,391,117, of which \$3,511,342 is unassigned, \$819,659 is assigned for future enhancement expenditures, and \$60,116 is nonspendable for inventory and prepaid expenditures. The increase in fund balance is due to the General Fund receiving a Regional Enhancement Millage from the ISD, an increase in tax revenue and increased state and federal revenues related to COVID.

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FOR FISCAL YEAR ENDED JUNE 30, 2021

The 2017 Refunding Debt Service Fund increased its fund balance by \$84,653 bringing the fund balance to \$227,770, of which the entire amount is restricted for debt service. The increase in fund balance is due to the debt service payments being less than the millage levied.

The Sinking Fund decreased its fund balance by \$107,135 bringing the fund balance to \$859,672, of which the entire amount is restricted for capital projects. The decrease in fund balance is primarily due to various ongoing projects throughout the district.

**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 \$343,185. Local revenue decreased due to the District adjusting the budgeted tax revenue as the anticipated revenue became clearer. State revenue increased due to the District originally budgeting for worst case scenario for state aid, the budget was amended as a clearer picture of the state funding. Federal revenue increased due to various funding being provided due to COVID-19. Other Transactions decreased due to the District originally budgeted to recognize all of the flowthrough revenue from the ISD, some of which was deferred during the year which resulted in a budget amendment.

The change in Total Expenditures Original Budget to Final Budget was a decrease of \$189,859. This decrease was mainly related to spending less than originally anticipated related to flowthrough dollars that were deferred.

The difference between the final budgeted revenues and actual revenues was different primarily due to receiving more state aid than anticipated.

The difference between final budgeted expenditures and actual expenditures was immaterial at the legal level of adoption.

Overall, the changes in the 2020-2021 fiscal year budget were positive.

**Capital Asset and Debt Administration**

**Capital Assets.** By the end of June 30, 2021, 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 2 C. to the financial statements.

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FOR FISCAL YEAR ENDED JUNE 30, 2021

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

	<b>2021</b>	<b>2020</b>
Land	\$ 2,764,746	\$ 2,764,746
Construction-in-Progress	141,000	4,200,624
Land Improvements	2,414,374	2,042,057
Buildings and Improvements	52,425,670	48,074,862
Furniture and Equipment	4,493,808	4,713,513
Transportation Equipment	968,565	861,021
	<hr/>	<hr/>
Total Capital Assets	63,208,163	62,656,823
Less Accumulated Depreciation	23,720,805	22,535,770
	<hr/>	<hr/>
<b>Net Capital Assets</b>	<b>\$ 39,487,358</b>	<b>\$ 40,121,053</b>

Major capital asset contributions during the 20-21 fiscal year include:

- Reynolds Field Renovations in the amount of \$1,320,034, all of which was in prior year construction in progress
- Kosequat Renovations in the amount of \$1,091,702, all of which was in prior year construction in progress
- Ottawa Stadium Renovations in the amount of \$738,808, of which \$662,071 was in prior year construction in progress
- Tennis & Football Practice Renovations in the amount of \$1,005,935, all of which was in prior year construction in progress
- Air Ionization System in the amount of \$165,829
- 78 Passenger Bluebird Transit Bus in the amount of \$107,544
- Scoreboard and Sound System in the amount of \$109,334
- Shay Parking Lot in the amount of \$372,317, of which \$107,883 was in prior year construction in progress
- Blackbird Fire Suppression System in the amount of \$141,000 with a remaining balance of \$85,370 to be paid as work is completed in the 2021-2022 fiscal year

In addition to purchasing the above assets the School has committed to spend \$608,842 worth of various capital assets that will be added to capital assets in the 2021-2022 fiscal year.



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MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

**Long-Term Obligations.** At year-end, the District had approximately \$11.7 million in general obligation bonds and – a decrease of \$2.63 million from last year. The District’s net pension liability is \$25.21 million and the OPEB liability is 3.87 million. More detailed information about the District’s long-term debt is presented in Note 2.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 2021-22 fiscal year budget.

- Approximately 72% 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 2.9% for 2021-22.
- 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 continues to benefit 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 underwent a Facilities Audit in 2019-20. The findings included approximately \$40 million in needed improvements to our buildings, grounds, and equipment. The District is using this information to prioritize these needs. Some are already being addressed through the District’s Sinking Fund (i.e. Harbor Springs Middle School boilers; Harbor Springs High School gymnasium floor repairs, sanding, staining, repainting, and resealing; Harbor Springs High School first floor reflooring project). Other needs will be included in both short-term and long-term planning for the maintenance and improvement of our facilities. The District has contracted with a firm to serve as owner’s representative as the District considers a potential May 2022 no tax increase bond proposal to generate revenue to address the majority of needs identified in the facilities audit.
- The general enrollment trend in the District has been on a decline over the past 10 years (from 1050 students in 2009 to about 770 students in 2020). 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.
- The District, as all school districts in the State of Michigan, was impacted greatly by the COVID-19 school closures that occurred in spring 2020. Various Federal and State funding grants were available and used by the District to offset these costs. We are proud that a new Air Ionization System along with additional cleaning equipment, staff and protocols prevented very minimal COVID outbreaks from originating at the school and allowed us to stay open for the entire school year.
- Additional COVID funding is expected for the next couple of years. It will help us to maintain cleaning protocols and to offer intervention for any learning losses that occurred during the Pandemic.

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HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2021

- 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, 2021

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 4,234,144
Investments	3,629,223
Taxes Receivable	49,487
Accounts Receivable	681
Due from Other Governments	299,092
Accrued Interest Receivable	1,073
Inventories	33,462
Prepaid Expenses	144,694

Total Current Assets	<u>8,391,856</u>
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NON CURRENT ASSETS

Capital Assets	63,208,163
Less Accumulated Depreciation	<u>(23,720,805)</u>

Total Non Current Assets	<u>39,487,358</u>
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TOTAL ASSETS	<u>47,879,214</u>
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DEFERRED OUTFLOWS OF RESOURCES

Related to Pensions	5,649,324
Related to Other Postemployment Benefits	<u>1,905,418</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>7,554,742</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable	44,126
Due to Other Governments	169,996
Salaries Payable	644,007
Accrued Expenses	308,355
Unearned Revenue	923,649
Current Portion of Non Current Liabilities	<u>2,630,550</u>

Total Current Liabilities	<u>4,720,683</u>
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The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2021

NON CURRENT LIABILITIES

Bonds Payable - Net	12,016,931
Accrued Interest	46,500
Compensated Absences	218,349
Net Other Postemployment Benefits Liability	3,869,346
Net Pension Liability	25,205,049
Less Current Portion of Non Current Liabilities	<u>(2,630,550)</u>
Total Non Current Liabilities	<u>38,725,625</u>
TOTAL LIABILITIES	<u>43,446,308</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Gain on Refunding - Net	2,824
Related to Pensions	1,015,196
Related to Other Postemployment Benefits	<u>2,969,064</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,987,084</u>

NET POSITION

Net Investment in Capital Assets	27,470,427
Restricted for Debt Service	346,858
Restricted for Capital Projects	869,415
Unrestricted (Deficit)	<u>(20,686,136)</u>
TOTAL NET POSITION	<u>\$ 8,000,564</u>

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

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021

					GOVERNMENTAL ACTIVITIES
					NET (EXPENSE)
					REVENUE AND
					CHANGES IN
FUNCTIONS/PROGRAMS	EXPENDITURES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 8,574,911	\$ 21,515	\$ 2,101,851	\$ 0	\$ (6,451,545)
Supporting Services	5,435,083	117,387	346,799	113,478	(4,857,419)
Community Services	955,947	487,371	99,153	0	(369,423)
Food Service Activities	380,382	11,691	317,428	0	(51,263)
Facilities Acquisition, Construction, and Improvements	123,136	0	0	11,836	(111,300)
Interest on Long-Term Debt	234,807	0	0	0	(234,807)
Other Transactions	4,253	0	0	0	(4,253)
Unallocated Depreciation	1,563,337	0	0	0	(1,563,337)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 17,271,856</u>	<u>\$ 637,964</u>	<u>\$ 2,865,231</u>	<u>\$ 125,314</u>	<u>(13,643,347)</u>
<u>GENERAL REVENUES</u>					
Property Taxes - Levied for General Purposes					10,632,739
Property Taxes - Levied for Debt Service					3,075,130
Property Taxes - Levied for Sinking Capital Projects					624,661
Property Taxes - Levied for Recreation					151,350
Regional Enhancement Millage					561,594
Investment Earnings					19,654
State Sources					131,889
Other					52,105
Total General Revenues					<u>15,249,122</u>
Change in Net Position					1,605,775
<u>NET POSITION</u> - Beginning of Year					<u>6,394,789</u>
<u>NET POSITION</u> - End of Year					<u>\$ 8,000,564</u>

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

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2021

	GENERAL FUND	2017 REFUNDING DEBT SERVICE FUND	SINKING FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 3,074,791	\$ 227,770	\$ 269,506	\$ 662,077	\$ 4,234,144
Investments	2,889,251	0	512,748	227,224	3,629,223
Taxes Receivable	49,487	0	0	0	49,487
Accounts Receivable	0	0	0	681	681
Due from Other Funds	34,741	0	0	0	34,741
Due from Other Governments	295,198	0	0	3,894	299,092
Accrued Interest Receivable	1,073	0	0	0	1,073
Inventories	26,071	0	0	7,391	33,462
Prepaid Expenditures	34,045	0	94,240	16,409	144,694
<b>TOTAL ASSETS</b>	<b>\$ 6,404,657</b>	<b>\$ 227,770</b>	<b>\$ 876,494</b>	<b>\$ 917,676</b>	<b>\$ 8,426,597</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts and Retainage Payable	\$ 32,463	\$ 0	\$ 0	\$ 11,663	\$ 44,126
Due to Other Governments	169,996	0	0	0	169,996
Salaries Payable	644,007	0	0	0	644,007
Accrued Expenditures	300,991	0	0	7,364	308,355
Unearned Revenue	866,083	0	0	57,566	923,649
Due to Other Funds	0	0	16,822	17,919	34,741
<b>Total Liabilities</b>	<b>2,013,540</b>	<b>0</b>	<b>16,822</b>	<b>94,512</b>	<b>2,124,874</b>
<u>FUND BALANCES</u>					
Nonspendable - Inventory					
Inventory	26,071	0	0	7,391	33,462
Prepaid Expenditures	34,045	0	94,240	16,409	144,694
Restricted for:					
Food Service	0	0	0	3,196	3,196
Capital Projects	0	0	765,432	9,743	775,175
Debt Service	0	227,770	0	165,588	393,358
Assigned, Reported in:					
General Fund	819,659	0	0	0	819,659
Special Revenue Fund-					
Community Services	0	0	0	485,078	485,078
Student Activities	0	0	0	135,759	135,759
Unassigned	3,511,342	0	0	0	3,511,342
<b>Total Fund Balances</b>	<b>4,391,117</b>	<b>227,770</b>	<b>859,672</b>	<b>823,164</b>	<b>6,301,723</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,404,657</b>	<b>\$ 227,770</b>	<b>\$ 876,494</b>	<b>\$ 917,676</b>	<b>\$ 8,426,597</b>

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

HARBOR SPRINGS PUBLIC SCHOOLS

HARBOR SPRINGS, MICHIGAN

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

JUNE 30, 2021

Total Governmental Fund Balances	\$	6,301,723
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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	\$ 63,208,163	
Accumulated depreciation is	<u>(23,720,805)</u>	39,487,358

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	(2,824)
Bond Discount (Premium)	(291,931)

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

Bonds Payable	(11,725,000)
Compensated Absences	(218,349)

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	(25,205,049)
Net Other Postemployment Benefits Liability	(3,869,346)

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	7,554,742
Deferred Inflows of Resources	(3,984,260)

Accrued interest is not included as a liability in governmental funds, it is recorded when paid.	<u>(46,500)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 8,000,564</u></u>
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The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS

HARBOR SPRINGS, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2021

	2017 REFUNDING DEBT			OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	SERVICE FUND	SINKING FUND		
<u>REVENUES</u>					
Local Sources	\$ 10,952,831	\$ 1,704,797	\$ 625,655	\$ 2,082,450	\$ 15,365,733
State Sources	1,718,675	4,710	13,140	25,340	1,761,865
Federal Sources	443,682	0	0	409,229	852,911
Other Transactions	1,026,269	0	0	0	1,026,269
Total Revenues	14,141,457	1,709,507	638,795	2,517,019	19,006,778
<u>EXPENDITURES</u>					
Instruction	8,182,205	0	0	0	8,182,205
Supporting Services	5,198,824	0	0	56,938	5,255,762
Food Service Activities	0	0	0	333,306	333,306
Community Services	0	0	0	692,502	692,502
Facilities, Acquisition, Construction and Improvements	0	0	745,930	53,707	799,637
Debt Service					
Principal	0	1,615,000	0	1,015,000	2,630,000
Interest	0	53,850	0	300,300	354,150
Other Transactions	0	1,898	0	2,355	4,253
Total Expenditures	13,381,029	1,670,748	745,930	2,454,108	18,251,815

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, 2021

	GENERAL FUND	2017 REFUNDING DEBT SERVICE FUND	SINKING FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Excess (Deficiency) of Revenues Over (Under) Expenditures	760,428	38,759	(107,135)	62,911	754,963
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In (Out)	0	45,894	0	(45,894)	0
Net Change in Fund Balance	760,428	84,653	(107,135)	17,017	754,963
<u>FUND BALANCE</u> - Beginning of Year	3,630,689	143,117	966,807	806,147	5,546,760
<u>FUND BALANCE</u> - End of Year	\$ 4,391,117	\$ 227,770	\$ 859,672	\$ 823,164	\$ 6,301,723

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, 2021

Net Change in Fund Balances Total Governmental Funds	\$ 754,963
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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	(1,563,337)
Capital Outlay	951,975
Net Cost of Capital Assets Sold	(22,333)

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	59,025
Accrued Interest Payable - End of Year	(46,500)

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	2,630,000
Amortization of Deferred Charges	106,818

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	175,339
Accumulated Sick Pay - End of Year	(218,349)

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, 2021

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	(1,702,593)
Changes in Other Postemployment Benefits Related Items	609,914

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	<u>(129,147)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,605,775</u></u>
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The notes to the financial statements are an integral part of this statement.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2021

	<u>CUSTODIAL FUND</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$        39,473
<u>LIABILITIES</u>	
	<u>0</u>
<u>NET POSITION</u>	
Restricted for student organizations	<u><u>\$        39,473</u></u>

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

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2021

	<u>CUSTODIAL FUND</u>
<u>ADDITIONS</u>	
Other Income	\$ 40,108
Earnings on Investments and Deposits	<u>53</u>
Total Additions	40,161
<u>DEDUCTIONS</u>	
Payments made on behalf of other organizations	<u>84,712</u>
Change in Net Position	(44,551)
<u>NET POSITION</u> - Beginning of Year	<u>84,024</u>
<u>NET POSITION</u> - End of Year	<u><u>\$ 39,473</u></u>

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

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

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

**A. Reporting Entity**

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

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

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

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

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

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

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

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

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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 Sinking Fund *capital project fund* account for capital project activities funded with the Sinking Fund millage.

Other nonmajor funds:

The *special revenue (School Service) funds* account for revenue sources that are legally restricted or assigned to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, community services, and student 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 *2018 School Building and Site Fund* accounts for activities related to various athletic facilities and fields as well as related items as approved by voters.

The Fiber Optic Build Fund *capital project fund* account for activities related to a fiber optic cable build.

Additionally, the District reports Fiduciary Funds. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The *custodial fund* consists of assets for the benefit of individuals and the District does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the District's provision of goods or services to those individuals. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

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.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**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 fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

**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.



HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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 29, 2020, or as amended by the School Board of Education throughout the year.

**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.

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**2. *Investments***

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings, and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers, acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Investments in the U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100 percent of the available reserves.

All investments must mature or be redeemable within two (2) years of the date of purchase. The District's deposits and investments are held separately by several of the District's funds.

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.

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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, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

**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 the General Fund, Lunch Fund, and Community Services 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 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 obligation.

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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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

In addition to assets, the statement of net 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 2-E and 2-F.

In addition to liabilities, the statement of net 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 2-E and 2-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.

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***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.

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## **H. Revenues and Expenditures/Expenses**

### **1. State Revenue**

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

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

### **2. Program Revenues**

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

### **3. Property Taxes**

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

For the year ended June 30, 2021, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Homestead	13.9911
General Fund - Non-Homestead Commercial PPT	1.9911
Capital Projects Sinking Fund - Homestead and Non-Homestead	0.5281
Debt Service Funds - Homestead and Non-Homestead	2.6000
Recreation - Homestead and Non-Homestead	0.1278

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**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 – 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, 2021 the District's bank balance was \$4,170,886 and \$3,670,886 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.

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As of June 30, 2021, the District had the following investments:

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF+ External Investment Pool - Cash Mgmt Class	\$ 545,570	0.0027	AAAm	15.03%
MILAF+ External Investment Pool - Max Class	3,083,652	0.0027	AAAm	84.97%
	<u>\$ 3,629,222</u>			<u>100.00%</u>
Portfolio Weighted Average Maturity		<u>0.0027</u>		

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, 2021, 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.



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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 \$39,473	\$ 4,272,433
Petty Cash	1,184
Investments	3,629,223
	<u>\$ 7,902,840</u>

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

	Total
Cash and Cash Equivalents - Fiduciary Funds	\$ 39,473
Investments - District-Wide	3,629,223
Cash and Cash Equivalents - District-Wide	4,234,144
	<u>\$ 7,902,840</u>

**B. Receivables**

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

	General	Nonmajor Funds	Total
Receivables			
Taxes Receivable	\$ 49,487	\$ 0	\$ 49,487
Accounts	0	681	681
Due from Other Governments	295,198	3,894	299,092
Accrued Interest Receivable	1,073	0	1,073
Total Receivables	<u>\$ 345,758</u>	<u>\$ 4,575</u>	<u>\$ 350,333</u>

Amounts due from other governments is primarily made up of amounts due from the state.

The allowance for doubtful accounts is not considered to be material for disclosure.

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**C. Capital Assets**

Capital assets activity for the year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Assets Not Being Depreciated:				
Land	\$ 2,764,746	\$ 0	\$ 0	\$ 2,764,746
Construction in Progress	4,200,624	141,000	4,200,624	141,000
Total Assets Not Being Depreciated	6,965,370	141,000	4,200,624	2,905,746
Other Capital Assets				
Land Improvements	2,042,057	372,317	0	2,414,374
Buildings and Improvements	48,074,862	4,350,808	0	52,425,670
Furniture and Equipment	4,713,513	180,930	400,635	4,493,808
Transportation Equipment	861,021	107,544	0	968,565
Subtotal	55,691,453	5,011,599	400,635	60,302,417
Accumulated Depreciation				
Land Improvements	842,707	69,991	0	912,698
Buildings and Improvements	18,005,789	1,125,429	0	19,131,218
Furniture and Equipment	3,192,299	285,173	378,302	3,099,170
Transportation Equipment	494,975	82,744	0	577,719
Total Accumulated Depreciation	22,535,770	1,563,337	378,302	23,720,805
Net Other Capital Assets	33,155,683	3,448,262	22,333	36,581,612
Net Capital Assets	\$ 40,121,053	\$ 3,589,262	\$ 4,222,957	\$ 39,487,358

Depreciation for the fiscal year ended June 30, 2021, amounted to \$1,563,337. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**D. Retirement and Post-Employment Benefits**

Plan Description – The Michigan Public School Employees’ Retirement System (System or MPERS) 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

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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](http://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 of Michigan Investments Board serves as the investment fiduciary and custodian of the System.

### **Benefits Provided- Overall**

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

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	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 the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 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% - 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)

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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 they 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 transient 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 thereafter 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 account. 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).

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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 a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (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 closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 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 Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included 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, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

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***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**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

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Pension and OPEB contributions made in the plan year ending September 30, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017 are amortized over a 19-year period beginning October 1, 2019 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:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.45%

The District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Pension contributions were approximately \$2,215,630, with \$2,183,871 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB contributions were approximately \$548,798, with \$517,742 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, 2021, the District reported a liability of \$25,205,049 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2019 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, 2020 and 2019, the District's proportion was 0.07337482% and 0.07334270%.

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**MPERS (Plan) Non-University Employers Net Pension Liability**

	<b><u>September 30, 2020</u></b>	<b><u>September 30, 2019</u></b>
Total Pension Liability	\$ 85,290,583,799	\$ 83,442,507,212
Fiduciary Net Position	50,939,496,006	50,325,869,338
Net Pension Liability	<u>\$ 34,351,087,793</u>	<u>\$ 33,116,637,874</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	59.72%	60.31%
Net Pension Liability as a Percentage of Covered Payroll	387.25%	378.65%

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

For the year ended June 30, 2021, the District recognized total pension expense of \$3,886,464.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 385,112	\$ 53,796
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	934,571
Changes of assumptions	2,792,962	0
Net difference between projected and actual earnings on pension plan investments	105,900	0
Changes in proportion and differences between District contributions and proportionate share of contributions	315,286	26,829
District contributions subsequent to the measurement date	<u>2,050,064</u>	<u>0</u>
<b>Total</b>	<u><u>\$ 5,649,324</u></u>	<u><u>\$ 1,015,196</u></u>

\$2,050,064 reported as deferred outflows of resources and \$934,571 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 fiscal year.



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Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

<b><u>Year Ended September 30,</u></b>	<b><u>Amount</u></b>
2021	\$ 1,632,374
2022	1,134,599
2023	581,720
2024	169,942
	<b><u>\$ 3,518,635</u></b>

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

**OPEB Liabilities**

At June 30, 2021, the District reported a liability of \$3,869,346 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2019 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, 2020 and 2019, the District's proportion was 0.07222612% and 0.07338050%.

**MPERS (Plan) Non-University Employers Net OPEB Liability**

	<b><u>September 30, 2020</u></b>	<b><u>September 30, 2019</u></b>
Total OPEB Liability	\$ 13,206,903,534	\$ 13,925,860,688
Fiduciary Net Position	7,849,636,555	6,748,112,668
OPEB Liability	<b><u>\$ 5,357,266,979</u></b>	<b><u>\$ 7,177,748,020</u></b>
Plan Fiduciary Net Position as a Percentage of		
Total OPEB Liability	59.44%	48.46%
OPEB Liability as a Percentage of		
Covered Payroll	60.39%	82.07%

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

For the year ended June 30, 2021, the District recognized total OPEB expense of (\$92,172).

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At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 2,883,025
Changes of assumptions	1,275,800	0
Net difference between projected and actual earnings on OPEB plan investments	32,294	0
Changes in proportion and differences between District contributions and proportionate share of contributions	133,757	86,039
District contributions subsequent to the measurement date	<u>463,567</u>	<u>0</u>
<b>Total</b>	<u><u>\$ 1,905,418</u></u>	<u><u>\$ 2,969,064</u></u>

\$463,567 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:

<u>Year Ended September 30,</u>	<u>Amount</u>
2021	\$ (401,980)
2022	(356,979)
2023	(297,118)
2024	(253,968)
2025	<u>(217,168)</u>
	<u><u>\$ (1,527,213)</u></u>

#### G. Actuarial Assumptions

**Investment rate of return for Pension** – 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for the Pension Plus 2 Plan.

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**Investment rate of return for OPEB** – 6.95% a year, compounded annually net of investment and administrative expenses.

**Salary increases** - The rate of pay increase used for individual members is 2.75% - 11.55%, including inflation at 2.75%.

**Inflation** – 3.0%

**Mortality assumptions –**

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

**Active:** RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality 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, 2019. 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, 2018 Comprehensive Annual Financial Report.

**The long-term expected rate of return on pension and other postemployment benefit plan investments** - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, 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 and OPEB 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** – 7.0% for year one and graded to 3.5% to year fifteen.

**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.

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**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, 2020 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.00%	5.60%
Alternative Investment Pools	16.00%	9.30%
International Equity	15.00%	7.40%
Fixed Income Pools	10.50%	50.00%
Real Estate & Infrastructure Pools	10.00%	4.90%
Absolute Return Pools	9.00%	3.20%
Real Return/Opportunistic Pools	12.50%	6.60%
Short-Term Investment Pools	2.00%	-0.10%
	<u>100%</u>	

\*Long-term rate of return is net of administrative expenses and 2.1% inflation.

***Rate of return***

For fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Pension Discount Rate***

A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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***

A single discount rate of 6.95% 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 6.95%. The projection of cash flows

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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 projected 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 Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit'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:

<b>Pension</b>			
<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>	
\$ 32,623,660	\$ 25,205,049	\$ 19,056,674	

***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 a single discount rate of 6.95%, 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:

<b>OPEB</b>			
<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>	
\$ 4,970,615	\$ 3,869,346	\$ 2,942,170	

***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 7.0% (decreasing to 3.5%), 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:

<b>OPEB</b>			
<b>Healthcare Cost</b>			
<b>1% Decrease</b>	<b>Trend Rates</b>	<b>1% Increase</b>	
\$ 2,906,670	\$ 3,869,346	\$ 4,964,271	

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**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 2020 Comprehensive Annual Financial Report.

**I. Payables to the Pension and OPEB Plan**

As of June 30, 2021, the District is current on all required pension and OPEB plan payments. As of June 30, 2021, the District reported payables in the amount of \$350,770 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).

**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, 2021:

	Balance July 1, 2020	Increases	(Decreases)	Balance June 30, 2021	Due Within Year
General Obligation Bonds	\$ 14,355,000	\$ 0	\$ (2,630,000)	\$ 11,725,000	\$ 2,560,000
Compensated					
Absences	175,339	43,010	0	218,349	unknown
Net OPEB Liability	5,267,067	609,914	(2,007,635)	3,869,346	unknown
Net Pension Liability	24,288,636	2,932,848	(2,016,435)	25,205,049	unknown
Total	\$ 44,086,042	\$ 3,585,772	\$ (6,654,070)	\$ 41,017,744	\$ 2,560,000

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Bonds payable at June 30, 2021, are comprised of the following issues:

General Obligation Serial Bonds

2018 School Building and Site Bonds Due in Annual Installments of \$745,000 to \$800,000 through May 1, 2024, Interest at 3.00%	\$ 2,320,000
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2016 Refunding Bonds Due in Annual Installments of \$0 to \$1,950,000 through May 1, 2026, Interest at 2.00%	9,225,000
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2017 Refunding Bonds Due in Annual Installments of \$180,000 through May 1, 2022, Interest at 3.00%	180,000
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Other

Accrued Compensated Absences	218,349
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Net OPEB Liability	3,869,346
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Net Pension Liability	25,205,049
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Total General Obligation Debt	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 41,017,744</div>
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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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payable</u>
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	1,915,000	96,800	2,011,800
2026	1,950,000	58,500	2,008,500
	\$ 11,725,000	\$ 811,250	12,536,250
Net OPEB Liability			3,869,346
Net Pension Liability			25,205,049
Compensated Absences of Employee Vested Sick Pay			218,349
			\$ 41,828,994

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**L. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at June 30, 2021 were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sinking Fund	\$ 16,822
General Fund	Community Services Fund	17,919
		<u>\$ 34,741</u>

All remaining balances 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.

Individual fund transfers at June 30, 2021, were:

<u>Fund Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
2017 Refunding Debt Service Fund	2015 Bond Issue Fund	\$ 45,894

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.



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**M. Fund Balance Classifications**

As of June 30, 2021, fund balances are composed of the following:

	General Fund	2017 Refunding Debt Service Fund	Sinking Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory	\$ 26,071	\$ 0	\$ 0	\$ 7,391	\$ 33,462
Prepaid Expenditures	34,045	0	94,240	16,409	144,694
Restricted:					
Food Service	0	0	0	3,196	3,196
Capital Projects	0	0	765,432	9,743	775,175
Debt Service	0	227,770	0	165,588	393,358
Assigned:					
General Fund (Enhancement Millage	819,659	0	0	0	819,659
Special Revenue Fund					
Community Services	0	0	0	485,078	485,078
Student Activities	0	0	0	135,759	135,759
Unassigned	3,511,342	0	0	0	3,511,342
Total Fund Balances	\$ 4,391,117	\$ 227,770	\$ 859,672	\$ 823,164	\$ 6,301,723

**N. 2018 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 2018 Building and Site Capital Projects Fund. The project for which the 2018 Building and Site Bonds were issued was considered complete on June 30, 2021, and the cumulative expenditures recognized for the construction period were \$4,231,894.

**O. Sinking Fund Tax Levy**

The School renewed its Sinking Fund millage and is authorized to levy 0.5400 mills through December 2024 (before any Headlee Reduction Factor). 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.

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**P. GASB Statement No. 77 (Tax Abatements)**

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by Little Traverse Township within the District. Industrial 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, 2021, (tax year 2020) the District's property tax revenues were reduced by \$30,061 under these programs.

**Q. 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 an outstanding contract for a new fire suppression system at Black Bird Elementary School in the amount of \$202,270. As of June 30, 2021, \$116,900 has been paid and the District has a remaining commitment of \$85,370. The District entered into a contract for architectural design in the High School for \$26,750, of this, \$19,738 was paid during the fiscal year leaving a balance of \$7,012 plus up to \$1,272 in reimbursable expenses left in the contract. The District also entered into various other contracts including a High School flooring project for \$163,275, High School locker project for \$79,325, Middle School boiler replacement for \$137,690, LED lighting at Ottawa Stadium for \$155,299, the purchase of a walk-in cooler/freezer for \$42,100, and a gym floor project for \$22,869.

**2. *Subsequent Events***

After June 30, 2021, the District approved a lease purchase agreement to acquire technology equipment and accessories in the amount of \$513,810.

The financial statements have not been adjusted related to the subsequent events mentioned above.

**3. *Single Audit***

Current federal guidelines require entities with federal expenditures exceeding \$750,000 to have a “single audit” of federally funded programs.

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Revenues from Federal Sources - Statement of Revenues,	
Expenditures and Changes in Fund Balances - Governmental Funds	\$ 852,911
Federal Expenditures Related to the Following Grants are not Required to be Reported on the Schedule of Expenditures of Federal Awards and are not Covered by Single Audit	
Child Development & Care Block Grant	(22,500)
CRF Child Care Relief Fund Grant	(87,200)
	<u>\$ 743,211</u>

The amount of expenditures of federal awards used for determining whether or not the District is required to have a “single audit” of federally funded programs is \$743,211. Because this amount is less than the threshold of \$750,000, the District was not required to have a “single audit”.

**NOTE 3– UPCOMING ACCOUNTING PRONOUNCEMENTS**

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 2022 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.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2021

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 11,202,683	\$ 10,903,906	\$ 10,952,831
State Sources	1,044,827	1,612,685	1,718,675
Federal Sources	158,665	565,309	443,682
Other Transactions	1,358,808	1,026,268	1,026,269
Total Revenues	13,764,983	14,108,168	14,141,457
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	6,798,296	7,264,764	7,264,752
Added Needs	1,466,477	917,474	917,453
Supporting Services			
Pupil	554,876	468,653	468,618
Instructional Staff	252,917	211,361	211,322
General Administration	455,399	480,997	480,279
School Administration	885,843	868,930	868,849
Business	401,117	374,194	374,092
Operating and Maintenance	1,556,499	1,749,836	1,748,922
Pupil Transportation	439,225	425,471	425,425
Central Services	375,262	295,249	295,210
Other-Athletic Activities	361,670	326,293	326,107
Facilities Acquisition			
Architecture and Engineering Services	25,500	0	0
Total Expenditures	13,573,081	13,383,222	13,381,029
Excess (Deficiency) of Revenues Over (Under) Expenditures	191,902	724,946	760,428
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	(55,000)	0	0
Net Change in Fund Balance	136,902	724,946	760,428
<u>FUND BALANCE</u> - Beginning of Year	2,959,107	3,689,530	3,630,689
<u>FUND BALANCE</u> - End of Year	\$ 3,096,009	\$ 4,414,476	\$ 4,391,117

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, 2021

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)				0.07337482%	0.0733427%	0.0719981%	0.0709329%	0.0697364%	0.0695050%	0.0679100%
District's proportionate share of net pension liability				\$ 25,205,049	\$ 24,288,636	\$ 21,643,929	\$ 18,381,735	\$ 17,398,661	\$ 16,976,615	\$ 14,957,368
District's covered payroll				6,382,056	5,866,438	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				394.94%	414.03%	354.08%	309.98%	322.02%	306.61%	258.37%
Plan fiduciary net position as a percentage of total pension liability				59.72%	60.31%	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, 2021

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions				\$ 2,183,871	\$ 2,011,290	\$ 1,946,070	\$ 1,823,265	\$ 1,658,039	\$ 1,513,042	\$ 1,316,797
Contributions in relation to statutorily required contributions *				2,183,871	2,011,290	1,946,070	1,823,265	1,658,039	1,513,042	1,316,797
Contribution deficiency (excess)				\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll				\$ 6,475,296	\$ 6,362,622	\$ 6,335,425	\$ 6,036,127	\$ 5,906,558	\$ 5,322,738	\$ 5,802,318
Contributions as a percentage of covered payroll				33.73%	31.61%	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, 2021

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)							0.07222612%	0.0733805%	0.0722989%	0.0707437%
District's proportionate share of net OPEB liability							\$ 3,869,346	\$ 5,267,067	\$ 5,747,007	\$ 6,264,686
District's covered payroll							6,382,056	5,866,438	6,112,731	5,929,880
District's proportionate share of net OPEB liability as a percentage of its covered payroll							60.63%	89.78%	94.02%	105.65%
Plan fiduciary net position as a percentage of total OPEB liability							59.44%	48.46%	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, 2021

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions							\$ 517,742	\$ 498,402	\$ 490,187	\$ 441,062
Contributions in relation to statutorily required contributions *							517,742	498,402	490,187	441,062
Contribution deficiency (excess)							\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll							\$ 6,475,296	\$ 6,362,622	\$ 6,335,425	\$ 6,036,127
Contributions as a percentage of covered payroll							8.00%	7.83%	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.



HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2021

**Pension Plan**

**1. Changes of Benefit Terms**

There were no changes of benefit terms for the plan year ended September 30, 2020.

**2. Changes of Assumptions**

There were no changes of assumptions for the plan year ended September 30, 2020.

**Other Post-Employment Benefits Plan**

**1. Changes of Benefit Terms**

There were no changes of benefit terms for the plan year ended September 30, 2020.

**2. Changes of Assumptions**

The assumption changes for the plan year ended September 30, 2020, were:

Healthcare cost trend rate decreased to 7.00% Year 1 graded to 3.50% Year 15 from 7.50% Year 1 graded to 3.50% Year 12.

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HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2021

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE FUND	COMMUNITY SERVICES FUND	STUDENT ACTIVITIES FUND	2018 BOND ISSUE	2015 BOND ISSUE	2016 REFUNDING	FIBER OPTIC BUILD FUND	2018 SCHOOL BUILDING AND SITE FUND	
<u>ASSETS</u>									
Cash	\$ 25,071	\$ 315,397	\$ 149,372	\$ 94,878	\$ 0	\$ 70,710	\$ 6,649	\$ 0	\$ 662,077
Investments	0	227,224	0	0	0	0	0	0	227,224
Accounts Receivable	681	0	0	0	0	0	0	0	681
Due from Other Governments	0	0	0	0	0	0	3,894	0	3,894
Inventories	7,391	0	0	0	0	0	0	0	7,391
Prepaid Expenditures	156	3,193	13,060	0	0	0	0	0	16,409
<b>TOTAL ASSETS</b>	<b>\$ 33,299</b>	<b>\$ 545,814</b>	<b>\$ 162,432</b>	<b>\$ 94,878</b>	<b>\$ 0</b>	<b>\$ 70,710</b>	<b>\$ 10,543</b>	<b>\$ 0</b>	<b>\$ 917,676</b>
<u>LIABILITIES AND FUND BALANCE</u>									
<u>LIABILITIES</u>									
Accounts Payable	\$ 1,050	\$ 4,553	\$ 5,260	\$ 0	\$ 0	\$ 0	\$ 800	\$ 0	\$ 11,663
Accrued Expenditures	430	6,934	0	0	0	0	0	0	7,364
Unearned Revenue	21,076	28,137	8,353	0	0	0	0	0	57,566
Due to Other Funds	0	17,919	0	0	0	0	0	0	17,919
<b>Total Liabilities</b>	<b>22,556</b>	<b>57,543</b>	<b>13,613</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>800</b>	<b>0</b>	<b>94,512</b>
<u>FUND BALANCE</u>									
Nonspendable									
Inventory	7,391	0	0	0	0	0	0	0	7,391
Prepaid Expenditures	156	3,193	13,060	0	0	0	0	0	16,409
Restricted for:									
Food Service	3,196	0	0	0	0	0	0	0	3,196
Debt Service	0	0	0	94,878	0	70,710	0	0	165,588
Capital Projects	0	0	0	0	0	0	9,743	0	9,743
Assigned for:									
Community Services	0	485,078	0	0	0	0	0	0	485,078
Student Activities	0	0	135,759	0	0	0	0	0	135,759
<b>Total Fund Balance</b>	<b>10,743</b>	<b>488,271</b>	<b>148,819</b>	<b>94,878</b>	<b>0</b>	<b>70,710</b>	<b>9,743</b>	<b>0</b>	<b>823,164</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 33,299</b>	<b>\$ 545,814</b>	<b>\$ 162,432</b>	<b>\$ 94,878</b>	<b>\$ 0</b>	<b>\$ 70,710</b>	<b>\$ 10,543</b>	<b>\$ 0</b>	<b>\$ 917,676</b>

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

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

YEAR ENDED JUNE 30, 2021

	<u>SPECIAL REVENUE FUNDS</u>			<u>DEBT SERVICE FUNDS</u>			<u>CAPITAL PROJECT FUNDS</u>		<u>TOTAL</u>
	<u>FOOD</u>	<u>COMMUNITY</u>	<u>STUDENT</u>	<u>2018</u>	<u>2015</u>	<u>2016</u>	<u>2018 SCHOOL</u>		<u>NONMAJOR</u>
	<u>SERVICE</u>	<u>SERVICES</u>	<u>ACTIVITIES</u>	<u>BOND ISSUE</u>	<u>BOND ISSUE</u>	<u>REFUNDING</u>	<u>FIBER OPTIC</u>	<u>BUILDING AND</u>	<u>GOVERNMENTAL</u>
	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>				<u>BUILD FUND</u>	<u>SITE FUND</u>	<u>FUNDS</u>
<u>REVENUES</u>									
Local Sources	\$ 11,695	\$ 640,259	\$ 56,325	\$ 733,780	\$ 379,066	\$ 260,465	\$ 663	\$ 197	\$ 2,082,450
State Sources	21,123	423	0	2,028	1,047	719	0	0	25,340
Federal Sources	299,529	109,700	0	0	0	0	0	0	409,229
Total Revenues	332,347	750,382	56,325	735,808	380,113	261,184	663	197	2,517,019
<u>EXPENDITURES</u>									
Food Service Activities	333,306	0	0	0	0	0	0	0	333,306
Supporting Services	0	0	45,917	0	0	0	11,021	0	56,938
Community Services	0	692,502	0	0	0	0	0	0	692,502
Facilities Acquisition, Construction and Improvements	0	0	0	0	0	0	0	53,707	53,707
Debt Service									
Principal	0	0	0	640,000	375,000	0	0	0	1,015,000
Interest	0	0	0	88,800	7,500	204,000	0	0	300,300
Other Transactions	0	0	0	940	877	538	0	0	2,355
Total Expenditures	333,306	692,502	45,917	729,740	383,377	204,538	11,021	53,707	2,454,108
Excess (Deficiency) of Revenues Over (Under) Expenditures	(959)	57,880	10,408	6,068	(3,264)	56,646	(10,358)	(53,510)	62,911
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In (Out)	0	0	0	0	(45,894)	0	0	0	(45,894)
Net Change in Fund Balance	(959)	57,880	10,408	6,068	(49,158)	56,646	(10,358)	(53,510)	17,017
<u>FUND BALANCE</u> - Beginning of Year	11,702	430,391	138,411	88,810	49,158	14,064	20,101	53,510	806,147
<u>FUND BALANCE</u> - End of Year	\$ 10,743	\$ 488,271	\$ 148,819	\$ 94,878	\$ 0	\$ 70,710	\$ 9,743	\$ 0	\$ 823,164

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HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SELECTED STATISTICAL DATA  
YEARS 2012 TO 2021

SOURCE: ANNUAL AUDITED STATEMENTS

YEAR ENDED JUNE 30,	2021	2020	2019	2018	2017
Total Taxable Value	\$ 1,182,709,684	\$ 1,140,531,099	\$ 1,099,860,281	\$ 1,069,602,261	\$ 1,042,996,303
Non-Homestead Taxable Value	756,105,346	749,526,602	723,902,460	711,454,174	689,620,064
Blended Student Count	766	775	792	767	802
Taxable Value Per Student	1,544,007	1,471,653	1,388,712	1,394,527	1,300,494
Per Pupil Foundation Allowance	8,717	8,717	8,597	8,472	8,366
Mills Levied					
Operations - Non-Homestead	13.9911	13.9911	13.9911	13.9911	13.9911
Debt	2.6000	2.6000	2.6500	2.6500	2.6500
Sinking Fund	0.5281	0.5339	0.5369	0.5369	0.5395
Community Schools	0.1278	0.1292	0.1292	0.1292	0.1298
Property Tax Revenues					
Operations	10,565,921	10,344,911	10,072,100	9,825,648	9,463,502
Debt	3,071,594	3,168,130	2,914,630	2,833,631	2,771,466
Sinking Fund	623,936	608,493	590,516	575,031	564,263
Recreation	150,876	147,419	142,102	138,251	135,479
Regional Enhancement Millage through the ISD	561,594	544,734	533,462	0	0
*note 2019 was first year					
State Aid - Foundation Grant (Excluding Categoricals)	149,898	179,396	177,978	161,600	141,069
Other General Fund Data					
Total Fund Balance	4,391,117	3,630,689	2,926,730	2,413,618	2,212,211
Total Local Revenues	10,952,831	10,778,310	10,587,326	10,357,492	9,772,236
Total State Revenues	1,718,675	1,491,028	1,510,472	1,378,921	1,168,829
Total Expenditures	13,381,029	13,090,641	12,754,031	12,130,016	11,579,523
Long Term Debt Data					
Bonds Payable	11,725,000	14,355,000	16,880,000	19,300,000	17,580,000
Contracts Payable and Retirement Incentives	0	0	0	0	50,000
Compensated Absences	218,349	175,339	170,039	165,046	152,696

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SELECTED STATISTICAL DATA  
YEARS 2012 TO 2021

SOURCE: ANNUAL AUDITED STATEMENTS

YEAR ENDED JUNE 30,	2016	2015	2014	2013	2012
Total Taxable Value	\$ 1,038,541,810	\$ 1,018,679,786	\$ 1,004,637,717	\$ 1,012,581,577	\$ 1,029,274,640
Non-Homestead Taxable Value	679,568,858	667,991,977	661,373,879	660,355,376	678,218,266
Blended Student Count	818	824	843	869	880
Taxable Value Per Student	1,269,611	1,236,262	1,191,741	1,165,226	1,169,630
Per Pupil Foundation Allowance	8,357	8,287	8,237	8,207	8,207
Mills Levied					
Operations - Non-Homestead	13.9911	13.9911	13.9911	13.9911	13.9911
Debt	2.6500	2.6500	2.7000	3.2800	3.1000
Sinking Fund	0.5399	0.5399	0.5400	0.5400	0.6600
Community Schools	0.1299	0.1299	0.1300	0.0000	0.0000
Property Tax Revenues					
Operations	9,415,308	9,208,987	9,094,165	9,188,353	9,367,003
Debt	2,748,762	2,701,214	2,720,322	3,322,565	3,195,991
Sinking Fund	559,744	550,296	543,945	546,617	680,864
Recreation	134,595	132,331	130,891	0	0
Regional Enhancement Millage through the ISD	0	0	0	0	0
*note 2019 was first year					
State Aid - Foundation Grant (Excluding Categoricals)	131,150	157,746	193,655	212,189	201,721
Other General Fund Data					
Total Fund Balance	2,399,114	2,344,186	2,347,739	2,464,389	2,689,684
Total Local Revenues	9,747,483	9,510,632	9,368,995	9,490,634	9,623,898
Total State Revenues	1,036,630	900,404	817,179	615,073	507,599
Total Expenditures	11,197,988	10,940,300	10,850,637	10,817,650	11,375,378
Long Term Debt Data					
Bonds Payable	19,895,000	22,105,000	22,810,000	24,680,000	25,895,499
Contracts Payable and Retirement Incentives	100,000	0	0	0	0
Compensated Absences	170,199	191,744	188,809	189,297	176,878

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN  
SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2021

<u>TITLE OF ISSUE</u>	2018 School Building and Site Bonds		
<u>PURPOSE</u>	Purchasing, erecting, completing, remodeling, and equipping or re-equipping structures, athletic fields and other facilities, 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		
<u>DATE OF ISSUE</u>	March 22, 2018		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>	\$ 4,070,000		
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$ 1,110,000		
Redeemed During Current Year	<u>640,000</u>		<u>1,750,000</u>
<u>BALANCE OUTSTANDING - June 30, 2021</u>			<u><u>\$ 2,320,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 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
		<u>\$ 2,460,850</u>	<u>\$ 140,850</u>	<u>\$ 2,320,000</u>



HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2021

<u>TITLE OF ISSUE</u>	2016 Refunding Bonds
<u>PURPOSE</u>	To refund the 2006 bonds to take advantage of lower advantage of lower interest rates.
<u>DATE OF ISSUE</u>	March 2, 2016
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 9,545,000
<u>AMOUNT REDEEMED</u>	
Redeemed Prior to Current Year	\$ 320,000
Redeemed During Current Year	0
	<u>320,000</u>
<u>BALANCE OUTSTANDING - June 30, 2021</u>	<u>\$ 9,225,000</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2021		\$ 102,000	\$ 102,000	
May 1, 2022	2.00%	1,737,000	102,000	\$ 1,635,000
November 1, 2022		85,650	85,650	
May 1, 2023	2.00%	1,930,650	85,650	1,845,000
November 1, 2023		67,200	67,200	
May 1, 2024	2.00%	1,947,200	67,200	1,880,000
November 1, 2024		48,400	48,400	
May 1, 2025	2.00%	1,963,400	48,400	1,915,000
November 1, 2025		29,250	29,250	
May 1, 2026	2.00%	1,979,250	29,250	1,950,000
		<u>\$ 9,890,000</u>	<u>\$ 665,000</u>	<u>\$ 9,225,000</u>

HARBOR SPRINGS PUBLIC SCHOOLS  
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2021

<u>TITLE OF ISSUE</u>	2017 Refunding Bonds		
<u>PURPOSE</u>	To refund the 2007 bonds to take advantage of lower advantage of lower interest rates.		
<u>DATE OF ISSUE</u>	March 3, 2017		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>			\$ 6,455,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year		\$ 4,660,000	
Redeemed During Current Year		<u>1,615,000</u>	<u>6,275,000</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2021			<u><u>\$ 180,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2021		\$ 2,700	\$ 2,700	
May 1, 2022	3.00%	182,700	2,700	\$ 180,000
		<u>\$ 185,400</u>	<u>\$ 5,400</u>	<u>\$ 180,000</u>

HARBOR SPRINGS PUBLIC SCHOOLS

HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2021

<u>TITLE OF ISSUE</u>	2015 School Building and Site Bonds		
<u>PURPOSE</u>	To acquire and install technology, technology infrastructure, safety and security improvements, furnishings and equipment in school facilities and purchasing new school buses.		
<u>DATE OF ISSUE</u>	June 25, 2015		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>			\$ 1,195,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$ 820,000		
Redeemed During Current Year	<u>375,000</u>	<u>1,195,000</u>	
<u>BALANCE OUTSTANDING - June 30, 2021</u>			<u><u>\$ 0</u></u>



# Baird, Cotter & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

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August 5, 2021

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, 2021, 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, 2021.

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) as a basis for designing 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.*



