

HARBOR SPRINGS PUBLIC SCHOOLS

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

JUNE 30, 2024

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harbor Springs Public Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harbor Springs Public School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Harbor Springs Public School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harbor Springs Public School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 4-13 and 54-59 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harbor Springs Public School's basic financial statements. The accompanying combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such

information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical sections and bond schedules, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2024, on our consideration of Harbor Springs Public School'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 School's 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 School's internal control over financial reporting and compliance.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, with "LLP" in a smaller, simpler font to the right.

Cadillac, Michigan
August 9, 2024

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

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, 2024. 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 \$22,858,300.

Fund Level

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$39,340,976, an increase of \$15,760,746 in comparison with the prior year. This increase is a result of a bond issuance that took place during the 23-24 fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,483,477.

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, Community Services Fund, 2016 Refunding Debt Service Fund, 2022 School Building and Site Fund, and 2024 School Building and Site Fund, with all other funds presented in one column as non-major funds.

The *statement of fiduciary net position* and the *statement of changes in fiduciary net position*, 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, 2024

Government-Wide Financial Statements.

The government-wide statements provide short-term and long-term financial information about the District's overall financial status. 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.

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 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

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.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as another 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.

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.

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 25-53 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.

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HARBOR SPRINGS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

Summary of Net Position

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

Harbor Springs Public Schools
Net Position
Table 1

	Governmental Activities	
	2024	2023
Assets		
Current Assets	\$ 44,718,133	\$ 27,477,509
Non-Current Assets, Net of Accumulated Depreciation	53,161,352	41,060,505
Total Assets	97,879,485	68,538,014
Deferred Outflows of Resources	8,112,270	9,226,159
Liabilities		
Current Liabilities	7,998,064	6,850,788
Long-Term Liabilities	67,723,818	49,738,885
Total Liabilities	75,721,882	56,589,673
Deferred Inflows of Resources	7,411,573	4,511,739
Net Position		
Net Investment in Capital Assets	32,257,182	30,967,998
Restricted for Specific Purposes	2,495,821	1,683,323
Unrestricted (Deficit)	(11,894,703)	(15,988,560)
Total Net Position	\$ 22,858,300	\$ 16,662,761

Investment in capital assets, net of related debt of \$32,257,182, 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 principal and interest payments come due. Restricted net position of \$2,495,821 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, 2024

Analysis of Financial Position

During the fiscal year ended June 30, 2024, the District's net position increased by \$6,195,539, increasing the net position to \$22,858,300. 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, 2024, \$1,739,583 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 (assets) increases or decreases in any given year.

3. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2024, \$13,833,143 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 an increase to capital assets in the amount of \$11,702,143 for the fiscal year ended June 30, 2024.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

Change in Net Position

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

Harbor Springs Public Schools
Change in Net Position
Table 2

	Governmental Activities	
	2024	2023
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 1,085,331	\$ 1,198,059
Operating Grants and Contributions	4,727,252	4,486,033
Capital Grants and Contributions	79,415	366,429
General Revenues		
Property Taxes	17,028,694	15,858,303
Regional Enhancement Millage	642,110	507,641
Investment Earnings	1,093,335	800,528
State Sources	352,690	295,986
Other	16,894	18,727
Gain on Sale of Capital Assets	0	8,767
Total Revenues	25,025,721	23,540,473
<u>Expenses</u>		
Instruction	8,436,775	8,597,107
Supporting Services	5,989,315	6,231,958
Community Services	1,100,368	1,050,104
Food Services	423,610	599,972
Facilities Acquisition, Construction, and Improvements	358,583	303,181
Interest/Fees on Long-Term Debt	776,161	839,153
Other Transactions	5,787	1,347
Depreciation (Unallocated)	1,739,583	1,699,952
Total Expenses	18,830,182	19,322,774
Increase in Net Position	\$ 6,195,539	\$ 4,217,699

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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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

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 \$9,796 per student, while locally generated revenue is significantly more 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 \$39.3 million, which is an increase of approximately \$15,761,000 from the prior year.

Approximately \$8.5 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 \$8.5 million, while total fund balance was approximately \$9.9 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 \$2,509,154 during the current fiscal year bringing the fund balance to \$9,911,460, of which \$8,483,477 is unassigned and \$1,427,983 is assigned for future enhancement expenditures. The increase in fund balance is due to an increase in tax revenue as well as a large increase in interest revenue.

The Community Services Fund increased its fund balance by \$38,666 bringing the fund balance to \$599,093, all of which is assigned for community services. The increase in fund balance is due to an increase in tax revenue as well as increased day care revenue resulting from higher day care numbers and increased rates.

The 2016 Refunding Debt Service Fund increased its fund balance by \$128,614 bringing the fund balance to \$431,462, 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

The 2022 School Building and Site Fund decreased its fund balance by \$12,308,386 bringing the fund balance to \$1,301,198, of which the entire amount is restricted for capital projects. The decrease in fund balance is due to the District spending down the bond proceeds on various projects.

The 2024 School Building and Site Fund increased its fund balance by \$25,094,938 bringing the fund balance to \$25,094,938, of which the entire amount is restricted for capital projects. The increase in fund balance is due to the issuance of bonds during the fiscal year.

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 from the total revenue original budget to the final budget was an increase of \$950,207. This was due primarily to property tax values increasing by more than originally estimated. State revenues decreased slightly mainly due to some MPSERS reform payments that were not in place for 2023-2024 fiscal year.

The change in the total expenditures original budget to the final budget was a decrease of \$353,280. There were some expenditures that were allowed for in the original budget that did not materialize during the year.

Actual total revenues differed from the final budget by \$327,646, due to the District receiving more local and state revenue than anticipated. Actual expenditures differed from the final budget by \$784,642 due to the District spending less than anticipated in many different categories along with budgeting conservatively.

Overall, the changes in the 2023-2024 fiscal year budget were positive.

Capital Asset and Debt Administration

Capital Assets. By the end of June 30, 2024, 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 B. to the financial statements.

Harbor Springs Public Schools
Capital Assets

	2024	2023
Land	\$ 2,764,746	\$ 2,764,746
Construction in Progress	16,321,108	3,217,198
Land Improvements	2,701,169	2,701,169
Buildings and Improvements	51,615,237	52,782,862
Furniture and Equipment	4,674,454	4,702,793
Transportation Equipment	1,140,162	1,109,678
Total Capital Assets	79,216,876	67,278,446
Less Accumulated Depreciation	26,454,228	26,217,941
Net Capital Assets	\$ 52,762,648	\$ 41,060,505

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FOR FISCAL YEAR ENDED JUNE 30, 2024

Major capital asset activity during the 23-24 fiscal year includes:

- Door lock systems in the amount of \$133,880.
- Apple devices in the amount of \$449,906.
- Various building projects, primarily made up of rebuilding Shay Elementary School in the amount of \$13,103,910. All of which is in construction in progress.
- Other capitalized furniture, equipment, and transportation equipment of \$145,447.

The District also tore down the old Shay Elementary School which resulted in a disposition of capital assets with an original value of \$1,301,505 as well as a disposal of old furniture and equipment with an original value of \$593,208.

In addition to purchasing the above assets the District has various contracts related to the reconstruction of Shay Elementary. Additionally, there are contracts for renovations to Ottawa Field, site work for an addition at the High School, and HVAC renovations for Blackbird Elementary as well as some work in the interior of the Middle School. In total the contracted amount for these projects is \$24,120,662. As of June 30, 2024, \$15,343,989 has been paid and the District has a remaining commitment of \$8,776,673, which will be expensed and capitalized from the 2022 and 2024 Building and Site Funds in over the next couple of years.

Long-Term Obligations. At year-end, the District had \$44,630,000 in general obligation bonds and – an increase of \$21,990,000 from last year. The District had \$651,576 in an installment purchase agreement liability, an increase of \$400,853. The District's net pension liability is \$22.96 million. Additionally, the District had approximately \$340,000 of liabilities related to compensated absences. More detailed information about the District's long-term debt is presented in Note 2.J 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 2024-25 fiscal year budget.

- Approximately 75% 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 6.0% for 2024-25.
- The District's band program continues to benefit from a very generous donation from the Ronald Robert Pawlak estate. This will benefit our music programs for many more years.
- The District passed a \$42 Million bond during the 2021-2022 school year. This will strengthen our facilities for many years into the future. This project is projected to be completed in the Fall of 2026.
- Enrollment trends continue to be on a slight decline, however with some changes to some open enrollment and tuition-based program, our student population should stabilize. HSPS continues to have outstanding class sizes while the District is managing staffing levels to student counts.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2024

- The District will be maintaining enhanced intervention services for students through the use of local funding. These positions were paid for with COVID dollars during the 23-24 school year.
- Harbor Springs Public Schools is very well equipped to deal with the loss of federal COVID dollars. We look forward to maintaining and even enhancing student services for the 2024-2025 school year and beyond.

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, 2024

ASSETS

Cash	\$	7,645,886
Restricted Cash		297,512
Investments		7,239,545
Restricted Investments		28,838,098
Taxes Receivable		30,795
Accounts Receivable		9,234
Due From Other Governments		653,210
Inventories		3,853
Capital Assets (Net of Accumulated Depreciation)		
Assets not being Depreciated		19,085,854
Assets being Depreciated		33,676,794
Net Other Postemployment Benefits Asset		398,704
		<hr/>
TOTAL ASSETS		97,879,485
		<hr/>

DEFERRED OUTFLOWS OF RESOURCES

Related to Pensions		6,677,581
Related to Other Postemployment Benefits		1,434,689
		<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES		8,112,270
		<hr/>

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, 2024

LIABILITIES

Accounts Payable	2,823,773
Due to Other Governments	253,020
Salaries Payable	732,916
Accrued Expenses	492,520
Unearned Revenue	1,074,928
Accrued Interest Payable	144,255
Non Current Liabilities	
Due within one year	
Bonds Payable	2,215,000
Installment Purchase Agreement Payable	261,652
Due in more than one year	
Bonds Payable - Net	44,034,246
Installment Purchase Agreement Payable	389,924
Compensated Absences	340,277
Net Pension Liability	22,959,371
	<hr/>
TOTAL LIABILITIES	75,721,882

DEFERRED INFLOWS OF RESOURCES

Deferred Gain on Refunding - Net	780
Related to Pensions	4,157,893
Related to Other Postemployment Benefits	3,252,900
	<hr/>
TOTAL DEFERRED INFLOWS OF RESOURCES	7,411,573

NET POSITION

Net Investment in Capital Assets	32,257,182
Restricted for Debt Service	625,622
Restricted for Capital Projects	1,471,495
Restricted for Net Other Postemployment Benefits	398,704
Unrestricted (Deficit)	(11,894,703)
	<hr/>
TOTAL NET POSITION	\$ 22,858,300

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, 2024

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				GOVERNMENTAL ACTIVITIES	
	EXPENDITURES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN	NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>						
Instruction	\$ 8,436,775	\$ 26,320	\$ 3,432,870	\$ 34,423	\$	(4,943,162)
Supporting Services	5,989,315	130,261	731,899	12,428		(5,114,727)
Community Services	1,100,368	862,317	99,587	0		(138,464)
Food Service Activities	423,610	66,433	462,896	32,564		138,283
Facilities Acquisition, Construction, and Improvements	358,583	0	0	0		(358,583)
Interest on Long-Term Debt	776,161	0	0	0		(776,161)
Other Transactions	5,787	0	0	0		(5,787)
Unallocated Depreciation	1,739,583	0	0	0		(1,739,583)
	<u>\$ 18,830,182</u>	<u>\$ 1,085,331</u>	<u>\$ 4,727,252</u>	<u>\$ 79,415</u>		<u>(12,938,184)</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>						
<u>GENERAL REVENUES</u>						
Property Taxes - Levied for General Purposes						12,614,596
Property Taxes - Levied for Debt Service						3,491,315
Property Taxes - Levied for Sinking Capital Projects						739,908
Property Taxes - Levied for Recreation						182,875
Regional Enhancement Millage						642,110
Investment Earnings						1,093,335
State Sources						352,690
Other						16,894
						<u>19,133,723</u>
Total General Revenues						
Change in Net Position						6,195,539
<u>NET POSITION - Beginning of Year</u>						<u>16,662,761</u>
<u>NET POSITION - End of Year</u>						<u>\$ 22,858,300</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, 2024

	GENERAL FUND	COMMUNITY SERVICES FUND	2016 REFUNDING DEBT RETIREMENT FUND	2022 SCHOOL BUILDING AND SITE FUND	2024 SCHOOL BUILDING AND SITE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>							
Cash	\$ 5,413,677	\$ 404,778	\$ 431,462	\$ 0	\$ 0	\$ 1,395,969	\$ 7,645,886
Restricted Cash	0	0	0	229,162	68,350	0	297,512
Investments	6,315,719	249,305	0	0	0	674,521	7,239,545
Restricted Investments	0	0	0	3,423,178	25,414,920	0	28,838,098
Taxes Receivable	30,795	0	0	0	0	0	30,795
Accounts Receivable	5,238	3,996	0	0	0	0	9,234
Due from Other Governments	641,821	0	0	0	0	11,389	653,210
Inventories	0	0	0	0	0	3,853	3,853
TOTAL ASSETS	\$ 12,407,250	\$ 658,079	\$ 431,462	\$ 3,652,340	\$ 25,483,270	\$ 2,085,732	\$ 44,718,133
<u>LIABILITIES AND FUND BALANCES</u>							
<u>LIABILITIES</u>							
Accounts and Retainage Payable	\$ 27,163	\$ 926	\$ 0	\$ 2,351,142	\$ 388,332	\$ 56,210	\$ 2,823,773
Due to Other Governments	253,020	0	0	0	0	0	253,020
Salaries Payable	732,916	0	0	0	0	0	732,916
Accrued Expenditures	466,316	18,704	0	0	0	7,500	492,520
Unearned Revenue	1,016,375	39,356	0	0	0	19,197	1,074,928
Total Liabilities	2,495,790	58,986	0	2,351,142	388,332	82,907	5,377,157
<u>FUND BALANCES</u>							
Nonspendable - Inventory	0	0	0	0	0	3,853	3,853
Restricted for:							
Food Service	0	0	0	0	0	58,603	58,603
Capital Projects	0	0	0	1,301,198	25,094,938	1,471,495	27,867,631
Debt Service	0	0	431,462	0	0	338,415	769,877
Assigned, Reported in:							
General Fund	1,427,983	0	0	0	0	0	1,427,983
Special Revenue Fund-							
Community Services	0	599,093	0	0	0	0	599,093
Student Activities	0	0	0	0	0	130,459	130,459
Unassigned	8,483,477	0	0	0	0	0	8,483,477
Total Fund Balances	9,911,460	599,093	431,462	1,301,198	25,094,938	2,002,825	39,340,976
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,407,250	\$ 658,079	\$ 431,462	\$ 3,652,340	\$ 25,483,270	\$ 2,085,732	\$ 44,718,133

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, 2024

Total Governmental Fund Balances \$ 39,340,976

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	\$ 79,216,876	
Accumulated depreciation is	<u>(26,454,228)</u>	52,762,648

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	(780)
Bond Discount (Premium)	(1,619,246)

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

Bonds Payable	(44,630,000)
Compensated Absences	(340,277)
Installment Purchase Agreement Payable	(651,576)

Some assets are not current financial resources and therefore are not reported in the funds.

Net Other Postemployment Benefits Asset	398,704
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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	(22,959,371)
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Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

Deferred Outflows of Resources	8,112,270
Deferred Inflows of Resources	(7,410,793)

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

(144,255)

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 22,858,300</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, 2024

				2016	2022	2024			
				REFUNDING	SCHOOL	SCHOOL		OTHER	TOTAL
				DEBT	BUILDING	BUILDING		NONMAJOR	GOVERNMENTAL
				RETIREMENT	AND SITE	AND SITE		GOVERNMENTAL	GOVERNMENTAL
				FUND	FUND	FUND		FUNDS	FUNDS
REVENUES	GENERAL	COMMUNITY							
	FUND	SERVICES							
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Local Sources	13,237,943	1,064,963	2,145,660	491,747	140,071	19,544,960			
State Sources	3,005,826	0	0	0	0	3,254,950			
Federal Sources	493,739	98,055	0	0	0	839,767			
Other Transactions	1,578,549	0	0	0	0	1,578,549			
Total Revenues	18,316,057	1,163,018	2,145,660	491,747	140,071	25,218,226			
EXPENDITURES									
Instruction	9,580,140	0	0	0	0	9,580,140			
Supporting Services	6,209,136	0	0	175	280,860	7,270,249			
Food Service Activities	0	0	0	0	0	558,412			
Community Services	0	1,169,179	0	0	0	1,169,179			
Facilities, Acquisition, Construction and Improvements									
Debt Service	35,365	0	0	12,799,958	337,332	13,422,152			
Principal									
Interest	0	0	1,880,000	0	0	2,804,342			
Other Transactions	0	0	134,400	0	0	875,473			
Total Expenditures	15,824,641	1,169,179	2,017,046	12,800,133	618,192	35,685,734			
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,491,416	(6,161)	128,614	(12,308,386)	(478,121)	(10,467,508)			

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, 2024

	2016		2022		2024		
	REFUNDING		SCHOOL		SCHOOL		
	DEBT		BUILDING		BUILDING		
	RETIREMENT		AND SITE		AND SITE		
	FUND		FUND		FUND		
	COMMUNITY					OTHER	TOTAL
GENERAL	SERVICES					NONMAJOR	GOVERNMENTAL
FUND	FUND					FUNDS	FUNDS
Face Value of Bonds	0	0	0	0	24,670,000	0	24,670,000
Premium on Bonds Issued	0	0	0	0	903,059	0	903,059
Installment Purchase Proceeds	75,289	0	0	0	0	449,906	525,195
Proceeds from the Sale of Capital Assets	0	0	0	0	0	130,000	130,000
Transfers In (Out)	(57,551)	44,827	0	0	0	12,724	0
	17,738	44,827	0	0	25,573,059	592,630	26,228,254
Total Other Financing Sources (Uses)							
Net Change in Fund Balance	2,509,154	38,666	128,614	(12,308,386)	25,094,938	297,760	15,760,746
FUND BALANCE - Beginning of Year	7,402,306	560,427	302,848	13,609,584	0	1,705,065	23,580,230
FUND BALANCE - End of Year	\$ 9,911,460	\$ 599,093	\$ 431,462	\$ 1,301,198	\$ 25,094,938	\$ 2,002,825	\$ 39,340,976

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, 2024

Net Change in Fund Balances Total Governmental Funds \$ 15,760,746

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	(1,739,583)
Capital Outlay	13,833,143
Net Cost of Capital Assets Sold	(391,417)

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	149,166
Accrued Interest Payable - End of Year	(144,255)

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.

Issuance of Debt	(24,670,000)
Bond Premium	(903,059)
Repayment of Bond Principal	2,680,000
Amortization of Deferred Charges	94,401
Repayment of Installment Purchase Agreement Principal	124,342
Installment Purchase Agreement Proceeds	(525,195)

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	231,865
Accumulated Sick Pay - End of Year	(340,277)

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, 2024

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	951,617
Changes in Other Postemployment Benefits Related Items	1,276,550

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>(192,505)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 6,195,539</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, 2024

	<u>CUSTODIAL FUND</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 54,538
<u>LIABILITIES</u>	
Accounts Payable	<u> 528</u>
<u>NET POSITION</u>	
Restricted for Student Organizations	<u><u>\$ 54,010</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, 2024

	<u>CUSTODIAL FUND</u>
<u>ADDITIONS</u>	
Other Income	\$ 64,666
Earnings on Investments and Deposits	<u>9</u>
Total Additions	64,675
<u>DEDUCTIONS</u>	
Payments Made on Behalf of Other Organizations	<u>65,679</u>
Change in Net Position	(1,004)
<u>NET POSITION</u> - Beginning of Year	<u>55,014</u>
<u>NET POSITION</u> - End of Year	<u><u>\$ 54,010</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, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Description of Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

The District reports the following major governmental funds:

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

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

The *Community Services Fund* is a special revenue fund that accounts for the resources that are assigned to community service expenditures.

The *2016 Refunding Debt Retirement Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

The *2022 School Building and Site Fund* accounts for capital project activities funded with the voter approved bonds.

The *2024 School Building and Site Fund* accounts for capital project activities funded with the voter approved bonds.

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 and student activities in the special revenue funds.

The *debt service funds* account 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* accounts for activities funded with the Sinking Fund millage approved by voters.

The Fiber Optic Build Fund *capital project fund* accounts 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.

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

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

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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 installment purchase agreements 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.

The District's approved budgets were adopted at the function level for the General and Special Revenue Funds. These are the legal enacted levels under the State Uniform Budgeting and Accounting Act and the level of budgetary control adopted by the Board (the level at which expenditures may not legally exceed appropriations).

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

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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 26, 2023, 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.

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

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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.
- c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

3. *Inventory and Prepaid Items*

Inventory is valued at cost using the first-in/first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

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

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

4. *Capital Assets*

Capital assets, 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

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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.

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, Food Service Fund, and Community Services Fund that is related to federal, 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.

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 liability and other postemployment benefits asset, 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources

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(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-D and 2-E.

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 assets 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-D and 2-E.

9. Net Position Flow Assumption

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

10. Fund Balance Flow Assumption

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

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

12. Use of Estimates

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

13. Restricted Assets

Certain resources of the 2022 and 2024 Building and Site Funds are set aside for capital projects and are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

H. Revenues and Expenditures/Expenses

1. State Revenue

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

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*.

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3. Property Taxes

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

For the year ended June 30, 2024, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund - Non-Homestead	13.9911
General Fund - Non-Homestead Commercial PPT	1.9911
Capital Projects Sinking Fund - Homestead and Non-Homestead	0.5256
Debt Service Funds - Homestead and Non-Homestead	2.4800

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, 2024 the District's bank balance was \$8,138,843 and \$7,388,843 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the fiscal year was \$7,997,936.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

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.

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	Value	Weighted Average Maturity (Years)
MILAF External Investment Pool - CMC	\$ 28,540,384	N/A
MILAF External Investment Pool - Max	7,537,259	N/A
	<u>\$ 36,077,643</u>	
Portfolio Weighted Average Maturity		<u>N/A</u>

1 Day Maturity Equals 0.0027, One Year Equals 1.000

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). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

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. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

	Fair Value	Standard & Poor's Rating
MILAF External Investment Pool - CMC	\$ 28,540,384	AAAm
MILAF External Investment Pool - Max	7,537,259	AAAm
	<u>\$ 36,077,643</u>	

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

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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.

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

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

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

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	<u>Amortized Cost</u>
MILAF External Investment Pool - CMC	\$ 28,540,384
MILAF External Investment Pool - Max	<u>7,537,259</u>
	<u><u>\$ 36,077,643</u></u>

The following summarizes the categorization of these amounts as of June 30, 2024:

	<u>Primary</u> <u>Government</u>	<u>Fiduciary</u> <u>Funds</u>	<u>Total</u>
Cash	\$ 7,645,886	\$ 54,538	\$ 7,700,424
Restricted Cash	297,512	0	297,512
Investments	7,239,545	0	7,239,545
Restricted Investments	<u>28,838,098</u>	<u>0</u>	<u>28,838,098</u>
	<u><u>\$ 44,021,041</u></u>	<u><u>\$ 54,538</u></u>	<u><u>\$ 44,075,579</u></u>

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B. Capital Assets

Capital assets activity for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Assets Not Being Depreciated:				
Land	\$ 2,764,746	\$ 0	\$ 0	\$ 2,764,746
Construction in Progress	3,217,198	13,103,910	0	16,321,108
Total Assets Not Being Depreciated	5,981,944	13,103,910	0	19,085,854
Other Capital Assets				
Land Improvements	2,701,169	0	0	2,701,169
Buildings and Improvements	52,782,862	133,880	1,301,505	51,615,237
Furniture and Equipment	4,702,793	564,869	593,208	4,674,454
Transportation Equipment	1,109,678	30,484	0	1,140,162
Subtotal	61,296,502	729,233	1,894,713	60,131,022
Accumulated Depreciation				
Land Improvements	1,082,417	87,060	0	1,169,477
Buildings and Improvements	21,382,953	1,238,591	1,127,284	21,494,260
Furniture and Equipment	3,002,042	331,459	376,012	2,957,489
Transportation Equipment	750,529	82,473	0	833,002
Total Accumulated Depreciation	26,217,941	1,739,583	1,503,296	26,454,228
Net Other Capital Assets	35,078,561	(1,010,350)	391,417	33,676,794
Net Capital Assets	\$ 41,060,505	\$ 12,093,560	\$ 391,417	\$ 52,762,648

Depreciation for the fiscal year ended June 30, 2024, amounted to \$1,739,583. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

C. Retirement and Post-Employment Benefits

Plan Description – The Michigan Public School Employees’ Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board’s authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www://michigan.gov/orsschools.

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The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State 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 (defined benefit) with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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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 transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service 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).

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

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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.

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 their 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.

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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.

Pension and OPEB contributions made in the plan year ending September 30, 2023 were determined as of the September 30, 2020 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2020 are amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

The District's pension contributions for the year ended June 30, 2024 were equal to the required contribution total. Pension contributions were approximately \$3,041,000, with \$2,975,000 specifically for the Defined Benefit Plan and approximately \$66,000 was contributed to the Defined Contribution Fund.

The District's OPEB contributions for the year ended June 30, 2024 were equal to the required contribution total. Total OPEB contributions were approximately \$611,000, with \$563,000 specifically for the Defined Benefit Plan and approximately \$48,000 was contributed to the Defined Contribution Fund.

These amounts, for both pension and OPEB, include contributions funded from State Revenue Section 147c restricted to fund MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

At June 30, 2023, the District reported a liability of \$22,959,371 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2022 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, 2023 and 2022, the District's proportion was 0.07093655% and 0.07214292%.

MPSERS (Plan) Non-University Employers Net Pension Liability

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Total Pension Liability	\$ 94,947,828,557	\$ 95,876,795,620
Fiduciary Net Position	(62,581,762,238)	(58,268,076,344)
Net Pension Liability	<u>\$ 32,366,066,319</u>	<u>\$ 37,608,719,276</u>
Plan Fiduciary Net Position as a Percentage of		
Total Pension Liability	65.91%	60.77%
Net Pension Liability as a Percentage of		
Covered Payroll	320.51%	386.25%

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

For the year ended June 30, 2024, the District recognized total pension expense of \$2,734,034.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 724,757	\$ 35,170
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	1,390,985
Changes of assumptions	3,111,099	1,793,789
Net difference between projected and actual earnings on pension plan investments	0	469,823
Changes in proportion and differences between District contributions and proportionate share of contributions	2,821	468,126
District contributions subsequent to the measurement date	2,838,904	0
Total	<u>\$ 6,677,581</u>	<u>\$ 4,157,893</u>

\$2,838,904 reported as deferred outflows of resources and \$1,390,985 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.

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

<u>Year Ended September 30,</u>	<u>Amount</u>
2024	\$ 333,888
2025	209,462
2026	900,312
2027	(371,893)
	<u>\$ 1,071,769</u>

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

OPEB Liabilities

At June 30, 2024, the District reported a liability (asset) of (\$398,704) for its proportionate share of the net OPEB liability (asset). The net OPEB liability was measured as of September 30, 2023, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected

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contributions of all participating reporting units, actuarially determined. At September 30, 2023 and 2022, the District's proportion was 0.07047998% and 0.06980030%.

MPSERS (Plan) Non-University Employers Net OPEB Liability

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Total OPEB Liability	\$ 11,223,648,949	\$ 12,522,713,324
Fiduciary Net Position	(11,789,347,341)	(10,404,650,683)
OPEB Liability	<u>\$ (565,698,392)</u>	<u>\$ 2,118,062,641</u>
Plan Fiduciary Net Position as a Percentage of		
Total OPEB Liability	105.04%	83.09%
OPEB Liability as a Percentage of		
Covered Payroll	-5.60%	21.75%

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

For the year ended June 30, 2024, the District recognized total OPEB benefit of \$696,252.

At June 30, 2024, 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	\$ 3,012,813
Changes of assumptions	887,585	106,882
Net difference between projected and actual earnings on OPEB plan investments	1,216	0
Changes in proportion and differences between District contributions and proportionate share of contributions	42,920	133,205
District contributions subsequent to the measurement date	502,968	0
Total	<u>\$ 1,434,689</u>	<u>\$ 3,252,900</u>

\$502,968 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.

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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>
2024	\$ (750,573)
2025	(714,925)
2026	(284,918)
2027	(273,796)
2028	(198,333)
Thereafter	(98,634)
	<u>\$ (2,321,179)</u>

F. Actuarial Assumptions

Investment rate of return for Pension – 6.00% 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.

Investment rate of return for OPEB – 6.00% 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: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-202 and adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2022. Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 comprehensive annual financial report.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan) and the other postemployment benefit rate was 6.00%, 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

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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 – Pre 65, 7.50% for year one and graded to 3.5% in year fifteen. Post 65, 6.25% for year one and graded to 3.5% in 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 who elected coverage electing two-person coverage are assumed to have coverage continuing after the retiree's death.

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

The target asset allocation at September 30, 2023 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%	5.80%
Private Equity Pools	16.00%	9.60%
International Equity Pools	15.00%	6.80%
Fixed Income Pools	13.00%	1.30%
Real Estate & Infrastructure Pools	10.00%	6.40%
Absolute Return Pools	9.00%	4.80%
Real Return/Opportunistic Pools	10.00%	7.30%
Short-Term Investment Pools	2.00%	0.30%
	<u>100%</u>	

*Long-term rate of return is net of administrative expenses and 2.7% inflation.

Rate of return

For fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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Pension Discount Rate

A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. 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 6.00% 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 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was 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 District's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Pension				
1% Decrease		Discount Rate		1% Increase
\$	31,018,043	\$	22,959,371	\$ 16,250,235

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

The following presents the District's proportionate share of the net OPEB liability (asset) calculated using a single discount rate of 6.00%, as well as what the District's proportionate share of the net OPEB liability (asset) 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:

OPEB				
1% Decrease		Discount Rate		1% Increase
\$	413,337	\$	(398,704)	\$ (1,096,573)

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

The following presents the District's proportionate share of the net other postemployment benefit liability (asset) calculated using the healthcare cost trend rate, as well as what the District's proportionate share of the net other

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postemployment benefit liability (asset) 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:

OPEB					
Health Care Cost					
1% Decrease		Discount Rate		1% Increase	
\$	(1,098,313)	\$	(398,704)	\$	358,502

G. 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 2023 Annual Comprehensive Financial Report.

H. Payables to the Pension and OPEB Plan

As of June 30, 2023, the District is current on all required pension and OPEB plan payments. As of June 30, 2024, the District reported payables in the amount of \$475,485 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).

I. 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.

J. 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, 2024:

	Balance July 1, 2023	Increases	(Decreases)	Balance June 30, 2024	Due Within Year
Borrowings & Direct Placements	\$ 250,723	\$ 525,195	\$ (124,342)	\$ 651,576	\$ 261,652
General Obligation Bonds	22,640,000	24,670,000	(2,680,000)	44,630,000	2,215,000
Compensated Absences	231,865	113,431	(5,019)	340,277	Unknown
Total	\$ 23,122,588	\$ 25,308,626	\$ (2,809,361)	\$ 45,621,853	\$ 2,476,652

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Long-term obligations payable at June 30, 2024, are comprised of the following:

Notes from Direct Borrowings & Direct Placements

Installment Purchase Agreement for Apple products in the amount of \$501,221, Due in Annual Installments of \$128,452 through July 15, 2024, Interest at 1.639%	\$ 126,381
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Installment Purchase Agreement for Apple products in the amount of \$525,195, Due in Annual Installments of \$140,509 through July 15, 2027, Interest at 4.000%	525,195
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General Obligation Serial Bonds

2024 School Building and Site Bonds Due in Annual Installments of \$0 to \$1,825,000 through May 1, 2044, Interest at 4.000%	24,670,000
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2022 School Building and Site Bonds Due in Annual Installments of \$0 to \$1,025,000 through May 1, 2042, Interest at 4.000% through 5.000%	16,095,000
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2016 Refunding Bonds Due in Annual Installments of \$1,915,000 to \$1,950,000 through May 1, 2026, Interest at 2.00%	3,865,000
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Other

Accrued Compensated Absences	340,277
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Net Pension Liability	<u>22,959,371</u>
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Total Long-Term Obligations	<u><u>\$ 68,581,224</u></u>
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The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$651,576 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

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

Year Ending June 30,	<u>Borrowings and Direct Placements</u>		<u>Bonds Payable</u>		Amounts Payable
	Principal	Interest	Principal	Interest	
2025	\$ 261,652	\$ 7,309	\$ 2,215,000	\$ 1,736,259	\$ 4,220,220
2026	124,912	15,597	2,275,000	1,746,263	4,161,772
2027	129,908	10,600	2,385,000	1,674,763	4,200,271
2028	135,104	5,404	1,735,000	1,579,363	3,454,871
2029	0	0	1,810,000	1,509,963	3,319,963
2030-2034	0	0	10,480,000	6,324,013	16,804,013
3035-3039	0	0	12,210,000	3,895,360	16,105,360
3040-3044	0	0	11,520,000	1,309,062	12,829,062
	<u>\$ 651,576</u>	<u>\$ 38,910</u>	<u>\$ 44,630,000</u>	<u>\$ 19,775,046</u>	65,095,532
Net Pension Liability					22,959,371
Compensated Absences of Employee Vested Sick Pay					340,277
					<u>\$ 88,395,180</u>

Interest expense for the year ended June 30, 2024 was approximately \$776,161.

The annual requirements to amortize the compensated absences and net pension and OPEB liabilities are uncertain because it is unknown when the repayments will be made.

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

K. Interfund Receivables, Payables and Transfers

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. There were no interfund balances at June 30, 2024.

Individual fund transfers at June 30, 2024, were:

<u>Fund Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
Fiber Optic Build Fund	General Fund	\$ 7,500
Community Services Fund	General Fund	50,000
Food Service Fund	General Fund	51
Student Activities Fund	Community Services Fund	5,173
		<u>\$ 62,724</u>

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

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in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

L. Fund Balance Classifications

As of June 30, 2024, fund balances are composed of the following:

	General Fund	Community Services Fund	2016 Refunding Debt Service Fund	2022 School Building and Site Fund	2024 School Building and Site Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:							
Inventory	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,853	\$ 3,853
Restricted:							
Food Service	0	0	0	0	0	58,603	58,603
Capital Projects	0	0	0	2,347,849	25,405,808	1,471,495	29,225,152
Debt Service	0	0	431,462	0	0	338,415	769,877
Assigned:							
General Fund (Enhancement Millage)	1,427,983	0	0	0	0	0	1,427,983
Special Revenue Fund							
Community Services	0	599,093	0	0	0	0	599,093
Student Activities	0	0	0	0	0	130,459	130,459
Unassigned	8,483,477	0	0	0	0	0	8,483,477
Total Fund Balances	\$ 9,911,460	\$ 599,093	\$ 431,462	\$ 2,347,849	\$ 25,405,808	\$ 2,002,825	\$ 40,698,497

M. 2022 School Building and Site Capital Projects Fund

The Capital Projects Fund includes capital project activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete and a subsequent year audit is expected.

N. 2024 School Building and Site Capital Projects Fund

The Capital Projects Fund includes capital project activities funded with bonds. For this capital project, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete and a subsequent year audit is expected.

O. Sinking Fund Tax Levy

The School renewed its Sinking Fund millage and is authorized to levy 0.5256 mills through December 2024 (before any Headlee Reduction Factor). Harbor Springs Public Schools' Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the school district has complied with the applicable provisions of Section 1212 of the Revised School Code.

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.

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For the fiscal year ended June 30, 2024, (tax year 2023) the District's property tax revenues were reduced by \$31,739 under these programs.

Q. GASB Statement No. 87 – Leases

It has been determined that the District has leases as defined by GASB Statement No. 87. However, the total of these leases has been determined they are not significant enough to warrant disclosure.

R. GASB Statement No. 96 – Subscription-based Information Technology Arrangements

It has been determined that the District has subscription-based information technology arrangements as defined by GASB Statement No. 96. However, the total of these subscription-based information technology arrangements has been determined they are not significant enough to warrant disclosure.

S. Other Information

1. Commitments and Contingencies

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

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

Commitments – The District has various contracts related to the reconstruction of Shay Elementary. Additionally, there are contracts for renovations to Ottawa Field, site work for an addition at the High School, and HVAC renovations for Blackbird Elementary as well as some work in the interior of the Middle School. In total the contracted amount for these projects is \$24,120,662. As of June 30, 2024, \$15,343,989 has been paid and the District has a remaining commitment of \$8,776,673, which will be expensed from the 2022 and 2024 Building and Site Funds in over the next couple of years.

T. Single Audit

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

Revenues from Federal Sources - Statement of Revenues,	
Expenditures and Changes in Fund Balances - Governmental Funds	\$ 839,767
Federal Expenditures related to ARP Childcare Stabilization that are not required to be reported on the Schedule of Expenditures of Federal Awards and are not covered by Single Audit	<u>(98,055)</u>
	<u>\$ 741,712</u>

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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 \$741,712. 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

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government’s vulnerability to the risk of substantial impact. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management’s discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

- ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2024

	GENERAL FUND			COMMUNITY SERVICES FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET
<u>REVENUES</u>						
Local Sources	\$ 12,602,130	\$ 13,130,319	\$ 13,237,943	\$ 107,624	\$ 911,977	\$ 1,039,867
State Sources	2,081,352	2,852,189	3,005,826	153,637	0	0
Federal Sources	395,024	431,892	493,739	61,847	145,000	98,055
Other Transactions	1,959,698	1,574,011	1,578,549	4,538	0	0
Total Revenues	17,038,204	17,988,411	18,316,057	327,646	1,056,977	1,137,922
					1,163,018	25,096
<u>EXPENDITURES</u>						
Instruction						
Basic Programs	7,841,614	7,781,292	7,479,765	(301,527)	0	0
Added Needs	2,440,725	2,231,296	2,100,375	(130,921)	0	0
Supporting Services						
Pupil	578,801	533,223	510,826	(22,397)	0	0
Instructional Staff	309,489	250,497	225,429	(25,068)	0	0
General Administration	541,898	476,417	454,942	(21,475)	0	0
School Administration	1,010,357	1,008,896	971,835	(37,061)	0	0
Business	487,669	601,569	582,409	(19,160)	0	0
Operating and Maintenance	2,271,131	2,210,387	2,046,862	(163,525)	0	0
Pupil Transportation	428,678	440,608	435,801	(4,807)	0	0
Central Services	470,980	475,532	450,219	(25,313)	0	0
Other-Athletic Activities	493,827	564,201	530,813	(33,388)	0	0
Community Services	0	0	0	0	1,112,141	1,221,257
Facilities Acquisition						
Architecture and Engineering Services	87,394	35,365	35,365	0	0	0
Total Expenditures	16,962,563	16,609,283	15,824,641	(784,642)	1,112,141	1,221,257
					1,169,179	(52,078)
Excess (Deficiency) of Revenues Over (Under) Expenditures	75,641	1,379,128	2,491,416	1,112,288	(55,164)	(83,335)
					(6,161)	77,174
<u>OTHER FINANCING SOURCES (USES)</u>						
Proceeds from Installment Purchase Agreement	0	0	75,289	75,289	0	0
Transfers In (Out)	(72,500)	(72,500)	(57,551)	14,949	10,000	50,000
Total Expenditures	(72,500)	(72,500)	17,738	90,238	10,000	50,000
Net Change in Fund Balance	3,141	1,306,628	2,509,154	1,202,526	(45,164)	(33,335)
					38,666	72,001
<u>FUND BALANCE - Beginning of Year</u>	7,402,306	7,402,306	7,402,306	0	560,427	560,427
						0
<u>FUND BALANCE - End of Year</u>	\$ 7,405,447	\$ 8,708,934	\$ 9,911,460	\$ 1,202,526	\$ 515,263	\$ 527,092
					\$ 599,093	\$ 72,001

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, 2024

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)	0.07093655%	0.07214292%	0.07274155%	0.07337482%	0.0733427%	0.0719981%	0.0709329%	0.0697364%	0.0695050%	0.0679100%
District's proportionate share of net pension liability	\$ 22,959,371	\$ 27,132,028	\$ 17,221,862	\$ 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	7,016,094	6,735,419	6,509,777	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	327.24%	402.83%	264.55%	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	65.91%	60.77%	72.60%	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, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 2,556,632	\$ 2,558,886	\$ 2,184,154	\$ 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 *	2,556,632	2,558,886	2,184,154	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	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 7,435,205	\$ 6,971,390	\$ 6,684,514	\$ 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	34.39%	36.71%	32.67%	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 (ASSET)
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2024

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)				0.07047998%	0.06980030%	0.07219094%	0.07222612%	0.0733805%	0.0722989%	0.0707437%
District's proportionate share of net OPEB liability (asset)			\$ (398,704)	\$ 1,478,414	\$ 1,101,907	\$ 3,869,346	\$ 5,267,067	\$ 5,747,007	\$ 6,264,686	
District's covered payroll			7,016,094	6,735,419	6,509,777	6,382,056	5,866,438	6,112,731	5,929,880	
District's proportionate share of net OPEB liability (asset) as a percentage of its covered payroll		-5.68%		21.95%	16.93%	60.63%	89.78%	94.02%	105.65%	
Plan fiduciary net position as a percentage of total OPEB liability		105.04%		83.09%	87.33%	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, 2024

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions				\$ 549,036	\$ 530,795	\$ 535,906	\$ 517,742	\$ 498,402	\$ 490,187	\$ 441,062
Contributions in relation to statutorily required contributions *				549,036	530,795	535,906	517,742	498,402	490,187	441,062
Contribution deficiency (excess)	\$	0	\$	0	\$	0	\$	0	\$	0
Covered Payroll	\$	7,435,205	\$	6,971,390	\$	6,684,514	\$	6,362,622	\$	6,036,127
Contributions as a percentage of covered payroll		7.38%		7.61%		8.02%		8.00%		7.74%
								7.83%		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, 2024

Pension Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2023.

Changes of Assumptions – The assumption changes for the plan year ended September 30, 2023, were:

Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

OPEB Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2023.

Changes of Assumptions – The assumption changes for the plan year ended September 30, 2023, were:

Healthcare cost trend rate

- Pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen.
- Post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen.

Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2024

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS				CAPITAL PROJECTS FUND			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE FUND	STUDENT ACTIVITIES FUND	2022	2018		SINKING FUND	FIBER OPTIC BUILD FUND				
				BOND ISSUE	BOND ISSUE						
<u>ASSETS</u>											
Cash	\$ 82,948	\$ 133,597	\$ 240,008	\$ 98,407	\$ 839,330	\$ 1,679	\$ 1,395,969				
Investments	0	0	0	0	674,521	0	674,521				
Due from Other Governments	2,352	0	0	0	0	9,037	11,389				
Inventories	3,853	0	0	0	0	0	3,853				
TOTAL ASSETS	\$ 89,153	\$ 133,597	\$ 240,008	\$ 98,407	\$ 1,513,851	\$ 10,716	\$ 2,085,732				

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>														
Accounts Payable	\$	0	\$	3,138	\$	0	\$	0	\$	53,072	\$	0	\$	56,210
Accrued Expenditures		7,500		0		0		0		0		0		7,500
Unearned Revenue		19,197		0		0		0		0		0		19,197
<hr/>														
Total Liabilities		26,697		3,138		0		0		53,072		0		82,907

FUND BALANCE

Nonspendable														
Inventory	3,853		0		0		0		0		0		3,853	
Restricted for:														
Food Service	58,603		0		0		0		0		0		58,603	
Capital Projects	0		0		0		0		1,460,779		10,716		1,471,495	
Debt Service	0		0		240,008		98,407		0		0		338,415	
Assigned for:														
Student Activities	0		130,459		0		0		0		0		130,459	
Total Fund Balance	62,456		130,459		240,008		98,407		1,460,779		10,716		2,002,825	

TOTAL LIABILITIES AND FUND BALANCE	\$ 89,153	\$	133,597	\$	240,008	\$	98,407	\$	1,513,851	\$	10,716	\$	2,085,732
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HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

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

YEAR ENDED JUNE 30, 2024

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE FUND	STUDENT ACTIVITIES FUND		2022		2018	SINKING FUND	FIBER OPTIC BUILD FUND		
				BOND ISSUE		BOND ISSUE				
REVENUES										
Local Sources	\$ 66,439	\$ 262,806	\$ 537,797	\$ 818,653	\$ 769,837	\$ 9,044	\$ 2,464,576			
State Sources	249,124	0	0	0	0	0	249,124			
Federal Sources	247,973	0	0	0	0	0	247,973			
Total Revenues	563,536	262,806	537,797	818,653	769,837	9,044	2,961,673			
EXPENDITURES										
Supporting Services	0	255,663	0	0	510,859	13,556	780,078			
Food Service Activities	558,412	0	0	0	0	0	558,412			
Facilities Acquisition, Construction and Improvements	0	0	0	0	249,497	0	249,497			
Debt Service										
Principal	0	0	0	800,000	124,342	0	924,342			
Interest	0	0	712,963	24,000	4,110	0	741,073			
Other Transactions	0	0	1,733	1,408	0	0	3,141			
Total Expenditures	558,412	255,663	714,696	825,408	888,808	13,556	3,256,543			
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,124	7,143	(176,899)	(6,755)	(118,971)	(4,512)	(294,870)			
OTHER FINANCING SOURCES (USES)										
Installment Purchase Proceeds	0	0	0	0	449,906	0	449,906			
Proceeds From Sale of Capital Assets	0	0	0	0	130,000	0	130,000			
Transfers In (Out)	51	5,173	0	0	0	7,500	12,724			
Total Other Financing Sources (Uses)	51	5,173	0	0	579,906	7,500	592,630			
Net Change in Fund Balance	5,175	12,316	(176,899)	(6,755)	460,935	2,988	297,760			
FUND BALANCE - Beginning of Year	57,281	118,143	416,907	105,162	999,844	7,728	1,705,065			
FUND BALANCE - End of Year	\$ 62,456	\$ 130,459	\$ 240,008	\$ 98,407	\$ 1,460,779	\$ 10,716	\$ 2,002,825			

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SELECTED STATISTICAL DATA
YEARS 2015 TO 2024

SOURCE: ANNUAL AUDITED STATEMENTS

YEAR ENDED JUNE 30,	2024	2023	2022	2021	2020
Total Taxable Value	\$ 1,407,392,414	\$ 1,298,140,320	\$ 1,228,876,197	\$ 1,182,709,684	\$ 1,140,531,099
Non-Homestead Taxable Value	897,128,635	834,574,852	793,674,660	756,105,346	749,526,602
Blended Student Count	709	732	718	766	775
Taxable Value Per Student	1,985,039	1,773,416	1,711,527	1,544,007	1,471,653
Per Pupil Foundation Allowance	9,796	9,240	8,825	8,717	8,717
Mills Levied					
Operations - Non-Homestead	13.9911	13.9911	13.9911	13.9911	13.9911
Debt	2.4800	2.4800	2.5000	2.6000	2.6000
Sinking Fund	0.5256	0.5256	0.5313	0.5281	0.5339
Community Schools	0.1300	0.1243	0.1257	0.1278	0.1292
Property Tax Revenues					
Operations	12,586,323	11,773,034	11,131,824	10,565,921	10,344,911
Debt	3,492,627	3,216,413	3,075,339	3,071,594	3,168,130
Sinking Fund	740,212	682,500	653,571	623,936	608,493
Recreation	183,081	161,288	154,628	150,876	147,419
Regional Enhancement Millage through the ISD *note 2019 was first year	654,538	618,428	578,543	561,594	544,734
State Aid - Foundation Grant (Excluding Categoricals)	289,196	249,295	138,681	149,898	179,396
Other General Fund Data					
Total Fund Balance	9,911,460	7,402,306	5,508,475	4,391,117	3,630,689
Total Local Revenues	13,237,943	12,231,867	11,726,769	10,952,831	10,778,310
Total State Revenues	3,005,826	3,058,097	1,925,316	1,718,675	1,491,028
Total Expenditures	15,824,641	15,226,670	14,059,273	13,381,029	13,090,641
Long Term Debt Data					
Bonds Payable	44,630,000	22,640,000	25,260,000	11,725,000	14,355,000
Contracts Payable and Retirement Incentives	651,576	250,724	373,061	0	0
Compensated Absences	340,277	231,865	202,938	218,349	175,339

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SELECTED STATISTICAL DATA
YEARS 2015 TO 2024

SOURCE: ANNUAL AUDITED STATEMENTS

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

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2024

<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	\$ 3,800,000		
Redeemed During Current Year	<u>1,880,000</u>		<u>5,680,000</u>
<u>BALANCE OUTSTANDING - June 30, 2024</u>			<u><u>\$ 3,865,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2024		\$ 48,400	\$ 48,400	
May 1, 2025	2.00%	1,963,400	48,400	\$ 1,915,000
November 1, 2025		29,250	29,250	
May 1, 2026	2.00%	<u>1,979,250</u>	<u>29,250</u>	<u>1,950,000</u>
		<u>\$ 4,020,300</u>	<u>\$ 155,300</u>	<u>\$ 3,865,000</u>

HARBOR SPRINGS PUBLIC SCHOOLS
HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2024

<u>TITLE OF ISSUE</u>	2022 School Building and Site Bonds		
<u>PURPOSE</u>	Use for the purpose of erecting and completing a newschool building to replace an existing elementary school; erecting furnishing and equipping additions to, and partially remodeling, furnishing and equipping and re-equipping school district facilities including infrastructure, safety and security improvements; acquiring and installing educational technology, technology infrastructure, and equipment in new and existing school district facilities; erecting, preparing, developing improving and equipping athletic fields, structures, playgrounds, play fields and other facilities including, without limitation, the installation of synthetic turf at Ottawa Stadium and improvements to the School District's community swimming pool; and preparing, developing improving and reconfiguring sites including, without limitation, driveways, parking lots and sidewalks; and paying costs of issuing Bonds.		
<u>DATE OF ISSUE</u>	June 29, 2022		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>	\$ 16,095,000		
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	0	
Redeemed During Current Year		<u>0</u>	<u>0</u>
<u>BALANCE OUTSTANDING - June 30, 2024</u>			<u><u>\$ 16,095,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2024		\$ 356,482	\$ 356,482	
May 1, 2025		356,481	356,481	\$ 0
November 1, 2025		356,482	356,482	
May 1, 2026		356,481	356,481	0
November 1, 2026		356,482	356,482	
May 1, 2027	4.000%	1,356,481	356,481	1,000,000
November 1, 2027		336,482	336,482	
May 1, 2028	4.000%	1,336,481	336,481	1,000,000
November 1, 2028		316,482	316,482	

HARBOR SPRINGS PUBLIC SCHOOLSHARBOR SPRINGS, MICHIGANSCHEDULE OF BONDS PAYABLEJUNE 30, 2024

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2029	4.000%	1,316,481	316,481	1,000,000
November 1, 2029		296,482	296,482	
May 1, 2030	4.000%	1,296,481	296,481	1,000,000
November 1, 2030		276,482	276,482	
May 1, 2031	5.000%	1,276,481	276,481	1,000,000
November 1, 2031		251,482	251,482	
May 1, 2032	5.000%	1,251,481	251,481	1,000,000
November 1, 2032		226,481	226,481	
May 1, 2033	5.000%	1,226,481	226,481	1,000,000
November 1, 2033		201,481	201,481	
May 1, 2034	5.000%	1,201,481	201,481	1,000,000
November 1, 2034		176,481	176,481	
May 1, 2035	5.000%	1,176,481	176,481	1,000,000
November 1, 2035		151,481	151,481	
May 1, 2036	4.000%	1,151,481	151,481	1,000,000
November 1, 2036		131,481	131,481	
May 1, 2037	4.000%	1,131,481	131,481	1,000,000
November 1, 2037		111,481	111,481	
May 1, 2038	4.125%	1,111,481	111,481	1,000,000
November 1, 2038		90,856	90,856	
May 1, 2039	4.500%	1,110,856	90,856	1,020,000
November 1, 2039		67,906	67,906	
May 1, 2040	4.500%	1,092,906	67,906	1,025,000
November 1, 2040		44,844	44,844	
May 1, 2041	4.500%	1,069,844	44,844	1,025,000
November 1, 2041		21,781	21,781	
May 1, 2042	4.250%	1,046,781	21,781	1,025,000
		<u>\$ 23,637,250</u>	<u>\$ 7,542,250</u>	<u>\$ 16,095,000</u>

HARBOR SPRINGS PUBLIC SCHOOLS

HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2024

TITLE OF ISSUE

2024 School Building and Site Bonds

PURPOSE

Use for the purpose of erecting and completing a new school building to replace an existing elementary school; erecting furnishing and equipping additions to, and partially remodeling, furnishing and equipping and re-equipping school district facilities including infrastructure, safety and security improvements; acquiring and installing instructional technology, technology infrastructure and equipment in new and existing school district facilities; erecting, preparing, developing improving and equipping athletic fields, structures, playgrounds, play fields and other facilities including, without limitation, the installation of synthetic turf at Ottawa Stadium and improvements to the School District's community swimming pool; and preparing, developing improving and reconfiguring sites including, without limitation, driveways, parking lots and sidewalks; and paying costs of issuing Bonds.

DATE OF ISSUE

May 23, 2024

INTEREST PAYABLE

May 1, and November 1, of each year

AMOUNT OF ISSUE

\$ 24,670,000

AMOUNT REDEEMED

Redeemed Prior to Current Year

\$ 0

Redeemed During Current Year

0

0

BALANCE OUTSTANDING - June 30, 2024

\$ 24,670,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2024		\$ 433,096	\$ 433,096	
May 1, 2025	4.000%	793,400	493,400	\$ 300,000
November 1, 2025		487,400	487,400	
May 1, 2026	4.000%	812,400	487,400	325,000
November 1, 2026		480,900	480,900	
May 1, 2027	4.000%	1,865,900	480,900	1,385,000
November 1, 2027		453,200	453,200	
May 1, 2028	4.000%	1,188,200	453,200	735,000
November 1, 2028		438,500	438,500	

HARBOR SPRINGS PUBLIC SCHOOLS

HARBOR SPRINGS, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2024

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2029	4.000%	1,248,500	438,500	810,000
November 1, 2029		422,300	422,300	
May 1, 2030	4.000%	1,347,300	422,300	925,000
November 1, 2030		403,800	403,800	
May 1, 2031	5.000%	1,408,800	403,800	1,005,000
November 1, 2031		383,700	383,700	
May 1, 2032	5.000%	1,478,700	383,700	1,095,000
November 1, 2032		361,800	361,800	
May 1, 2033	5.000%	1,551,800	361,800	1,190,000
November 1, 2033		338,000	338,000	
May 1, 2034	5.000%	1,603,000	338,000	1,265,000
November 1, 2034		312,700	312,700	
May 1, 2035	5.000%	1,642,700	312,700	1,330,000
November 1, 2035		286,100	286,100	
May 1, 2036	4.000%	1,676,100	286,100	1,390,000
November 1, 2036		258,300	258,300	
May 1, 2037	4.000%	1,708,300	258,300	1,450,000
November 1, 2037		229,300	229,300	
May 1, 2038	4.125%	1,719,300	229,300	1,490,000
November 1, 2038		199,500	199,500	
May 1, 2039	4.500%	1,729,500	199,500	1,530,000
November 1, 2039		168,900	168,900	
May 1, 2040	4.500%	1,728,900	168,900	1,560,000
November 1, 2040		137,700	137,700	
May 1, 2041	4.500%	1,757,700	137,700	1,620,000
November 1, 2041		105,300	105,300	
May 1, 2042	4.250%	1,790,300	105,300	1,685,000
November 1, 2042		71,600	71,600	
May 1, 2043	4.250%	1,826,600	71,600	1,755,000
November 1, 2043		36,500	36,500	
May 1, 2044	4.250%	1,861,500	36,500	1,825,000
		<u>\$ 36,747,496</u>	<u>\$ 12,077,496</u>	<u>\$ 24,670,000</u>

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 School District Board
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, 2024, 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 9, 2024.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, with "LLP" in a smaller, sans-serif font to the right.

Cadillac, Michigan
August 9, 2024

