



Year Ended
June 30, 2016

Financial
Statements and
Single Audit Act
Compliance

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HURON SCHOOL DISTRICT

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HURON SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

October 12, 2016

Board of Education
Huron School District
New Boston, Michigan**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Huron School District* (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Huron School District as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Lohorn LLC". The signature is written in a cursive style with a large, prominent 'R' at the beginning.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

HURON SCHOOL DISTRICT

Management's Discussion and Analysis

This section of the Huron School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Huron School District financially as a whole. The *government-wide financial statements* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The *fund financial statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the government-wide financial statements by providing information about the District's most significant funds - such as the general fund and debt service fund with all other funds presented in one column as nonmajor governmental funds. The remaining statement, the Statement of Fiduciary Assets and Liabilities, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements also include a section of *supplementary information* that further explains and supports the fund financial statements for nonmajor governmental funds. Below shows how the various parts of the annual report are arranged and relate to one another.

Organization of Huron School District's Annual Financial Report

Management's Discussion & Analysis (MD&A)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Supplemental Information

Fund Statements: Nonmajor Funds
Schedule of Expenditures of Federal Awards

HURON SCHOOL DISTRICT

Management's Discussion and Analysis

Reporting the District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the District is, "As a whole, what is the District's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include *all* assets, deferred outflows of resources, liabilities and deferred inflows of resources, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* - the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as reported in the Statement of Net Position - which is one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position - as reported in the Statement of Activities - are one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses is the District's *operating results*. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the *overall health* of the District.

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, support services, school store, food service, athletics and community services. Property taxes, sales to users, foundation allowance revenue, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds - Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes (like the food service fund) or to show that it's meeting legal responsibilities for using certain taxes, and other money (like taxes received for the retirement of debt from the local taxing entities). The governmental funds of the District use the following accounting approach:

Governmental funds - All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the operations of the District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation.

HURON SCHOOL DISTRICT

Management's Discussion and Analysis

The District as Trustee - Reporting the District's Fiduciary Responsibilities

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

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Below is a comparison of the District's net position from the fiscal year ending June 30, 2015 to fiscal year ending June 30, 2016. The change in net position of the District's governmental activities is discussed below.

	Net Position	
	Governmental Activities	
	2016	2015
Assets		
Current and other assets	\$ 8,550,846	\$ 6,843,774
Capital assets, net	21,231,493	22,503,169
Total assets	<u>29,782,339</u>	<u>29,346,943</u>
Deferred outflows of resources	<u>4,832,479</u>	<u>5,481,128</u>
Liabilities		
Other liabilities	41,989,154	37,348,557
Long-term liabilities	20,312,193	21,723,902
Total liabilities	<u>62,301,347</u>	<u>59,072,459</u>
Deferred inflows of resources	<u>123,315</u>	<u>3,674,863</u>
Net position		
Net investment in capital assets	2,813,612	2,697,620
Restricted	1,027,734	689,761
Unrestricted (deficit)	(31,651,190)	(31,306,632)
Total net position	<u>\$ (27,809,844)</u>	<u>\$ (27,919,251)</u>

HURON SCHOOL DISTRICT

Management's Discussion and Analysis

The District's net position was a negative \$27.8 million on June 30, 2016. Investment in capital assets totaling \$2.8 million, compares the original costs, less depreciation of the District's capital assets, to long-term debt used to finance the acquisition of those assets. Restricted net position is \$1.0 million and is reported separately to show legal constraints from enabling legislations that limit the District's ability to use net position for day-to-day operations. The remaining amount is unrestricted net position of negative \$31.7 million. This negative net position is a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

	District's Change in Net Position	
	Governmental Activities	
	2016	2015
Program revenues:		
Charges for services	\$ 456,787	\$ 447,110
Operating grants	7,351,209	6,006,372
General revenues:		
Property taxes	5,418,984	5,401,987
State school aid	17,467,439	16,886,596
Grants and contributions	160,848	235,392
Interest and investment earnings	360,809	336,584
Total revenues	<u>31,216,076</u>	<u>29,314,041</u>
Program expenses:		
Instruction	16,512,792	15,620,707
Support services	8,255,392	7,567,648
School store	33,324	15,597
Food service	697,611	657,663
Athletics	513,755	486,918
Community services	60,095	22,642
Payments to other public schools	907,345	-
Unallocated depreciation	1,693,359	1,721,241
Interest on long-term debt	2,432,996	2,313,078
Total expenses	<u>31,106,669</u>	<u>28,405,494</u>
Change in net position	109,407	908,547
Net position:		
Beginning of year	(27,919,251)	3,862,998
Restatement for implementation of GASB 68	-	(32,690,796)
End of year	<u>\$ (27,809,844)</u>	<u>\$ (27,919,251)</u>

HURON SCHOOL DISTRICT

Management's Discussion and Analysis

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$31.11 million compared to \$28.41 million the year before. Certain activities were partially funded from those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants, categorical, and charges for services of \$7.8 million. The district paid for the remaining "public benefit" portion of our governmental activities with \$5.4 million in taxes, \$17.5 million accumulated in state aid not restricted to specific programs, and other revenues, like interest and general entitlements. The majority of the district's revenues come from the per pupil foundation allowance, which is \$7,426 per student.

The 3.4% increase in State aid not restricted to specific programs was attributable to a slight increase in per pupil foundation allowance, adjustments for prior year taxable value amendments, and adjustments for prior year Special Education funding. The 22.4% increase in operating grants was due to an increase in the State Aid revenue to off-set increased retirement costs, an increase in State and Federal grants, and increased revenue from accepting the fiscal agency for the vocational education consortium. The 5.7% increase in instruction was due to increased grant expenditures as well as increased retirement costs. The 9.1% increase in support services was due to increased salaries and retirement costs, as well as additional expenses of the new responsibility of the vocational consortium. Payments to other public schools includes transfers made to other school districts within the vocational education consortium for expenses incurred related to the consortium. The 5.2% increase in interest on long-term debt was attributable to an increase in the annually scheduled payments and costs associated with the refunding of the 2005 and 2006 refunding bonds.

As discussed above, the net costs show the financial burden that was placed on the State and the District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the District and balance those needs with State-prescribed available unrestricted resources.

The District's Funds

As we noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at funds can help you consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the District's overall financial health.

As the District completed this year, our governmental funds reported a combined fund balance of \$4,005,323, which is an increase of \$891,415. The increase is largely attributable to our special revenue funds with restricted purposes, with the general fund and capital projects fund contributing to the increase as well. Within the special revenue funds is the new vocational education fund. A major portion of the increase is due to accepting fiscal responsibility for the Downriver Career Technical Consortium starting with 2015-2016 school year, which ended with a \$305,439 fund balance, or 34% of the total increase.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted by the Board of Education on June 27, 2016. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

HURON SCHOOL DISTRICT

Management's Discussion and Analysis

There were revisions made to the 2015-16 original general fund budget. Budgeted revenues were increased primarily due to changes in categorical state aid funding, student count, and changes to state and federal grant allocations.

Budgeted expenditures were increased primarily due to an increase in health care costs and state mandated retirement costs that were offset by negotiated concessions of employee contracts.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets decreased during the year by \$1,271,676, as summarized below:

	District's Capital Assets (Net of Depreciation)	
	2016	2015
Land	\$ 691,973	\$ 691,973
Buildings and improvements	19,280,297	20,689,799
Vehicles	608,045	599,525
Equipment	651,178	521,872
Total capital assets, net	<u>\$ 21,231,493</u>	<u>\$ 22,503,169</u>

Asset values for buildings and improvements, vehicles and equipment decreased due to annual depreciation. Large capital asset additions, for vehicles and equipment, offset the decrease in value from depreciation.

Long-term Debt. At the end of this year, the District had \$17,868,242 in bonds outstanding versus \$20,227,101 last year - a decrease of 11.7%. This decrease was partially attributable to scheduled payments for debts issued in prior years, as well as the refunding of the 2005 and 2006 general obligation refunding bonds. The District's general obligation bond rating by Standard and Poor's remains at A+. The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$17.9 million is significantly below this limit, which is currently \$86.7 million.

There is more detailed information about our capital assets and long-term liabilities in the notes to the financial statements which include other obligations such as the school loan fund, accrued compensated absences, and the retirement incentive payable.

HURON SCHOOL DISTRICT

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

At the time these financial statements were prepared and audited, the District was aware of two existing circumstances that could significantly affect its financial health in the future:

- First and one of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2016-17 fiscal year is 10% and 90% of the February 2016 and October 2016 student counts, respectively. The 2016-17 budget was adopted in June 2016, based on an estimated number of students that will be enrolled in September 2016. Approximately 80% of the total revenue for the District is from the student foundation allowance. We anticipate that the October 2016 student count will be the same amount of students as the previous year. Under state law, the District cannot assess additional property tax revenue for general operations. The student count used could be below the estimates used in creating the 2016-17 budget. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual District resources are not sufficient to fund the original appropriations. The second item is Wayne County has an enhancement millage proposal on the November 2016 election ballot. If it passes, the District would see a positive impact on the budget of approximately \$1 million or 4% of our revenue.

Our elected officials and administration monitor the budget very closely and make every effort to balance revenues and expenditures to meet the District's fiscal responsibilities for their taxpayers, citizens, investors, and creditors.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Huron School District, 32044 Huron River Drive, New Boston, Michigan 48164.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HURON SCHOOL DISTRICT

Statement of Net Position

June 30, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,343,142
Receivables	4,892,059
Prepays and other items	315,645
Capital assets, not being depreciated	691,973
Capital assets being depreciated, net	<u>20,539,520</u>
Total assets	<u>29,782,339</u>
Deferred outflows of resources	
Deferred charge on refunding	370,418
Deferred pension amounts	<u>4,462,061</u>
Total deferred outflows of resources	<u>4,832,479</u>
Liabilities	
Accounts payable and accrued liabilities	4,695,586
Unearned revenue	225,085
Long-term debt:	
Due within one year	1,849,142
Due in more than one year	18,463,051
Net pension liability	<u>37,068,483</u>
Total liabilities	<u>62,301,347</u>
Deferred inflows of resources	
Deferred pension amounts	<u>123,315</u>
Net position	
Net investment in capital assets	2,813,612
Restricted for:	
Debt service	61,546
Special education programs	657,373
Vocational education programs	305,439
Food service program	3,376
Unrestricted (deficit)	<u>(31,651,190)</u>
Total net position	<u><u>\$ (27,809,844)</u></u>

The accompanying notes are an integral part of these financial statements.

HURON SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction:				
Basic programs	\$ 12,444,249	\$ -	\$ 1,692,228	\$ (10,752,021)
Added needs	4,068,543	-	4,602,187	533,644
Total instruction	<u>16,512,792</u>	<u>-</u>	<u>6,294,415</u>	<u>(10,218,377)</u>
Support services:				
Pupil	1,390,256	-	-	(1,390,256)
Instructional services	1,097,594	-	688,250	(409,344)
Instructional staff	7,030	-	-	(7,030)
General administration	429,078	-	-	(429,078)
School administration	1,278,260	-	-	(1,278,260)
Business	383,284	-	-	(383,284)
Maintenance	1,856,654	19,862	-	(1,836,792)
Transportation	1,396,173	19,606	-	(1,376,567)
Central services	417,063	-	-	(417,063)
Total support services	<u>8,255,392</u>	<u>39,468</u>	<u>688,250</u>	<u>(7,527,674)</u>
School store	<u>33,324</u>	<u>38,147</u>	<u>-</u>	<u>4,823</u>
Food service	<u>697,611</u>	<u>291,277</u>	<u>368,544</u>	<u>(37,790)</u>
Athletics	<u>513,755</u>	<u>6,650</u>	<u>-</u>	<u>(507,105)</u>
Community services	<u>60,095</u>	<u>81,245</u>	<u>-</u>	<u>21,150</u>
Payments to other public schools	<u>907,345</u>	<u>-</u>	<u>-</u>	<u>(907,345)</u>
Unallocated depreciation	<u>1,693,359</u>	<u>-</u>	<u>-</u>	<u>(1,693,359)</u>
Interest on long-term debt	<u>2,432,996</u>	<u>-</u>	<u>-</u>	<u>(2,432,996)</u>
Total governmental activities	<u>\$ 31,106,669</u>	<u>\$ 456,787</u>	<u>\$ 7,351,209</u>	<u>\$ (23,298,673)</u>

continued...

HURON SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2016

	Governmental Activities
Change in net position	
Net expense	<u>\$ (23,298,673)</u>
General revenues:	
Property taxes	5,418,984
State school aid	17,467,439
Grants and contributions not restricted to specific programs	160,848
Unrestricted investment earnings	<u>360,809</u>
Total general revenues	<u>23,408,080</u>
Change in net position	109,407
Net position, beginning of year	<u>(27,919,251)</u>
Net position, end of year	<u><u>\$ (27,809,844)</u></u>
	concluded.

The accompanying notes are an integral part of these financial statements.

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FUND FINANCIAL STATEMENTS

HURON SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2016

	General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,981,315	\$ 361,827	\$ -	\$ 3,343,142
Accounts receivable	26,445	-	-	26,445
Taxes receivable	71,966	74,867	-	146,833
Due from other governments	4,666,945	-	51,836	4,718,781
Due from other funds	19,304	-	1,776,332	1,795,636
Inventories	158,792	-	18,061	176,853
Prepaid items	71,292	-	-	71,292
Other assets	67,500	-	-	67,500
Total assets	\$ 8,063,559	\$ 436,694	\$ 1,846,229	\$ 10,346,482
Liabilities				
Accounts payable	\$ 821,227	\$ -	\$ 375,655	\$ 1,196,882
Accrued salaries and related liabilities	3,123,556	-	-	3,123,556
Due to other funds	1,776,332	-	19,304	1,795,636
Unearned revenue	221,530	-	3,555	225,085
Total liabilities	5,942,645	-	398,514	6,341,159
Fund balances				
Nonspendable:				
Inventories	158,792	-	18,061	176,853
Prepaid items	71,292	-	-	71,292
Other assets	67,500	-	-	67,500
Restricted for:				
Debt service	-	436,694	-	436,694
Special education	-	-	657,373	657,373
Vocational education	-	-	305,439	305,439
Committed for:				
School store	-	-	47,056	47,056
Civic auditorium	-	-	30,939	30,939
Capital projects	-	-	399,610	399,610
Unassigned (deficit)	1,823,330	-	(10,763)	1,812,567
Total fund balances	2,120,914	436,694	1,447,715	4,005,323
Total liabilities and fund balances	\$ 8,063,559	\$ 436,694	\$ 1,846,229	\$ 10,346,482

The accompanying notes are an integral part of these financial statements.

HURON SCHOOL DISTRICT

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2016

Fund balances - total governmental funds	\$ 4,005,323
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets, net of accumulated depreciation	21,231,493
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and loans payable	(18,452,710)
Unamortized bond premium	(920,057)
Unamortized loss on refunding	370,418
Accrued interest on bonds payable	(375,148)
Retirement incentive payable	(271,010)
Compensated absences	(668,416)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(37,068,483)
Deferred outflows related to the net pension liability	4,462,061
Deferred inflows related to the net pension liability	(123,315)
Net position of governmental activities	<u>\$ (27,809,844)</u>

The accompanying notes are an integral part of these financial statements.

HURON SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 2,264,424	\$ 3,412,880	\$ 387,227	\$ 6,064,531
State sources	20,153,623	27,779	286,975	20,468,377
Federal sources	1,732,414	305,118	420,117	2,457,649
Other sources	1,093,041	-	1,132,478	2,225,519
Total revenues	25,243,502	3,745,777	2,226,797	31,216,076
Expenditures				
Current:				
Instruction:				
Basic programs	11,968,607	-	-	11,968,607
Added needs	3,329,778	-	612,486	3,942,264
Total instruction	15,298,385	-	612,486	15,910,871
Support services:				
Pupil	1,300,226	-	34,758	1,334,984
Instructional services	732,185	-	343,507	1,075,692
General administration	414,978	-	-	414,978
School administration	1,232,062	-	-	1,232,062
Business	370,213	-	-	370,213
Maintenance	1,993,107	-	-	1,993,107
Transportation	1,494,635	-	-	1,494,635
Central services	412,623	-	-	412,623
Total support services	7,950,029	-	378,265	8,328,294
School store	-	-	33,324	33,324
Food service	-	-	686,234	686,234
Athletics	503,598	-	-	503,598
Community services	31,746	-	26,863	58,609
Payments to other public schools	907,345	-	-	907,345
Debt service:				
Principal	-	14,523,859	-	14,523,859
Interest and fiscal charges	-	2,490,023	-	2,490,023
Total debt service	-	17,013,882	-	17,013,882

continued...

HURON SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Expenditures (concluded)				
Capital outlay	\$ -	\$ -	\$ 92,984	\$ 92,984
Total expenditures	24,691,103	17,013,882	1,830,156	43,535,141
Revenues over (under) expenditures	552,399	(13,268,105)	396,641	(12,319,065)
Other financing sources (uses)				
Issuance of refunding bonds	-	12,165,000	-	12,165,000
Premium on refunding bonds	-	1,045,480	-	1,045,480
Transfers in	75,054	-	365,212	440,266
Transfers out	(354,764)	-	(85,502)	(440,266)
Total other financing sources (uses)	(279,710)	13,210,480	279,710	13,210,480
Net change in fund balances	272,689	(57,625)	676,351	891,415
Fund balances, beginning of year	1,848,225	494,319	771,364	3,113,908
Fund balances, end of year	\$ 2,120,914	\$ 436,694	\$ 1,447,715	\$ 4,005,323

concluded.

The accompanying notes are an integral part of these financial statements.

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HURON SCHOOL DISTRICT

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ 891,415
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	427,056
Depreciation expense	(1,693,359)
Loss on disposal of capital assets	(5,373)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Proceeds from refunding bond issuance	(12,165,000)
Premium on issuance of bonds	(1,045,480)
Principal payments on long-term liabilities	14,523,859
Amortization of bond premium	125,423
Amortization of loss on bond refunding	(51,134)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in net pension liability and related deferred amounts	(842,307)
Change in the accrued interest payable on bonds	(17,262)
Change in the accrual for compensated absences	(38,431)
Change in net position of governmental activities	<u>\$ 109,407</u>

The accompanying notes are an integral part of these financial statements.

HURON SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 2,330,456	\$ 2,345,500	\$ 2,264,424	\$ (81,076)
State sources	18,192,196	20,049,347	20,153,623	104,276
Federal sources	1,554,469	1,816,171	1,732,414	(83,757)
Other sources	567,398	1,138,972	1,093,041	(45,931)
Total revenues	22,644,519	25,349,990	25,243,502	(106,488)
Expenditures				
Instruction:				
Basic programs	11,409,165	12,037,997	11,968,607	(69,390)
Added needs	3,567,154	3,357,646	3,329,778	(27,868)
Total instruction	14,976,319	15,395,643	15,298,385	(97,258)
Support services:				
Pupil	1,271,184	1,390,056	1,300,226	(89,830)
Instructional services	794,773	776,053	732,185	(43,868)
General administration	412,236	422,458	414,978	(7,480)
School administration	1,192,144	1,237,663	1,232,062	(5,601)
Business	294,585	380,772	370,213	(10,559)
Maintenance	2,001,553	2,032,420	1,993,107	(39,313)
Transportation	1,532,280	1,512,860	1,494,635	(18,225)
Central services	327,819	419,474	412,623	(6,851)
Total support services	7,826,574	8,171,756	7,950,029	(221,727)
Athletics	498,900	500,353	503,598	3,245
Community services	2,693	6,782	31,746	24,964
Payments to other public schools	-	906,991	907,345	354
Total expenditures	23,304,486	24,981,525	24,691,103	(290,422)
Revenues over (under) expenditures	(659,967)	368,465	552,399	183,934

continued...

HURON SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources (uses)				
Transfers in	\$ 13,160	\$ 76,276	\$ 75,054	\$ (1,222)
Transfers out	(96,400)	(355,000)	(354,764)	(236)
Total other financing uses	(83,240)	(278,724)	(279,710)	(986)
Net change in fund balance	(743,207)	89,741	272,689	182,948
Fund balance, beginning of year	1,848,225	1,848,225	1,848,225	-
Fund balance, end of year	<u>\$ 1,105,018</u>	<u>\$ 1,937,966</u>	<u>\$ 2,120,914</u>	<u>\$ 182,948</u>

concluded.

The accompanying notes are an integral part of these financial statements.

HURON SCHOOL DISTRICT

Statement of Fiduciary Assets and Liabilities

June 30, 2016

	Agency Fund
Assets	
Cash and cash equivalents	\$ 204,807
	<u>204,807</u>
Liabilities	
Due to others	\$ 4,748
Due to student groups	200,059
	<u>204,807</u>
	<u>\$ 204,807</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

HURON SCHOOL DISTRICT

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Huron School District (the “District”) has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the current year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the 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.

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, or within one year for expenditure-driven grants. 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.

HURON SCHOOL DISTRICT

Notes to Financial Statements

Property taxes 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *debt service fund* is used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest. It accounts for the retirement of long-term debt, which is financed through property taxes.

Additionally, the District reports the following fund types:

Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The *capital project fund* is used to account for all financial resources restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

Deposits and Investments

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

The District's investments in the Michigan Liquid Assets Fund (MILAF) are recorded at amortized cost.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

HURON SCHOOL DISTRICT

Notes to Financial Statements

Inventories and Prepaid Items

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the general, school store and food service funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	25-50
Vehicles	7-10
Equipment	5-25

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the loss on refunding. This amount represents 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 refunding debt. The District also reports deferred outflows of resources related to the net pension liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Compensated Absences

It is the District’s policy to permit certain employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and 50 percent of sick leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

HURON SCHOOL DISTRICT

Notes to Financial Statements

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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 issuances are reported as other financing uses.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources are related to pension costs.

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

HURON SCHOOL DISTRICT

Notes to Financial Statements

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on a functional basis.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended June 30, 2016, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	Final Budget	Actual	Variance
General fund:			
Athletics	\$ 500,353	\$ 503,598	\$ 3,245
Community services	6,782	31,746	24,964
Payments to other public schools	906,991	907,345	354

The food service fund reported an unassigned fund balance deficit of \$10,763 at June 30, 2016.

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position and Statement of Fiduciary Assets and Liabilities follows:

Statement of Net Position	
Cash and cash equivalents	\$ 3,343,142
Statement of Fiduciary Assets and Liabilities	
Cash and cash equivalents	<u>204,807</u>
	<u>\$ 3,547,949</u>
Deposits and investments	
Bank deposits (checking accounts, savings accounts, and CDs)	\$ 900,998
Investments in Michigan Liquid Asset Fund	<u>2,646,951</u>
	<u>\$ 3,547,949</u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

Statutory Authority

State statutes authorize the District to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union 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 government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. At year end, the District had the following investments.

Investment	Maturity	Amortized Cost	Rating
Michigan Liquid Asset Fund	n/a	<u>\$ 2,646,951</u>	S&P - AAAm

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investments of the District do not have specific maturity dates.

HURON SCHOOL DISTRICT

Notes to Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$656,483 of the District's bank balance of \$1,156,483 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk as these investments are uncategorized as to risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

5. RECEIVABLES

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Debt Service	Nonmajor Funds	Total
Receivables:				
Accounts receivable	\$ 26,445	\$ -	\$ -	\$ 26,445
Taxes receivable	71,966	74,867	-	146,833
Due from other governments	4,666,945	-	51,836	4,718,781
	<u>\$ 4,765,356</u>	<u>\$ 74,867</u>	<u>\$ 51,836</u>	<u>\$ 4,892,059</u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets not being depreciated -				
Land	\$ 691,973	\$ -	\$ -	\$ 691,973
Capital assets being depreciated:				
Buildings and improvements	39,334,530	12,264	-	39,346,794
Vehicles	2,208,638	142,725	-	2,351,363
Equipment	6,743,688	272,067	(660,940)	6,354,815
Total capital assets being depreciated	48,286,856	427,056	(660,940)	48,052,972
Less accumulated depreciation for:				
Buildings and improvements	(18,644,731)	(1,421,766)	-	(20,066,497)
Vehicles	(1,609,113)	(134,205)	-	(1,743,318)
Equipment	(6,221,816)	(137,388)	655,567	(5,703,637)
Total accumulated depreciation	(26,475,660)	(1,693,359)	655,567	(27,513,452)
Total capital assets being depreciated, net	21,811,196	(1,266,303)	(5,373)	20,539,520
Governmental activities capital assets, net	\$ 22,503,169	\$ (1,266,303)	\$ (5,373)	\$ 21,231,493

Depreciation expense of \$1,693,359 is reported as “unallocated depreciation” and was not allocated to individual functions.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of year end for the District’s individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Nonmajor Funds	Total
Fund financial statements:			
Accounts payable	\$ 821,227	\$ 375,655	\$ 1,196,882
Accrued salaries and related liabilities	3,123,556	-	3,123,556
	<u>\$ 3,944,783</u>	<u>\$ 375,655</u>	<u>4,320,438</u>
Government-wide financial statements:			
Accrued interest on long-term debt			<u>375,148</u>
			<u>\$ 4,695,586</u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2016, interfund receivables and payables consisted of balances due from the general fund to the nonmajor governmental funds in amounts of \$1,776,332 and balances due to the general fund from the nonmajor governmental funds in amounts of \$19,304. These interfund balances resulted primarily 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.

For the year ending June 30, 2016, interfund transfers consisted of the following:

	Transfers out	Transfers in
General fund	\$ 354,764	\$ 75,054
Nonmajor governmental funds	85,502	365,212
	<u>\$ 440,266</u>	<u>\$ 440,266</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 in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9. LONG-TERM DEBT

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 20,227,101	\$ 12,165,000	\$ (14,523,859)	\$ 17,868,242	\$ 1,573,719
Unamortized bond premium	30,626	1,045,480	(156,049)	920,057	125,423
School bond loan fund	565,180	19,288	-	584,468	-
Retirement incentive	271,010	-	-	271,010	-
Compensated absences	629,985	181,496	(143,065)	668,416	150,000
	<u>\$ 21,723,902</u>	<u>\$ 13,411,264</u>	<u>\$ (14,822,973)</u>	<u>\$ 20,312,193</u>	<u>\$ 1,849,142</u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

Long-term debt at June 30, 2016, consists of the following:

General obligation bonds:

\$6,144,416 1992 Refunding Bonds, due in annual installments of \$356,823 to \$368,718 through May 1, 2019 interest at 6.2% - 6.75%	\$ 1,088,242
\$6,605,000 2011 Building and Site Bonds, due in annual installments of \$50,000 to \$810,000 through May 1, 2026; interest at 5.25% to 6.20%.	5,890,000
\$8,855,000 2015 Refunding Bonds, Series A, due in annual installments of \$20,000 to \$1,145,000 through May 1, 2026; interest at 3.0% to 4.00%	7,630,000
\$3,310,00 2015 Refunding Bonds, Series B, due in annual installments of \$50,000 to \$1,135,000 through May 1, 2019; interest at 3.00% to 4.00%	<u>3,260,000</u>
Total general obligation bonds payable	<u><u>\$ 17,868,242</u></u>

Compensated absences and retirement incentives are generally liquidated by the general fund.

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Principal	Interest	Total
2017	\$ 1,573,719	\$ 2,251,486	\$ 3,825,205
2018	1,537,700	2,315,230	3,852,930
2019	1,476,823	2,384,170	3,860,993
2020	1,810,000	645,005	2,455,005
2021	1,855,000	559,240	2,414,240
2022-2026	<u>9,615,000</u>	<u>1,413,430</u>	<u>11,028,430</u>
	<u><u>\$ 17,868,242</u></u>	<u><u>\$ 9,568,561</u></u>	<u><u>\$ 27,436,803</u></u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

Current Refunding

The District issued \$12,165,000 in refunding bonds during the year to refund \$12,810,000 of 2005 and 2006 refunding bonds. The refundings resulted in a savings of \$1,132,575 over the next ten years and an economic gain of \$994,646.

The total payments on refunded debt as of June 30, 2016 were \$13,070,668, which represents amounts placed in escrow as part of the 2015 debt refundings. The payments on these bonds were made within 90 days of the refunding issuance. As such, these payments constitute a current refunding and the District had no defeased debt as of year end.

School Bond Loan Fund

The School Bond Loan Fund represents amounts borrowed from the State of Michigan school bond loan program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds. Changes to the School Bond Loan Fund for the year ending June 30, 2016, are as follows:

	Principal	Interest	Total
Beginning balance	\$ 541,035	\$ 24,145	\$ 565,180
Additions	-	19,288	19,288
Ending balance	<u>\$ 541,035</u>	<u>\$ 43,433</u>	<u>\$ 584,468</u>

Retirement Incentive

In addition to the pension benefits described in Note 13, the District provides cash benefits to certain employees or their beneficiaries upon resignation or death. The benefit is provided to any teacher with at least ten years of service in the District at the end of the 1999 school year based on provisions included in the teachers union contract. An actuarial valuation of the District's liability for these benefits in accordance with GASB Statements No. 43 and 45 has not been performed. Inasmuch as the plan is open to a small number of District employees, management has determined that the actuarially accrued liability would be immaterial to the financial statements taken as a whole. Instead, management has reported the actual amount of benefits to be paid in long-term debt at year end.

10. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2016, net investment in capital assets is comprised of the following:

Capital assets, net	\$ 21,231,493
Bonds payable (capital related)	(17,868,242)
Unamortized bond premium	(920,057)
Unamortized loss on refunding	<u>370,418</u>
Total net investment in capital assets	<u>\$ 2,813,612</u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

11. 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 has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

12. COMMITMENTS

Prior to June 30, 2016, the District approved the re-paving of one of its parking lots. The project started in July 2016 and has been completed as of the issuance of the financial statements. The total cost of \$199,449, was paid out of the capital projects fund.

13. RETIREMENT PLAN

Plan Description

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

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. 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.

HURON SCHOOL DISTRICT

Notes to Financial Statements

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

Contributions and Funded Status

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

The table below summarizes pension contribution rates in effect for fiscal year 2015.

Benefit Structure	Member Rates	Employer Rates
Basic	0.0% - 4.0%	22.52% - 23.07%
Member Investment Plan (MIP)	3.0% - 7.0%	22.52% - 23.07%
Pension Plus	3.0% - 6.4%	21.99%
Defined Contribution	0.0%	17.72% - 18.76%

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2016 was \$3,510,330.

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

At June 30, 2016, the District reported a liability of \$37,068,483 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the District's proportion was 0.15176%, which was an increase of 0.00084% from its proportion measured as of September 30, 2014.

HURON SCHOOL DISTRICT

Notes to Financial Statements

For the year ended June 30, 2016, the District recognized pension expense of \$3,175,493. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 122,782	\$ (122,782)
Changes in assumptions	912,705	-	912,705
Net difference between projected and actual earnings on pension plan investments	189,205	-	189,205
Changes in proportion and differences between employer contributions and proportionate share of contributions	158,118	533	157,585
	<u>1,260,028</u>	<u>123,315</u>	<u>1,136,713</u>
District contributions subsequent to the measurement date	<u>3,202,033</u>	<u>-</u>	<u>3,202,033</u>
Total	<u>\$ 4,462,061</u>	<u>\$ 123,315</u>	<u>\$ 4,338,746</u>

\$3,202,033 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ 146,430
2018	146,430
2019	96,941
2020	<u>746,912</u>
Total	<u>\$ 1,136,713</u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	8.0%
Pension Plus plan (hybrid)	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3% annual non-compounded for MIP members
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

HURON SCHOOL DISTRICT

Notes to Financial Statements

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.90%	1.64%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.90%	0.09%
Real estate and infrastructure pools	10.00%	4.30%	0.43%
Absolute return pools	15.50%	6.00%	0.93%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		5.90%
Inflation			<u>2.10%</u>
Investment rate of return			<u>8.00%</u>

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension liability	\$ 47,790,777	\$ 37,068,483	\$ 28,029,150

HURON SCHOOL DISTRICT

Notes to Financial Statements

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2016, the District reported a payable of \$542,879 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2016.

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a prefunded basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.71% to 6.83% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the *Personal Healthcare Fund*. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 were declared unconstitutional by the Supreme Court. Such amounts will be refunded by MPSERS to each District, including interest, and will then be refunded to individual employees.

The District's contributions to MPSERS for other postemployment benefits amounted to \$1,296,607 for the year ended June 30, 2016.



REQUIRED SUPPLEMENTARY INFORMATION

HURON SCHOOL DISTRICT

Notes to Financial Statements

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,	
	2015	2016
District's proportion of the net pension liability	\$ 33,241,517	\$ 37,068,483
District's proportionate share of the net pension liability	0.15092%	0.15176%
District's covered-employee payroll	\$ 12,987,923	\$ 12,767,263
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	255.94%	290.34%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

HURON SCHOOL DISTRICT

Notes to Financial Statements

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of District Contributions

	Year Ended June 30,	
	2015	2016
Contractually required contribution	\$ 2,943,460	\$ 3,510,330
Contributions in relation to the contractually required contribution	<u>(2,943,460)</u>	<u>(3,510,330)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 13,206,670	\$ 13,181,517
Contributions as a percentage of covered employee payroll	22.29%	26.63%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

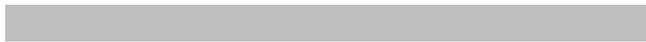
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COMBINING FUND FINANCIAL STATEMENTS

HURON SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Special Revenue			
	Special Education	School Store	Food Service	Civic Auditorium
Assets				
Due from other governments	\$ -	\$ -	\$ 30,122	\$ 3,691
Due from other funds	990,449	47,061	-	27,448
Inventories	-	3,922	14,139	-
Total assets	\$ 990,449	\$ 50,983	\$ 44,261	\$ 31,139
Liabilities				
Accounts payable	\$ 333,076	\$ 5	\$ 18,226	\$ -
Due to other funds	-	-	19,304	-
Unearned revenue	-	-	3,355	200
Total liabilities	333,076	5	40,885	200
Fund balances				
Nonspendable	-	3,922	14,139	-
Restricted	657,373	-	-	-
Committed	-	47,056	-	30,939
Unassigned (deficit)	-	-	(10,763)	-
Total fund balances	657,373	50,978	3,376	30,939
Total liabilities and fund balances	\$ 990,449	\$ 50,983	\$ 44,261	\$ 31,139



Special Revenue

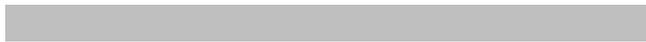
Vocational Education	Capital Projects	Total Nonmajor Governmental Funds
\$ 18,023	\$ -	\$ 51,836
287,416	423,958	1,776,332
-	-	18,061
<u>\$ 305,439</u>	<u>\$ 423,958</u>	<u>\$ 1,846,229</u>
\$ -	\$ 24,348	\$ 375,655
-	-	19,304
-	-	3,555
<u>-</u>	<u>24,348</u>	<u>398,514</u>
-	-	18,061
305,439	-	962,812
-	399,610	477,605
-	-	(10,763)
<u>305,439</u>	<u>399,610</u>	<u>1,447,715</u>
<u>\$ 305,439</u>	<u>\$ 423,958</u>	<u>\$ 1,846,229</u>

HURON SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue			
	Special Education	School Store	Food Service	Civic Auditorium
Revenues				
Local sources	\$ -	\$ 38,147	\$ 291,277	\$ 40,575
State sources	229,930	-	51,403	-
Federal sources	49,167	-	317,141	-
Other sources	503,679	-	-	-
Total revenues	782,776	38,147	659,821	40,575
Expenditures				
Current:				
Instruction-added needs	612,486	-	-	-
Support services:				
Pupil	34,758	-	-	-
Instructional services	34,975	-	-	-
School store	-	33,324	-	-
Food service	-	-	686,234	-
Community services	-	-	-	26,863
Capital outlay	-	-	-	-
Total expenditures	682,219	33,324	686,234	26,863
Revenues over (under) expenditures	100,557	4,823	(26,413)	13,712
Other financing sources (uses)				
Transfers in	-	-	15,000	-
Transfers out	(1,011)	-	-	(10,212)
Total other financing sources (uses)	(1,011)	-	15,000	(10,212)
Net change in fund balances	99,546	4,823	(11,413)	3,500
Fund balances, beginning of year	557,827	46,155	14,789	27,439
Fund balances, end of year	\$ 657,373	\$ 50,978	\$ 3,376	\$ 30,939



Special Revenue

Vocational Education	Capital Projects	Total Nonmajor Governmental Funds
\$ -	\$ 17,228	\$ 387,227
5,642	-	286,975
53,809	-	420,117
628,799	-	1,132,478
<hr/>	<hr/>	<hr/>
688,250	17,228	2,226,797
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-	-	612,486
-	-	34,758
308,532	-	343,507
-	-	33,324
-	-	686,234
-	-	26,863
-	92,984	92,984
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308,532	92,984	1,830,156
<hr/>	<hr/>	<hr/>
379,718	(75,756)	396,641
<hr/>	<hr/>	<hr/>
-	350,212	365,212
(74,279)	-	(85,502)
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(74,279)	350,212	279,710
<hr/>	<hr/>	<hr/>
305,439	274,456	676,351
-	125,154	771,364
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\$ 305,439	\$ 399,610	\$ 1,447,715
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SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

October 12, 2016

Board of Education
Huron School District
New Boston, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Huron School District* (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 12, 2016, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is 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 other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



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HURON SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Agriculture			
Child Nutrition Cluster:			
Cash assistance:			
Breakfast Program 2015-2016	10.553	MDE	161970
National School Lunch 2015-2016	10.555	MDE	161960
Non-cash assistance-			
Entitlement commodities	10.555	MDE	-n/a-
Total U.S. Department of Agriculture			
U.S. Department of Education			
Title I, Part A - Improving Basic Programs	84.010	MDE	151530-1415
Title I, Part A - Improving Basic Programs	84.010	MDE	161530-1516
Title II, Part A - Improving Teacher Quality	84.367	MDE	150520-1415
Title II, Part A - Improving Teacher Quality	84.367	MDE	160520-1516
IDEA Special Education Cluster:			
2014 IDEA Flow-through	84.027	WCRESA	140450-1314
2015 IDEA Flow-through	84.027	WCRESA	150450-1415
2016 IDEA Flow-through	84.027	WCRESA	160450-1516
2015 Positive Behavior Support Grant	84.027	WCRESA	-n/a-
2015 Positive Behavior Support Grant	84.027	WCRESA	-n/a-
2016 Positive Behavior Support Grant	84.027	WCRESA	-n/a-
2016 Positive Behavior Support Grant	84.027	WCRESA	-n/a-
2015 CPE	84.027	WCRESA	150450-1415
2016 CPE	84.027	WCRESA	160450-1516
2015 Preschool	84.173	WCRESA	150460-1415
2016 Preschool	84.173	WCRESA	160460-1516

Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2015	Federal Funds / Payments In-Kind Received	Federal Expenditures	Accrued (Unearned) Revenue at June 30, 2016
\$ 55,363	\$ 57,474	\$ -	\$ 51,808	\$ 55,363	\$ 3,555
228,686	230,585	-	214,621	228,686	14,065
33,092	29,428	-	33,092	33,092	-
		-	299,521	317,141	17,620
372,973	352,228	110,795	125,028	14,233	-
301,876	-	-	181,599	291,169	109,570
		110,795	306,627	305,402	109,570
49,417	39,059	852	852	-	-
48,172	-	-	20,171	27,952	7,781
		852	21,023	27,952	7,781
703,951	41,155	41,155	41,155	-	-
845,805	812,901	181,489	181,489	32,904	32,904
932,619	-	-	550,576	885,669	335,093
1,100	1,100	1,100	1,100	-	-
1,200	1,200	1,200	1,200	-	-
836	-	-	-	836	836
773	-	-	-	773	773
38,412	38,412	15,620	15,620	-	-
49,167	-	-	23,534	49,167	25,633
97,128	97,128	16,460	16,460	-	-
97,128	-	-	66,576	103,360	36,784
		257,024	897,710	1,072,709	432,023

continued...

HURON SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Education (concluded)			
Career and Technical Education Program:			
2015 Secondary CTE Perkins Grant	84.048	WCRESA	153520-151225
2016 Secondary CTE Perkins Grant	84.048	WCRESA	163520-161225
2016 Secondary CTE Perkins Grant - Vocational Education	84.048	WCRESA	163520-161225
Total U.S. Department of Education			
U.S. Department of Health and Human Services			
Medical Assistance Program Title XI-			
2015-2016 Medical Outreach Grant	93.778	WCRESA	-n/a-
Total Federal Financial Assistance			

See notes to schedule of expenditures of federal awards.

Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2015	Federal Funds / Payments In-Kind Received	Federal Expenditures	Accrued (Unearned) Revenue at June 30, 2016
\$ 342,975	\$ 342,975	\$ 175,333	\$ 175,333	\$ -	\$ -
373,244	-	-	179,876	373,244	193,368
53,809	-	-	41,370	53,809	12,439
		<u>175,333</u>	<u>396,579</u>	<u>427,053</u>	<u>205,807</u>
		<u>544,004</u>	<u>1,621,939</u>	<u>1,833,116</u>	<u>755,181</u>
2,274	-	-	2,274	2,274	-
		<u>\$ 544,004</u>	<u>\$ 1,923,734</u>	<u>\$ 2,152,531</u>	<u>\$ 772,801</u>

concluded.

HURON SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Huron School District (the "District") under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

For the purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. RECONCILIATION OF REVENUE ON FINANCIAL STATEMENTS TO EXPENDITURES OF FEDERAL AWARDS

Federal revenue reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 2,457,649
Less: Revenue from federal government paid directly for interest on long-term debt not considered to be federal expenditures	<u>(305,118)</u>
Total expenditures of federal awards	<u><u>\$ 2,152,531</u></u>

HURON SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

4. PASS-THROUGH AGENCIES

The District receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
WCRESA	Wayne County Regional Education Service Agency



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INDEPENDENT AUDITORS' 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*

October 12, 2016

Board of Education
Huron School District
New Boston, 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 the *Huron School District* (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 12, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 District'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.

Rehmann Loborn LLC

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

October 12, 2016

Board of Education
Huron School District
New Boston, Michigan**Report on Compliance for the Major Federal Program**

We have audited the compliance of the *Huron School District* (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2016. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

HURON SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
84.027 and 84.173	IDEA Special Education Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

HURON SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



HURON SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2016

None reported.



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