



Year Ended
June 30, 2017

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 25, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2017, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and special education fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 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 25, 2017, 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 Johnson LLC". The signature is written in a cursive, flowing style.

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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, 2017. 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, special education 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, 2016 to fiscal year ending June 30, 2017. The change in net position of the District's governmental activities is discussed below.

	Net Position	
	Governmental Activities	
	2017	2016
Assets		
Current and other assets	\$ 8,985,782	\$ 8,550,846
Capital assets, net	20,338,887	21,231,493
Total assets	<u>29,324,669</u>	<u>29,782,339</u>
Deferred outflows of resources	<u>6,078,999</u>	<u>4,832,479</u>
Liabilities		
Other liabilities	43,354,743	41,989,154
Long-term liabilities	18,684,305	20,312,193
Total liabilities	<u>62,039,048</u>	<u>62,301,347</u>
Deferred inflows of resources	<u>112,355</u>	<u>123,315</u>
Net position		
Net investment in capital assets	3,569,014	2,813,612
Restricted	910,639	1,027,734
Unrestricted (deficit)	(31,227,388)	(31,651,190)
Total net position	<u>\$ (26,747,735)</u>	<u>\$ (27,809,844)</u>

HURON SCHOOL DISTRICT

Management's Discussion and Analysis

The District's net position was a negative \$26.7 million on June 30, 2017. Investment in capital assets totaling \$3.6 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 \$0.9 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 \$31.2 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	
	2017	2016
Program revenues:		
Charges for services	\$ 489,199	\$ 456,787
Operating grants	8,898,163	7,351,209
General revenues:		
Property taxes	5,324,383	5,418,984
State school aid	17,754,797	17,467,439
Grants and contributions	234,456	160,848
Unrestricted investment earnings	391,001	360,809
Total revenues	33,091,999	31,216,076
Program expenses:		
Instruction	17,092,355	16,512,792
Support services	8,478,237	8,255,392
School store	34,765	33,324
Food service	743,969	697,611
Athletics	525,184	513,755
Community services	99,868	60,095
Payments to other public schools	1,074,864	907,345
Unallocated depreciation	1,761,923	1,693,359
Interest on long-term debt	2,218,725	2,432,996
Total expenses	32,029,890	31,106,669
Change in net position	1,062,109	109,407
Net position:		
Beginning of year	(27,809,844)	(27,919,251)
End of year	<u>\$ (26,747,735)</u>	<u>\$ (27,809,844)</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 \$32.0 million compared to \$31.1 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 \$9.4 million. The district paid for the remaining "public benefit" portion of our governmental activities with \$5.3 million in taxes, \$17.8 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.

Total revenues increased from the prior year by approximately 6.0%. This is largely due to the 21.0% increase in operating grants and a 45.8% increase in grants and contributions, which were caused by an increase in State and Federal grants and increased revenue from accepting the fiscal agency for the vocational education consortium. Total expenses remained relatively consistent with the prior year, increasing approximately 3.0%.

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 \$4,373,424, which is an increase of \$368,101. The increase is largely attributable the additional revenue generated by the Wayne County Enhancement Millage.

The District presents three major governmental funds: general, special education, and debt service. The general fund reported a fund balance of \$2,445,011, of which \$320,245 was reported as nonspendable for inventories, prepaids, and other assets. The remainder, \$2,124,766, was reported as unassigned. The special education and debt service funds reported fund balances of \$657,373 and \$408,588, respectively, which are restricted.

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 26, 2017. A statement 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 2016-17 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. Also, the Wayne County Enhancement Millage was approved in August 2016 generating new revenue.

Budgeted expenditures were increased primarily due to an increase in State and Federal grant expenditures, as well as additional technology and infrastructure purchases made possible with Enhancement Millage funds.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets decreased during the year by \$892,606, as summarized below:

	District's Capital Assets (Net of Depreciation)	
	2017	2016
Land	\$ 691,973	\$ 691,973
Construction in progress	101,629	-
Buildings and improvements	18,114,550	19,280,297
Vehicles	626,490	608,045
Equipment	804,245	651,178
Total capital assets, net	<u>\$ 20,338,887</u>	<u>\$ 21,231,493</u>

While construction in progress increased due to the STEM (Science, Technology, Engineering and Math) laboratory project, vehicles increased due to the purchase of several buses, and equipment increased due to the purchase of computer equipment and copiers, these increases were offset by the annual depreciation expense of \$1,761,923.

Long-term Debt. At the end of this year, the District had \$16,294,523 in bonds outstanding versus \$17,868,242 last year - a decrease of 8.8%. This decrease was partially attributable to scheduled payments for debts issued in prior years. 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 \$16.3 million is significantly below this limit.

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 one existing circumstance that could significantly affect its financial health in the future:

- 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 2017-18 fiscal year is 10% and 90% of the February 2017 and October 2017 student counts, respectively. The 2017-18 budget was adopted in June 2017, based on an estimated number of students that will be enrolled in September 2017. Approximately 75% of the total revenue for the District is from the student foundation allowance. We anticipate that the October 2017 student count will be fifteen students more than the previous year. Under state law, the District cannot assess additional property tax revenue for general operations. The student count could be below the estimates used in creating the 2017-18 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.

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, 2017

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,522,417
Receivables	5,128,054
Prepays and other items	335,311
Capital assets, not being depreciated	793,602
Capital assets being depreciated, net	<u>19,545,285</u>
Total assets	<u>29,324,669</u>
Deferred outflows of resources	
Deferred charge on refunding	319,284
Deferred pension amounts	<u>5,759,715</u>
Total deferred outflows of resources	<u>6,078,999</u>
Liabilities	
Accounts payable and accrued liabilities	4,712,677
Unearned revenue	223,467
Long-term debt:	
Due within one year	1,813,123
Due in more than one year	16,871,182
Net pension liability	<u>38,418,599</u>
Total liabilities	<u>62,039,048</u>
Deferred inflows of resources	
Deferred pension amounts	<u>112,355</u>
Net position	
Net investment in capital assets	3,569,014
Restricted for:	
Debt service	22,717
Special education programs	657,373
Vocational education programs	223,259
Food service program	7,290
Unrestricted (deficit)	<u>(31,227,388)</u>
Total net position	<u>\$ (26,747,735)</u>

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

HURON SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction:				
Basic programs	\$ 12,382,875	\$ -	\$ 1,918,023	\$ (10,464,852)
Added needs	4,709,480	-	6,292,789	1,583,309
Total instruction	<u>17,092,355</u>	<u>-</u>	<u>8,210,812</u>	<u>(8,881,543)</u>
Support services:				
Pupil	1,440,816	-	-	(1,440,816)
Instructional services	1,227,892	-	311,341	(916,551)
General administration	441,913	-	-	(441,913)
School administration	1,253,808	-	-	(1,253,808)
Business	397,571	-	-	(397,571)
Maintenance	1,888,013	14,743	-	(1,873,270)
Transportation	1,454,117	23,666	-	(1,430,451)
Central services	374,107	-	-	(374,107)
Total support services	<u>8,478,237</u>	<u>38,409</u>	<u>311,341</u>	<u>(8,128,487)</u>
School store	<u>34,765</u>	<u>36,963</u>	<u>-</u>	<u>2,198</u>
Food service	<u>743,969</u>	<u>301,300</u>	<u>376,010</u>	<u>(66,659)</u>
Athletics	<u>525,184</u>	<u>10,300</u>	<u>-</u>	<u>(514,884)</u>
Community services	<u>99,868</u>	<u>102,227</u>	<u>-</u>	<u>2,359</u>
Payments to other public schools	<u>1,074,864</u>	<u>-</u>	<u>-</u>	<u>(1,074,864)</u>
Unallocated depreciation	<u>1,761,923</u>	<u>-</u>	<u>-</u>	<u>(1,761,923)</u>
Interest on long-term debt	<u>2,218,725</u>	<u>-</u>	<u>-</u>	<u>(2,218,725)</u>
Total governmental activities	<u>\$ 32,029,890</u>	<u>\$ 489,199</u>	<u>\$ 8,898,163</u>	<u>\$ (22,642,528)</u>

continued...

HURON SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2017

	Governmental Activities
Change in net position	
Net expense	<u>\$ (22,642,528)</u>
General revenues:	
Property taxes	5,324,383
State school aid	17,754,797
Grants and contributions not restricted to specific programs	234,456
Unrestricted investment earnings	<u>391,001</u>
Total general revenues	<u>23,704,637</u>
Change in net position	1,062,109
Net position, beginning of year	<u>(27,809,844)</u>
Net position, end of year	<u><u>\$ (26,747,735)</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, 2017

	General Fund	Special Education	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 3,189,064	\$ -	\$ 333,312	\$ 41	\$ 3,522,417
Accounts receivable	97,949	-	-	-	97,949
Taxes receivable	67,901	-	75,276	-	143,177
Due from other governments	4,831,562	-	-	55,366	4,886,928
Due from other funds	-	989,406	-	828,939	1,818,345
Inventories	168,148	-	-	15,066	183,214
Prepaid items	79,084	-	-	-	79,084
Other assets	73,013	-	-	-	73,013
Total assets	\$ 8,506,721	\$ 989,406	\$ 408,588	\$ 899,412	\$ 10,804,127
Liabilities					
Accounts payable	\$ 1,153,453	\$ 332,033	\$ -	\$ 30,028	\$ 1,515,514
Accrued salaries and related liabilities	2,811,292	-	-	-	2,811,292
Due to other funds	1,818,345	-	-	-	1,818,345
Unearned revenue	216,535	-	-	6,932	223,467
Total liabilities	5,999,625	332,033	-	36,960	6,368,618
Deferred inflows of resources					
Unavailable revenue - enhancement revenues	62,085	-	-	-	62,085
Fund balances					
Nonspendable:					
Inventories	168,148	-	-	15,066	183,214
Prepaid items	79,084	-	-	-	79,084
Other assets	73,013	-	-	-	73,013
Restricted for:					
Debt service	-	-	408,588	-	408,588
Special education	-	657,373	-	-	657,373
Vocational education	-	-	-	223,259	223,259
Committed for:					
School store	-	-	-	40,176	40,176
Civic auditorium	-	-	-	47,841	47,841
Capital projects	-	-	-	540,886	540,886
Unassigned (deficit)	2,124,766	-	-	(4,776)	2,119,990
Total fund balances	2,445,011	657,373	408,588	862,452	4,373,424
Total liabilities, deferred inflows of resources and fund balances	\$ 8,506,721	\$ 989,406	\$ 408,588	\$ 899,412	\$ 10,804,127

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, 2017

Fund balances - total governmental funds	\$ 4,373,424
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	20,338,887
Other long-term assets are not available to pay for current-period expenditures and therefore are not recorded in the funds.	
Unavailable enhancement receivables	62,085
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	(17,013,408)
Unamortized bond premium	(794,634)
Unamortized charge on refunding	319,284
Accrued interest on bonds payable	(385,871)
Retirement incentive payable	(187,622)
Compensated absences	(688,641)
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	(38,418,599)
Deferred outflows related to the net pension liability	5,759,715
Deferred inflows related to the net pension liability	(112,355)
Net position of governmental activities	<u>\$ (26,747,735)</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, 2017

	General Fund	Special Education	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 2,282,870	\$ -	\$ 3,337,844	\$ 400,597	\$ 6,021,311
State sources	20,864,028	334,491	53,868	80,586	21,332,973
Federal sources	1,925,937	51,030	301,775	343,560	2,622,302
Other sources	2,085,970	704,153	-	263,205	3,053,328
Total revenues	27,158,805	1,089,674	3,693,487	1,087,948	33,029,914
Expenditures					
Current:					
Instruction:					
Basic programs	12,467,837	-	-	-	12,467,837
Added needs	3,821,147	883,152	-	20,000	4,724,299
Total instruction	16,288,984	883,152	-	20,000	17,192,136
Support services:					
Pupil	1,388,175	41,476	-	-	1,429,651
Instructional services	880,009	56,673	-	289,815	1,226,497
General administration	407,042	-	-	-	407,042
School administration	1,251,624	-	-	-	1,251,624
Business	396,917	-	-	-	396,917
Maintenance	2,168,076	-	-	430,724	2,598,800
Transportation	1,586,243	-	-	-	1,586,243
Central services	373,903	-	-	-	373,903
Total support services	8,451,989	98,149	-	720,539	9,270,677
School store	-	-	-	34,765	34,765
Food service	-	-	-	743,396	743,396
Athletics	524,679	-	-	-	524,679
Community services	66,271	-	-	33,432	99,703
Payments to other public schools	1,074,864	-	-	-	1,074,864
Debt service:					
Principal	-	-	1,573,719	-	1,573,719
Interest and fiscal charges	-	-	2,263,025	-	2,263,025
Total debt service	-	-	3,836,744	-	3,836,744
Total expenditures	26,406,787	981,301	3,836,744	1,552,132	32,776,964
Revenues over (under) expenditures	752,018	108,373	(143,257)	(464,184)	252,950

continued...

HURON SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2017

	General Fund	Special Education	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)					
Issuance of long-term debt	\$ -	\$ -	\$ 115,151	\$ -	\$ 115,151
Transfers in	192,079	-	-	630,000	822,079
Transfers out	(620,000)	(108,373)	-	(93,706)	(822,079)
Total other financing sources (uses)	<u>(427,921)</u>	<u>(108,373)</u>	<u>115,151</u>	<u>536,294</u>	<u>115,151</u>
Net change in fund balances	324,097	-	(28,106)	72,110	368,101
Fund balances, beginning of year	<u>2,120,914</u>	<u>657,373</u>	<u>436,694</u>	<u>790,342</u>	<u>4,005,323</u>
Fund balances, end of year	<u>\$ 2,445,011</u>	<u>\$ 657,373</u>	<u>\$ 408,588</u>	<u>\$ 862,452</u>	<u>\$ 4,373,424</u>

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, 2017

Net change in fund balances - total governmental funds	\$ 368,101
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 assets purchased/constructed	869,317
Depreciation expense	(1,761,923)
Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds.	
Change in unavailable enhancement revenues	62,085
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 school bond loan issuance	(115,151)
Principal payments on long-term liabilities	1,573,719
Amortization of bond premium	125,423
Amortization of charge 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	(41,502)
Change in the accrued interest payable on bonds	(29,989)
Change in the accrual for compensated absences	(20,225)
Change in the early retirement incentive liability	83,388
Change in net position of governmental activities	<u>\$ 1,062,109</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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 2,353,038	\$ 2,541,765	\$ 2,282,870	\$ (258,895)
State sources	18,646,186	20,545,325	20,864,028	318,703
Federal sources	1,641,243	2,009,581	1,925,937	(83,644)
Other sources	921,107	2,122,864	2,085,970	(36,894)
Total revenues	23,561,574	27,219,535	27,158,805	(60,730)
Expenditures				
Current:				
Instruction:				
Basic programs	11,670,120	12,564,638	12,467,837	(96,801)
Added needs	3,197,648	3,955,166	3,821,147	(134,019)
Total instruction	14,867,768	16,519,804	16,288,984	(230,820)
Support services:				
Pupil	1,361,511	1,400,665	1,388,175	(12,490)
Instructional services	821,638	895,162	880,009	(15,153)
General administration	389,244	411,826	407,042	(4,784)
School administration	1,184,343	1,258,057	1,251,624	(6,433)
Business	404,044	401,877	396,917	(4,960)
Maintenance	2,061,198	2,217,502	2,168,076	(49,426)
Transportation	1,571,237	1,584,576	1,586,243	1,667
Central services	378,609	386,589	373,903	(12,686)
Total support services	8,171,824	8,556,254	8,451,989	(104,265)
Athletics	489,234	520,591	524,679	4,088
Community services	5,053	128,869	66,271	(62,598)
Payments to other public schools	730,817	1,032,626	1,074,864	42,238
Total expenditures	24,264,696	26,758,144	26,406,787	(351,357)
Revenues over (under) expenditures	(703,122)	461,391	752,018	290,627

continued...

HURON SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources (uses)				
Transfers in	\$ 62,365	\$ 195,775	\$ 192,079	\$ (3,696)
Transfers out	(175,000)	(635,002)	(620,000)	(15,002)
Total other financing uses	(112,635)	(439,227)	(427,921)	11,306
Net change in fund balance	(815,757)	22,164	324,097	301,933
Fund balance, beginning of year	2,120,914	2,120,914	2,120,914	-
Fund balance, end of year	<u>\$ 1,305,157</u>	<u>\$ 2,143,078</u>	<u>\$ 2,445,011</u>	<u>\$ 301,933</u>

concluded.

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 - Special Education Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State sources	\$ 342,185	\$ 367,440	\$ 334,491	\$ (32,949)
Federal sources	51,030	51,030	51,030	-
Other sources	698,044	735,428	704,153	(31,275)
Total revenues	1,091,259	1,153,898	1,089,674	(64,224)
Expenditures				
Current:				
Instruction:				
Added needs	895,996	931,795	883,152	(48,643)
Support services:				
Pupil	40,863	45,868	41,476	(4,392)
Instructional services	40,378	62,324	56,673	(5,651)
Total support services	81,241	108,192	98,149	(10,043)
Total expenditures	977,237	1,039,987	981,301	(58,686)
Revenues over (under) expenditures	114,022	113,911	108,373	(5,538)
Other financing uses				
Transfers out	(1,030)	(111,064)	(108,373)	(2,691)
Net change in fund balance	112,992	2,847	-	(2,847)
Fund balance, beginning of year	657,373	657,373	657,373	-
Fund balance, end of year	\$ 770,365	\$ 660,220	\$ 657,373	\$ (2,847)

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

HURON SCHOOL DISTRICT

Statement of Fiduciary Assets and Liabilities

June 30, 2017

	Agency Fund
Assets	
Cash and cash equivalents	\$ 273,356
Liabilities	
Due to others	\$ 71,628
Due to student groups	201,728
	<u>\$ 273,356</u>

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

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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.

The *special education fund* is used to account and report the proceeds from special education related revenue sources and are restricted for that purpose.

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 acquisition cost 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 charge 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 governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also reports deferred inflows of resources 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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 AND FUND DEFICIT

During the year ended June 30, 2017, 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			
Current:			
Support services -			
Transportation	\$ 1,584,576	\$ 1,586,243	\$ 1,667
Athletics	520,591	524,679	4,088
Payments to other public schools	1,032,626	1,074,864	42,238

The food service fund reported an unassigned fund balance deficit of \$4,776, with a total fund balance of \$7,290, at June 30, 2017.

HURON SCHOOL DISTRICT

Notes to Financial Statements

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	\$ 3,522,417
Statement of Fiduciary Assets and Liabilities	
Cash and cash equivalents	<u>273,356</u>
	<u>\$ 3,795,773</u>
Deposits and investments	
Bank deposits (checking and savings accounts)	\$ 1,020,290
Investments in Michigan Liquid Asset Fund	2,775,242
Cash on hand	<u>241</u>
	<u>\$ 3,795,773</u>

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.

HURON SCHOOL DISTRICT

Notes to Financial Statements

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>\$ 2,775,242</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.

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, \$709,437 of the District’s bank balance of \$1,209,437 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.

HURON SCHOOL DISTRICT

Notes to Financial Statements

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	\$ 97,949	\$ -	\$ -	\$ 97,949
Taxes receivable	67,901	75,276	-	143,177
Due from other governments	4,831,562	-	55,366	4,886,928
	<u>\$ 4,997,412</u>	<u>\$ 75,276</u>	<u>\$ 55,366</u>	<u>\$ 5,128,054</u>

6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 691,973	\$ -	\$ -	\$ 691,973
Construction in progress	-	101,629	-	101,629
Total capital assets not being depreciated	<u>691,973</u>	<u>101,629</u>	<u>-</u>	<u>793,602</u>
Capital assets being depreciated:				
Buildings and improvements	39,346,794	260,207	-	39,607,001
Vehicles	2,351,363	168,974	-	2,520,337
Equipment	6,354,815	338,507	-	6,693,322
Total capital assets being depreciated	<u>48,052,972</u>	<u>767,688</u>	<u>-</u>	<u>48,820,660</u>
Less accumulated depreciation for:				
Buildings and improvements	(20,066,497)	(1,425,954)	-	(21,492,451)
Vehicles	(1,743,318)	(150,529)	-	(1,893,847)
Equipment	(5,703,637)	(185,440)	-	(5,889,077)
Total accumulated depreciation	<u>(27,513,452)</u>	<u>(1,761,923)</u>	<u>-</u>	<u>(29,275,375)</u>
Total capital assets being depreciated, net	<u>20,539,520</u>	<u>(994,235)</u>	<u>-</u>	<u>19,545,285</u>
Governmental activities capital assets, net	<u>\$ 21,231,493</u>	<u>\$ (892,606)</u>	<u>\$ -</u>	<u>\$ 20,338,887</u>

Depreciation expense of \$1,761,923 is reported as "unallocated depreciation" and was not allocated to individual functions.

HURON SCHOOL DISTRICT

Notes to Financial Statements

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	Special Education	Nonmajor Funds	Total
Fund financial statements				
Accounts payable	\$ 1,153,453	\$ 332,033	\$ 30,028	\$ 1,515,514
Accrued salaries and related liabilities	2,811,292	-	-	2,811,292
	<u>\$ 3,964,745</u>	<u>\$ 332,033</u>	<u>\$ 30,028</u>	<u>4,326,806</u>
Government-wide financial statements				
Accrued interest on long-term debt				<u>385,871</u>
				<u>\$ 4,712,677</u>

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2017, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ -	\$ 1,818,345
Special education fund	989,406	-
Nonmajor governmental funds	828,939	-
	<u>\$ 1,818,345</u>	<u>\$ 1,818,345</u>

The District often reports interfund balances between many of its funds. 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.

HURON SCHOOL DISTRICT

Notes to Financial Statements

For the year ended, interfund transfers consisted of the following:

	Transfers out	Transfers in
General fund	\$ 620,000	\$ 192,079
Special education fund	108,373	-
Nonmajor governmental funds	93,706	630,000
	<u>\$ 822,079</u>	<u>\$ 822,079</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. At June 30, 2017, interfund transfers consisted of balances due from the general fund and special education fund to the nonmajor governmental funds and transfers from the special education fund and nonmajor governmental funds to the general fund.

9. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 17,868,242	\$ -	\$ (1,573,719)	\$ 16,294,523	\$ 1,537,700
Unamortized bond premium	920,057	-	(125,423)	794,634	125,423
School bond loan fund	584,468	134,417	-	718,885	-
Retirement incentive	271,010	-	(83,388)	187,622	-
Compensated absences	668,416	216,246	(196,021)	688,641	150,000
	<u>\$ 20,312,193</u>	<u>\$ 350,663</u>	<u>\$ (1,978,551)</u>	<u>\$ 18,684,305</u>	<u>\$ 1,813,123</u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

Long-term debt at June 30, 2017, 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%	\$ 719,523
\$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%	5,840,000
\$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%	7,610,000
\$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>2,125,000</u>
Total general obligation bonds payable	<u>\$ 16,294,523</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
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	1,905,000	470,460	2,375,460
2023-2026	<u>7,710,000</u>	<u>942,970</u>	<u>8,652,970</u>
	<u>\$ 16,294,523</u>	<u>\$ 7,317,075</u>	<u>\$ 23,611,598</u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

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, 2017, are as follows:

	Principal	Interest	Total
Beginning balance	\$ 541,035	\$ 43,433	\$ 584,468
Additions	115,151	19,266	134,417
Ending balance	<u>\$ 656,186</u>	<u>\$ 62,699</u>	<u>\$ 718,885</u>

Retirement Incentive

In addition to the pension benefits described in Note 15, 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, 2017, net investment in capital assets is comprised of the following:

Capital assets, net	\$ 20,338,887
Bonds payable (capital related)	(16,294,523)
Unamortized bond premium	(794,634)
Unamortized charge on refunding	<u>319,284</u>
Total net investment in capital assets	<u>\$ 3,569,014</u>

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.

HURON SCHOOL DISTRICT

Notes to Financial Statements

12. COMMITMENTS

The District is in the process of building a new STEM (Stress Trajectories Element Method) laboratory. At June 30, 2017, the District has construction in process of \$101,629, with remaining contractual commitments of \$62,636. The project is expected to be completed during the year ended June 30, 2018.

13. PROPERTY TAXES

Property taxes are assessed as of December 31 and attach as an enforceable lien on property as of July 1 of the following year. Taxes are levied on whose boundaries include property within the District and are due on September 15.

14. TAX ABATEMENTS

The District received reduced property tax revenues during 2017 as a result of industrial facilities tax exemptions (IFT's) entered into by cities, villages, townships, and authorities within the District boundaries.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property within the District boundaries. The abatements amounted to \$69,257 in reduced District tax revenues for 2017.

15. 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.

HURON SCHOOL DISTRICT

Notes to Financial Statements

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.

A 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, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The table below summarizes pension contribution rates in effect for fiscal year 2017:

Benefit Structure	Member Rates	Employer Rates
Basic	0.0% - 4.0%	18.95% - 19.03%
Member Investment Plan (MIP)	3.0% - 7.0%	18.95% - 19.03%
Pension Plus	3.0% - 6.4%	17.73% - 18.40%
Defined Contribution	0.0%	14.56% - 15.27%

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2017 was \$3,770,345.

HURON SCHOOL DISTRICT

Notes to Financial Statements

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

At June 30, 2017, the District reported a liability of \$38,418,599 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2015. 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, 2016, the District's proportion was 0.15399%, which was an increase of 0.00223% from its proportion measured as of September 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$3,812,704. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 478,797	\$ 91,053	\$ 387,744
Changes in assumptions	600,645	-	600,645
Net difference between projected and actual earnings on pension plan investments	638,517	-	638,517
Changes in proportion and differences between employer contributions and proportionate share of contributions	529,960	21,302	508,658
	<u>2,247,919</u>	<u>112,355</u>	<u>2,135,564</u>
District contributions subsequent to the measurement date	3,511,796	-	3,511,796
	<u>5,759,715</u>	<u>112,355</u>	<u>5,647,360</u>
Total	<u>\$ 5,759,715</u>	<u>\$ 112,355</u>	<u>\$ 5,647,360</u>

\$3,511,796 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2018	\$ 453,475
2019	403,262
2020	1,062,929
2021	<u>215,898</u>
Total	<u>\$ 2,135,564</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, 2015 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)	7.0%
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, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study.

HURON SCHOOL DISTRICT

Notes to Financial Statements

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2016, are summarized in the following table:

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.

HURON SCHOOL DISTRICT

Notes to Financial Statements

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	\$ 49,473,485	\$ 38,418,599	\$ 29,098,267

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, 2017, the District reported a payable of \$506,571 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2017.

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 5.69% 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.

HURON SCHOOL DISTRICT

Notes to Financial Statements

The District's contributions to MPSERS for other postemployment benefits amounted to \$1,284,854 for the year ended June 30, 2017.

16. SUBSEQUENT EVENTS

Retirement Plan Discount Rate

In 2017, the Michigan Public Schools Employees' Retirement System's Board approved a decrease in the assumed investment rate of return (discount rate) to be used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8.0% to 7.5% effective for the 2016 valuation and following. The September 30, 2016 Annual Actuarial Valuation Report will be used to establish the net pension liability for the District as of June 30, 2018, and will result in a material increase to that liability.



REQUIRED SUPPLEMENTARY INFORMATION

HURON SCHOOL DISTRICT

Notes to Financial Statements

MPERS Cost-Sharing Multiple Employer Plan

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

	Year Ended June 30,		
	2015	2016	2017
District's proportion of the net pension liability	\$ 33,241,517	\$ 37,068,483	\$ 38,418,599
District's proportionate share of the net pension liability	0.15092%	0.15176%	0.15399%
District's covered payroll	\$ 12,987,923	\$ 12,767,263	\$ 13,115,803
District's proportionate share of the net pension liability as a percentage of its covered payroll	255.94%	290.34%	292.92%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%	63.27%

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

MPERS Cost-Sharing Multiple Employer Plan

Schedule of District Contributions

	Year Ended June 30,		
	2015	2016	2017
Contractually required contribution	\$ 2,943,460	\$ 3,510,330	\$ 3,770,345
Contributions in relation to the contractually required contribution	<u>(2,943,460)</u>	<u>(3,510,330)</u>	<u>(3,770,345)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 13,206,670	\$ 13,181,517	\$ 13,808,534
Contributions as a percentage of covered payroll	22.29%	26.63%	27.30%

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

COMBINING FUND FINANCIAL STATEMENTS

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HURON SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2017

	Special Revenue			
	School Store	Food Service	Civic Auditorium	Vocational Education
Assets				
Cash and cash equivalents	\$ -	\$ 41	\$ -	\$ -
Due from other governments	-	6,952	17,721	30,693
Due from other funds	40,178	8,337	30,120	192,720
Inventories	3,000	12,066	-	-
Total assets	\$ 43,178	\$ 27,396	\$ 47,841	\$ 223,413
Liabilities				
Accounts payable	\$ 2	\$ 13,174	\$ -	\$ 154
Unearned revenue	-	6,932	-	-
Total liabilities	2	20,106	-	154
Fund balances				
Nonspendable	3,000	12,066	-	-
Restricted	-	-	-	223,259
Committed	40,176	-	47,841	-
Unassigned (deficit)	-	(4,776)	-	-
Total fund balances	43,176	7,290	47,841	223,259
Total liabilities and fund balances	\$ 43,178	\$ 27,396	\$ 47,841	\$ 223,413



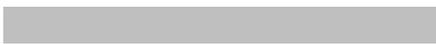
Capital Projects	Total Nonmajor Governmental Funds
\$ -	\$ 41
-	55,366
557,584	828,939
-	15,066
<u>\$ 557,584</u>	<u>\$ 899,412</u>
\$ 16,698	\$ 30,028
-	6,932
<u>16,698</u>	<u>36,960</u>
-	15,066
-	223,259
540,886	628,903
-	(4,776)
<u>540,886</u>	<u>862,452</u>
<u>\$ 557,584</u>	<u>\$ 899,412</u>

HURON SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue			
	School Store	Food Service	Civic Auditorium	Vocational Education
Revenues				
Local sources	\$ 36,963	\$ 301,300	\$ 50,334	\$ -
State sources	-	55,414	-	25,172
Federal sources	-	320,596	-	22,964
Other sources	-	-	-	263,205
Total revenues	36,963	677,310	50,334	311,341
Expenditures				
Current:				
Instruction-added needs	-	-	-	20,000
Support services:				
Instructional services	-	-	-	289,815
Maintenance	-	-	-	-
School store	34,765	-	-	-
Food service	-	743,396	-	-
Community services	-	-	33,432	-
Total expenditures	34,765	743,396	33,432	309,815
Revenues over (under) expenditures	2,198	(66,086)	16,902	1,526
Other financing sources (uses)				
Transfers in	-	70,000	-	-
Transfers out	(10,000)	-	-	(83,706)
Total other financing sources (uses)	(10,000)	70,000	-	(83,706)
Net change in fund balances	(7,802)	3,914	16,902	(82,180)
Fund balances, beginning of year	50,978	3,376	30,939	305,439
Fund balances, end of year	\$ 43,176	\$ 7,290	\$ 47,841	\$ 223,259



Capital Projects	Total Nonmajor Governmental Funds
\$ 12,000	\$ 400,597
-	80,586
-	343,560
-	263,205
<hr/>	<hr/>
12,000	1,087,948
<hr/>	<hr/>
-	20,000
-	289,815
430,724	430,724
-	34,765
-	743,396
-	33,432
<hr/>	<hr/>
430,724	1,552,132
<hr/>	<hr/>
(418,724)	(464,184)
<hr/>	<hr/>
560,000	630,000
-	(93,706)
<hr/>	<hr/>
560,000	536,294
<hr/>	<hr/>
141,276	72,110
<hr/>	<hr/>
399,610	790,342
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\$ 540,886	\$ 862,452
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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 25, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 25, 2017, 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, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Agriculture			
Child Nutrition Cluster:			
Breakfast Program 2016-2017	10.553	MDE	171970
Breakfast Program 2015-2016	10.553	MDE	161970
National School Lunch 2016-2017	10.555	MDE	171960
National School Lunch 2015-2016	10.555	MDE	161960
Entitlement commodities (non-cash)	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	161530-1516
Title I, Part A - Improving Basic Programs	84.010	MDE	171530-1617
Title II, Part A - Improving Teacher Quality	84.367	MDE	160520-1516
Title II, Part A - Improving Teacher Quality	84.367	MDE	170520-1617
IDEA Special Education Cluster:			
2015 IDEA Flow-through	84.027	WCRESA	150450-1415
2016 IDEA Flow-through	84.027	WCRESA	160450-1516
2017 IDEA Flow-through	84.027	WCRESA	170450-1617
2016 Positive Behavior Support Grant	84.027	WCRESA	-n/a-
2017 Positive Behavior Support Grant	84.027	WCRESA	-n/a-
2016 CPE	84.027	WCRESA	160450-1516
2017 CPE	84.027	WCRESA	170450-1617
2016 Preschool	84.173	WCRESA	160460-1516
2017 Preschool	84.173	WCRESA	170460-1617

Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2016	Federal Funds / Payments In-Kind Received	Federal Expenditures	Accrued (Unearned) Revenue at June 30, 2017
\$ 49,671	\$ -	\$ -	\$ 49,671	\$ 49,671	\$ -
55,363	55,363	3,555	3,555	-	-
		<u>3,555</u>	<u>53,226</u>	<u>49,671</u>	<u>-</u>
225,195	-	-	225,195	225,195	-
228,686	228,686	14,065	14,065	-	-
45,730	-	-	45,730	45,730	-
		<u>14,065</u>	<u>284,990</u>	<u>270,925</u>	<u>-</u>
		<u>17,620</u>	<u>338,216</u>	<u>320,596</u>	<u>-</u>
301,876	291,169	109,570	110,505	935	-
265,652	-	-	204,166	253,946	49,780
		<u>109,570</u>	<u>314,671</u>	<u>254,881</u>	<u>49,780</u>
48,172	27,952	7,781	7,781	-	-
56,048	-	-	40,662	43,908	3,246
		<u>7,781</u>	<u>48,443</u>	<u>43,908</u>	<u>3,246</u>
845,805	845,805	32,904	32,904	-	-
932,619	885,669	335,093	362,488	46,950	19,555
1,093,770	-	-	807,154	1,033,805	226,651
1,609	1,609	1,609	1,609	-	-
1,989	-	-	-	1,989	1,989
49,167	49,167	25,633	25,633	-	-
51,030	-	-	42,657	51,030	8,373
		<u>395,239</u>	<u>1,272,445</u>	<u>1,133,774</u>	<u>256,568</u>
103,360	103,360	36,784	36,784	-	-
122,982	-	-	94,601	122,982	28,381
		<u>36,784</u>	<u>131,385</u>	<u>122,982</u>	<u>28,381</u>

continued...

HURON SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Education (concluded)			
Career and Technical Education Program:			
2016 Secondary CTE Perkins Grant	84.048	WCRESA	163520-161225
2016 Secondary CTE Perkins Grant - Vocational Education	84.048	WCRESA	163520-161225
2017 Secondary CTE Perkins Grant	84.048	WCRESA	173520-171225
2017 Secondary CTE Perkins Grant - Vocational Education	84.048	WCRESA	173520-171225
 Total U.S. Department of Education			
 U.S. Department of Health and Human Services			
Medical Assistance Program Title XI-			
2016-2017 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, 2016	Federal Funds / Payments In-Kind Received	Federal Expenditures	Accrued (Unearned) Revenue at June 30, 2017
\$ 373,244	\$ 373,244	\$ 193,368	\$ 193,368	\$ -	\$ -
53,809	53,809	12,439	12,439	-	-
415,059	-	-	214,319	415,059	200,740
22,964	-	-	14,642	22,964	8,322
		<u>205,807</u>	<u>434,768</u>	<u>438,023</u>	<u>209,062</u>
		<u>755,181</u>	<u>2,201,712</u>	<u>1,993,568</u>	<u>547,037</u>
6,363	-	-	6,363	6,363	-
		<u>\$ 772,801</u>	<u>\$ 2,546,291</u>	<u>\$ 2,320,527</u>	<u>\$ 547,037</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, 2017. 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	\$ 2,622,302
Less: Revenue from federal government paid directly for interest on long-term debt not considered to be federal expenditures	<u>(301,775)</u>
Total expenditures of federal awards	<u><u>\$ 2,320,527</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 25, 2017

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, 2017, 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 25, 2017.

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 ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

October 25, 2017

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, 2017. 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 program 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 audit 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, 2017.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.



HURON SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

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, 2017

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, 2017

None reported.



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