

Huron
School
District



Year Ended
June 30, 2018

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 18, 2018

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 *Huron School District* (the "District"), as of and for the year ended June 30, 2018, 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 Huron School District as of June 30, 2018, 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.

Implementation of GASB Statement No. 75

As described in Note 16, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

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 and other postemployment benefit 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 18, 2018, 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.

Rehmann Loborn LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

HURON SCHOOL DISTRICT

Management's Discussion and Analysis

This section of 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, 2018. 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 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, 2017 to fiscal year ending June 30, 2018. The change in net position of the District's governmental activities is discussed below.

	Net Position	
	Governmental Activities	
	2018	2017
Assets		
Current and other assets	\$ 9,155,214	\$ 8,985,782
Capital assets, net	19,058,829	20,338,887
Total assets	<u>28,214,043</u>	<u>29,324,669</u>
Deferred outflows of resources	<u>12,254,354</u>	<u>6,078,999</u>
Liabilities		
Other liabilities	61,008,480	43,354,743
Long-term debt	17,009,975	18,684,305
Total liabilities	<u>78,018,455</u>	<u>62,039,048</u>
Deferred inflows of resources	<u>2,712,591</u>	<u>112,355</u>
Net position		
Net investment in capital assets	3,900,945	3,569,014
Restricted	812,160	910,639
Unrestricted (deficit)	(44,975,754)	(31,227,388)
Total net position	<u>\$ (40,262,649)</u>	<u>\$ (26,747,735)</u>

HURON SCHOOL DISTRICT

Management's Discussion and Analysis

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2015 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year. In addition to expanded disclosure requirements, the District is required to report its proportionate share of the MPSERS net pension liability and net other postemployment benefit liability on the statement of net position. This change has resulted in a negative total net position of governmental activities of \$40,262,649. Of this amount, \$(44,975,754) is unrestricted net position (deficit) and \$812,160 represents resources that are subject to external restrictions on how they may be used. 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	
	2018	2017
Program revenues:		
Charges for services	\$ 479,729	\$ 489,199
Operating grants	9,892,004	8,898,163
General revenues:		
Property taxes	5,523,351	5,324,383
State school aid	18,317,458	17,754,797
Grants and contributions	256,625	234,456
Unrestricted investment earnings	399,381	391,001
Total revenues	<u>34,868,548</u>	<u>33,091,999</u>
Program expenses:		
Instruction	18,471,921	17,092,355
Support services	9,221,515	8,478,237
School store	26,407	34,765
Food service	749,645	743,969
Athletics	605,072	525,184
Community services	113,536	99,868
Payments to other public schools	1,249,187	1,074,864
Unallocated depreciation	1,750,749	1,761,923
Interest on long-term debt	2,331,493	2,218,725
Total expenses	<u>34,519,525</u>	<u>32,029,890</u>
Change in net position	349,023	1,062,109
Net position:		
Beginning of year	(26,747,735)	(27,809,844)
Restatement for implementation of GASB 75	<u>(13,863,937)</u>	<u>-</u>
End of year	<u>\$ (40,262,649)</u>	<u>\$ (26,747,735)</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 \$34.5 million compared to \$32.0 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 \$10.4 million. The district paid for the remaining "public benefit" portion of our governmental activities with \$5.5 million in taxes, \$18.3 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 5.4%. This is largely due to the increases in operating grants of approximately \$994,000 and state school aid of approximately \$563,000, 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 increased from prior year by approximately 7.8%. This is largely due to the increases in instruction of approximately \$1.4 million and support services of approximately \$743,000, which were mainly caused by additional pupil support staff, increased technology support and building maintenance, and excess property tax refunds.

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 \$4,478,357, which is an increase of \$104,933. The increase is largely attributable to 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 \$2,781,896, of which \$326,550 was reported as nonspendable for inventories, prepaids, and other assets. The remainder, \$2,455,346, was reported as unassigned. The special education and debt service funds reported fund balances of \$657,373 and \$320,601, respectively, which are restricted.

HURON SCHOOL DISTRICT

Management's Discussion and Analysis

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 25, 2018. A statement showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

There were revisions made to the 2017-18 original general fund budget. Budgeted revenues were increased primarily due to changes in categorical state aid funding, student count, and changes to state and federal grant allocations.

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

The general fund actual revenues and transfers in (approximately \$28.479 million) were higher than both the original (approximately \$25.534 million) and amended (approximately \$28.478 million) budgets. The general fund actual expenditures and transfers out (approximately \$28.142 million) were higher than the original (approximately \$25.879 million) budget, but lower than the amended (approximately \$28.465 million) budget. The net result realized was an increase in the ending fund balance for the general fund which at the end of the year was above the target range.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets decreased during the year by \$1,280,058, as summarized below:

	District's Capital Assets (Net of Depreciation)	
	2018	2017
Land	\$ 691,973	\$ 691,973
Construction in progress	-	101,629
Buildings and improvements	16,954,201	18,114,550
Vehicles	474,513	626,490
Equipment	938,142	804,245
Total capital assets, net	<u>\$ 19,058,829</u>	<u>\$ 20,338,887</u>

The STEM (Science, Technology, Engineering and Math) laboratory project was completed in fiscal 2018, resulting in those assets being transferred from construction in progress to equipment. Current year additions included equipment related to the STEM laboratory project and various improvements at the High School. These increases were offset by the annual depreciation expense of \$1,750,749.

HURON SCHOOL DISTRICT

Management's Discussion and Analysis

Long-term Debt. At the end of this year, the District had \$14,756,823 in bonds outstanding versus \$16,294,523 last year - a decrease of 9.4%. This decrease was 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 \$14.8 million is significantly below this limit.

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

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 2018-19 fiscal year is 10% and 90% of the February 2018 and October 2018 student counts, respectively. The 2018-19 budget was adopted in June 2018, based on an estimated number of students that will be enrolled in September 2018. Approximately 77% of the total General Fund operating revenue for the District is from the student foundation allowance. We anticipate that the October 2018 student count will be equal to 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 2018-19 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, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,935,479
Receivables	5,878,586
Prepays and other items	341,149
Capital assets, not being depreciated	691,973
Capital assets being depreciated, net	<u>18,366,856</u>
Total assets	<u>28,214,043</u>
Deferred outflows of resources	
Deferred charge on refunding	268,150
Deferred pension amounts	10,991,790
Deferred other postemployment benefit amounts	<u>994,414</u>
Total deferred outflows of resources	<u>12,254,354</u>
Liabilities	
Accounts payable and accrued liabilities	4,687,031
Unearned revenue	230,495
Long-term debt:	
Due within one year	1,752,247
Due in more than one year	15,257,728
Net pension liability	41,824,917
Net other postemployment benefit liability	<u>14,266,037</u>
Total liabilities	<u>78,018,455</u>
Deferred inflows of resources	
Deferred pension amounts	2,230,295
Deferred other postemployment benefit amounts	<u>482,296</u>
Total deferred inflows of resources	<u>2,712,591</u>
Net position	
Net investment in capital assets	3,900,945
Restricted for:	
Special education programs	657,373
Vocational education programs	146,269
Food service program	8,518
Unrestricted (deficit)	<u>(44,975,754)</u>
Total net position	<u>\$ (40,262,649)</u>

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

HURON SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction:				
Basic programs	\$ 13,343,977	\$ -	\$ 2,334,003	\$ (11,009,974)
Added needs	5,127,944	-	6,801,420	1,673,476
Total instruction	<u>18,471,921</u>	<u>-</u>	<u>9,135,423</u>	<u>(9,336,498)</u>
Support services:				
Pupil	1,588,787	-	-	(1,588,787)
Instructional services	1,190,444	-	354,598	(835,846)
General administration	468,377	-	-	(468,377)
School administration	1,295,341	-	-	(1,295,341)
Business	538,296	-	-	(538,296)
Maintenance	2,146,745	15,747	-	(2,130,998)
Transportation	1,512,808	25,082	-	(1,487,726)
Central services	480,717	-	-	(480,717)
Total support services	<u>9,221,515</u>	<u>40,829</u>	<u>354,598</u>	<u>(8,826,088)</u>
School store	<u>26,407</u>	<u>34,246</u>	<u>-</u>	<u>7,839</u>
Food service	<u>749,645</u>	<u>296,543</u>	<u>401,983</u>	<u>(51,119)</u>
Athletics	<u>605,072</u>	<u>7,500</u>	<u>-</u>	<u>(597,572)</u>
Community services	<u>113,536</u>	<u>100,611</u>	<u>-</u>	<u>(12,925)</u>
Payments to other public schools	<u>1,249,187</u>	<u>-</u>	<u>-</u>	<u>(1,249,187)</u>
Unallocated depreciation	<u>1,750,749</u>	<u>-</u>	<u>-</u>	<u>(1,750,749)</u>
Interest on long-term debt	<u>2,331,493</u>	<u>-</u>	<u>-</u>	<u>(2,331,493)</u>
Total governmental activities	<u>\$ 34,519,525</u>	<u>\$ 479,729</u>	<u>\$ 9,892,004</u>	<u>\$ (24,147,792)</u>

continued...

HURON SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2018

	Governmental Activities
Change in net position	
Net expense	<u>\$ (24,147,792)</u>
General revenues:	
Property taxes	5,523,351
State school aid	18,317,458
Grants and contributions not restricted to specific programs	256,625
Unrestricted investment earnings	<u>399,381</u>
Total general revenues	<u>24,496,815</u>
Change in net position	349,023
Net position, beginning of year, as restated	<u>(40,611,672)</u>
Net position, end of year	<u>\$ (40,262,649)</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, 2018

	General Fund	Special Education	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,623,538	\$ -	\$ 259,439	\$ 52,502	\$ 2,935,479
Accounts receivable	69,775	-	-	-	69,775
Taxes receivable	107,534	-	97,580	-	205,114
Due from other governments	5,584,968	-	-	18,729	5,603,697
Due from other funds	32,106	1,011,374	-	720,987	1,764,467
Inventories	181,078	-	-	14,599	195,677
Prepaid items	77,369	-	-	-	77,369
Other assets	68,103	-	-	-	68,103
Total assets	\$ 8,744,471	\$ 1,011,374	\$ 357,019	\$ 806,817	\$ 10,919,681
Liabilities					
Accounts payable	\$ 948,708	\$ 354,001	\$ 36,418	\$ 48,123	\$ 1,387,250
Accrued salaries and related liabilities	2,902,420	-	-	-	2,902,420
Due to other funds	1,732,361	-	-	32,106	1,764,467
Unearned revenue	222,394	-	-	8,101	230,495
Total liabilities	5,805,883	354,001	36,418	88,330	6,284,632
Deferred inflows of resources					
Unavailable revenue	156,692	-	-	-	156,692
Fund balances					
Nonspendable:					
Inventories	181,078	-	-	14,599	195,677
Prepaid items	77,369	-	-	-	77,369
Other assets	68,103	-	-	-	68,103
Restricted for:					
Debt service	-	-	320,601	-	320,601
Special education	-	657,373	-	-	657,373
Vocational education	-	-	-	146,269	146,269
Committed for:					
School store	-	-	-	42,878	42,878
Civic auditorium	-	-	-	68,280	68,280
Capital projects	-	-	-	447,405	447,405
Unassigned (deficit)	2,455,346	-	-	(944)	2,454,402
Total fund balances	2,781,896	657,373	320,601	718,487	4,478,357
Total liabilities, deferred inflows of resources and fund balances	\$ 8,744,471	\$ 1,011,374	\$ 357,019	\$ 806,817	\$ 10,919,681

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, 2018

Fund balances - total governmental funds	\$ 4,478,357
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	19,058,829
Long-term receivables are reported as an asset and revenue when earned on the statement of net position while the governmental funds report these balances as an asset and deferred inflows of resources until the availability criterion for revenue recognition is met.	
Unavailable receivables	156,692
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	(15,529,721)
Unamortized bond premium	(669,211)
Unamortized charge on refunding	268,150
Accrued interest on bonds payable	(397,361)
Retirement incentive payable	(132,030)
Compensated absences	(679,013)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, net other postemployment benefit 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	(41,824,917)
Deferred outflows related to the net pension liability	10,991,790
Deferred inflows related to the net pension liability	(2,230,295)
Net other postemployment benefit liability	(14,266,037)
Deferred outflows related to the net other postemployment benefit liability	994,414
Deferred inflows related to the net other postemployment benefit liability	(482,296)
Net position of governmental activities	<u>\$ (40,262,649)</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, 2018

	General Fund	Special Education	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 2,359,783	\$ -	\$ 3,468,194	\$ 414,704	\$ 6,242,681
State sources	22,068,471	469,338	22,147	93,767	22,653,723
Federal sources	1,743,380	72,238	299,651	364,140	2,479,409
Other sources	2,025,875	1,073,579	-	298,674	3,398,128
Total revenues	28,197,509	1,615,155	3,789,992	1,171,285	34,773,941
Expenditures					
Current:					
Instruction:					
Basic programs	13,297,313	-	-	-	13,297,313
Added needs	3,892,869	1,188,709	-	27,456	5,109,034
Total instruction	17,190,182	1,188,709	-	27,456	18,406,347
Support services:					
Pupil	1,467,162	125,491	-	-	1,592,653
Instructional services	756,049	115,451	-	313,975	1,185,475
General administration	469,792	-	-	-	469,792
School administration	1,286,179	-	-	-	1,286,179
Business	535,396	-	-	-	535,396
Maintenance	2,261,779	-	-	349,481	2,611,260
Transportation	1,492,288	-	-	-	1,492,288
Central services	479,156	-	-	-	479,156
Total support services	8,747,801	240,942	-	663,456	9,652,199
School store	-	-	-	26,407	26,407
Food service	-	-	-	747,298	747,298
Athletics	602,862	-	-	-	602,862
Community services	77,328	-	-	35,476	112,804
Payments to other public schools	1,249,187	-	-	-	1,249,187
Debt service:					
Principal	-	-	1,537,700	-	1,537,700
Interest and fiscal charges	-	-	2,371,478	-	2,371,478
Total debt service	-	-	3,909,178	-	3,909,178
Total expenditures	27,867,360	1,429,651	3,909,178	1,500,093	34,706,282
Revenues over (under) expenditures	330,149	185,504	(119,186)	(328,808)	67,659

continued...

HURON SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2018

	General Fund	Special Education	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)					
Issuance of long-term debt	\$ -	\$ -	\$ 31,199	\$ -	\$ 31,199
Proceeds from sale of capital assets	6,075	-	-	-	6,075
Transfers in	275,661	-	-	278,000	553,661
Transfers out	(275,000)	(185,504)	-	(93,157)	(553,661)
Total other financing sources (uses)	6,736	(185,504)	31,199	184,843	37,274
Net change in fund balances	336,885	-	(87,987)	(143,965)	104,933
Fund balances, beginning of year	2,445,011	657,373	408,588	862,452	4,373,424
Fund balances, end of year	<u>\$ 2,781,896</u>	<u>\$ 657,373</u>	<u>\$ 320,601</u>	<u>\$ 718,487</u>	<u>\$ 4,478,357</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, 2018

Net change in fund balances - total governmental funds	\$ 104,933
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	487,903
Depreciation expense	(1,750,749)
Loss on sale of capital assets	(11,137)
Proceeds from sale of capital assets	(6,075)
Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds.	
Change in unavailable revenues	94,607
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	(31,199)
Principal payments on long-term liabilities	1,537,700
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	(292,183)
Change in net other postemployment benefit liability and related deferred amounts	110,018
Change in the accrued interest payable on bonds	(34,304)
Change in the accrual for compensated absences	9,628
Change in the early retirement incentive liability	55,592
Change in net position of governmental activities	<u>\$ 349,023</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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 2,460,303	\$ 2,388,141	\$ 2,359,783	\$ (28,358)
State sources	19,209,135	21,957,627	22,068,471	110,844
Federal sources	1,767,671	1,862,710	1,743,380	(119,330)
Other sources	1,900,663	1,989,591	2,025,875	36,284
Total revenues	25,337,772	28,198,069	28,197,509	(560)
Expenditures				
Current:				
Instruction:				
Basic programs	12,022,613	13,359,240	13,297,313	(61,927)
Added needs	3,525,974	4,007,039	3,892,869	(114,170)
Total instruction	15,548,587	17,366,279	17,190,182	(176,097)
Support services:				
Pupil	1,322,114	1,484,508	1,467,162	(17,346)
Instructional services	780,733	790,360	756,049	(34,311)
General administration	414,319	468,154	469,792	1,638
School administration	1,210,966	1,286,978	1,286,179	(799)
Business	384,325	462,245	535,396	73,151
Maintenance	2,225,006	2,312,726	2,261,779	(50,947)
Transportation	1,634,254	1,536,193	1,492,288	(43,905)
Central services	602,328	484,368	479,156	(5,212)
Total support services	8,574,045	8,825,532	8,747,801	(77,731)
Athletics	578,243	602,844	602,862	18
Community services	83,020	131,863	77,328	(54,535)
Payments to other public schools	875,000	1,255,478	1,249,187	(6,291)
Total expenditures	25,658,895	28,181,996	27,867,360	(314,636)
Revenues over (under) expenditures	(321,123)	16,073	330,149	314,076

continued...

HURON SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources (uses)				
Proceeds from sale of capital assets	\$ -	\$ 6,075	\$ 6,075	\$ -
Transfers in	195,775	273,444	275,661	2,217
Transfers out	(220,000)	(282,997)	(275,000)	(7,997)
Total other financing sources (uses)	(24,225)	(3,478)	6,736	10,214
Net change in fund balance	(345,348)	12,595	336,885	324,290
Fund balance, beginning of year	2,445,011	2,445,011	2,445,011	-
Fund balance, end of year	\$ 2,099,663	\$ 2,457,606	\$ 2,781,896	\$ 324,290

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State sources	\$ 427,695	\$ 545,905	\$ 469,338	\$ (76,567)
Federal sources	50,452	72,238	72,238	-
Other sources	873,475	1,090,621	1,073,579	(17,042)
Total revenues	1,351,622	1,708,764	1,615,155	(93,609)
Expenditures				
Current:				
Instruction -				
Added needs	1,095,167	1,257,477	1,188,709	(68,768)
Support services:				
Pupil	52,228	139,366	125,491	(13,875)
Instructional services	70,110	120,576	115,451	(5,125)
Total support services	122,338	259,942	240,942	(19,000)
Total expenditures	1,217,505	1,517,419	1,429,651	(87,768)
Revenues over (under) expenditures	134,117	191,345	185,504	(5,841)
Other financing uses				
Transfers out	(116,018)	(186,625)	(185,504)	(1,121)
Net change in fund balance	18,099	4,720	-	(4,720)
Fund balance, beginning of year	657,373	657,373	657,373	-
Fund balance, end of year	\$ 675,472	\$ 662,093	\$ 657,373	\$ (4,720)

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

HURON SCHOOL DISTRICT

Statement of Fiduciary Assets and Liabilities

June 30, 2018

	Agency Fund
Assets	
Cash and cash equivalents	\$ 217,423
	<u>217,423</u>
Liabilities	
Due to others	\$ 1,103
Due to student groups	216,320
	<u>217,423</u>
	<u>217,423</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 *special education fund* is used to account and report the proceeds from special education related revenue sources and are restricted for that purpose.

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

Additionally, the District reports the following fund types:

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

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

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

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

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 Asset 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	10-50
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 and the net other postemployment benefit 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 and other postemployment benefit liabilities.

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, as well as for any deficits reported in other governmental funds.

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 and Other Postemployment Benefits

For purposes of measuring the net pension liability and net other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit 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, 2018, 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:			
General administration	\$ 468,154	\$ 469,792	\$ 1,638
Business	462,245	535,396	73,151
Athletics	602,844	602,862	18

The food service fund reported an unassigned fund balance deficit of \$944, with a total fund balance of \$8,518, at June 30, 2018.

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	\$ 2,935,479
Statement of Fiduciary Assets and Liabilities	
Cash and cash equivalents	<u>217,423</u>
	<u>\$ 3,152,902</u>
Deposits and investments	
Bank deposits (checking and savings accounts)	\$ 885,407
Investments in Michigan Liquid Asset Fund	2,267,295
Cash on hand	<u>200</u>
	<u>\$ 3,152,902</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>\$ 2,267,295</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, \$601,431 of the District’s bank balance of \$1,101,431 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	\$ 69,775	\$ -	\$ -	\$ 69,775
Taxes receivable	107,534	97,580	-	205,114
Due from other governments	5,584,968	-	18,729	5,603,697
	<u>\$ 5,762,277</u>	<u>\$ 97,580</u>	<u>\$ 18,729</u>	<u>\$ 5,878,586</u>

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	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>793,602</u>	<u>-</u>	<u>-</u>	<u>(101,629)</u>	<u>691,973</u>
Capital assets being depreciated:					
Buildings and improvements	39,607,001	239,864	-	-	39,846,865
Vehicles	2,520,337	-	(249,928)	-	2,270,409
Equipment	6,693,322	248,039	(6,497)	101,629	7,036,493
Total capital assets being depreciated	<u>48,820,660</u>	<u>487,903</u>	<u>(256,425)</u>	<u>101,629</u>	<u>49,153,767</u>
Less accumulated depreciation for:					
Buildings and improvements	(21,492,451)	(1,400,213)	-	-	(22,892,664)
Vehicles	(1,893,847)	(134,765)	232,716	-	(1,795,896)
Equipment	(5,889,077)	(215,771)	6,497	-	(6,098,351)
Total accumulated depreciation	<u>(29,275,375)</u>	<u>(1,750,749)</u>	<u>239,213</u>	<u>-</u>	<u>(30,786,911)</u>
Total capital assets being depreciated, net	<u>19,545,285</u>	<u>(1,262,846)</u>	<u>(17,212)</u>	<u>101,629</u>	<u>18,366,856</u>
Governmental activities capital assets, net	<u>\$ 20,338,887</u>	<u>\$ (1,262,846)</u>	<u>\$ (17,212)</u>	<u>\$ -</u>	<u>\$ 19,058,829</u>

Depreciation expense of \$1,750,749 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	Debt Service	Nonmajor Funds	Total
Fund financial statements					
Accounts payable	\$ 948,708	\$ 354,001	\$ 36,418	\$ 48,123	\$ 1,387,250
Accrued salaries and related liabilities	2,902,420	-	-	-	2,902,420
	<u>\$ 3,851,128</u>	<u>\$ 354,001</u>	<u>\$ 36,418</u>	<u>\$ 48,123</u>	<u>4,289,670</u>
Government-wide financial statements					
Accrued interest on long-term debt					<u>397,361</u>
					<u>\$ 4,687,031</u>

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2018, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ 32,106	\$ 1,732,361
Special education fund	1,011,374	-
Nonmajor governmental funds	720,987	32,106
	<u>\$ 1,764,467</u>	<u>\$ 1,764,467</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	\$ 275,000	\$ 275,661
Special education fund	185,504	-
Nonmajor governmental funds	93,157	278,000
	<u>\$ 553,661</u>	<u>\$ 553,661</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, 2018, interfund transfers consisted of transfers 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 related to subsidies and reimbursements for indirect costs.

9. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 16,294,523	\$ -	\$ (1,537,700)	\$ 14,756,823	\$ 1,476,823
Unamortized bond premium	794,634	-	(125,423)	669,211	125,424
School bond loan fund	718,885	54,013	-	772,898	-
Retirement incentive	187,622	-	(55,592)	132,030	-
Compensated absences	688,641	197,503	(207,131)	679,013	150,000
	<u>\$ 18,684,305</u>	<u>\$ 251,516</u>	<u>\$ (1,925,846)</u>	<u>\$ 17,009,975</u>	<u>\$ 1,752,247</u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

Bonds payable at June 30, 2018, 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%	\$ 356,823
\$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%	5,765,000
\$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>1,025,000</u>
Total general obligation bonds payable	<u><u>\$ 14,756,823</u></u>

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

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

Year Ended June 30,	Principal	Interest	Total
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	1,955,000	378,060	2,333,060
2024-2026	<u>5,755,000</u>	<u>564,910</u>	<u>6,319,910</u>
	<u><u>\$ 14,756,823</u></u>	<u><u>\$ 5,001,845</u></u>	<u><u>\$ 19,758,668</u></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, 2018, are as follows:

	Principal	Interest	Total
Beginning balance	\$ 656,186	\$ 62,699	\$ 718,885
Additions	31,199	22,814	54,013
Ending balance	<u>\$ 687,385</u>	<u>\$ 85,513</u>	<u>\$ 772,898</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. 74 and 75 has not been performed. Inasmuch as the plan is open to a small number of District employees, management has determined that the net other postemployment benefit 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, 2018, net investment in capital assets is comprised of the following:

Capital assets, net	\$ 19,058,829
Bonds payable (capital related)	(14,756,823)
Unamortized bond premium	(669,211)
Unamortized charge on refunding	<u>268,150</u>
Total net investment in capital assets	<u>\$ 3,900,945</u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

12. COMMITMENTS

The District entered into an agreement with McDonald Modular Solutions in February 2018 for the set up and leasing of modular classrooms. The costs to install and set up the modular classrooms is approximately \$46,000, followed by 48 monthly lease payments of \$720. At June 30, 2018, the modular units had not been delivered to the District and no payments had been made to McDonald Modular Solutions.

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 2018 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 approximately \$73,000 in reduced District tax revenues for 2018.

15. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

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.

HURON SCHOOL DISTRICT

Notes to Financial Statements

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 the ORS website at www.michigan.gov/orsschools.

Pension 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.

Other Postemployment Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

HURON SCHOOL DISTRICT

Notes to Financial Statements

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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 22-year period for the 2017 fiscal year.

The table below summarizes pension contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 19.03%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 19.03%
Pension Plus	3.00% - 6.40%	16.61% - 18.40%
Pension Plus 2	6.20%	19.74%
Defined Contribution	0.00%	13.54% - 15.27%

Required contributions to the pension plan from the District were \$4,569,787 for the year ended June 30, 2018.

The table below summarizes OPEB contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	5.91% - 7.67%
Personal Healthcare Fund (PHF)	0.00%	5.69% - 7.42%

Required contributions to the OPEB plan from the District were \$1,080,852 for the year ended June 30, 2018.

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, 2018, the District reported a liability of \$41,824,917 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. 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, 2017, the District's proportion was 0.16140%, which was an increase of 0.00741% from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$4,857,646. At June 30, 2018, 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	\$ 363,487	\$ 205,226	\$ 158,261
Changes in assumptions	4,582,252	-	4,582,252
Net difference between projected and actual earnings on pension plan investments	-	1,999,506	(1,999,506)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,751,802	25,563	1,726,239
	<u>6,697,541</u>	<u>2,230,295</u>	<u>4,467,246</u>
District contributions subsequent to the measurement date	4,294,249	-	4,294,249
	<u>10,991,790</u>	<u>2,230,295</u>	<u>8,761,495</u>
Total	<u>\$ 10,991,790</u>	<u>\$ 2,230,295</u>	<u>\$ 8,761,495</u>

\$4,294,249 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, 2019. 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
2019	\$ 1,284,388
2020	1,976,379
2021	1,091,995
2022	114,484
Total	<u>\$ 4,467,246</u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

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

At June 30, 2018, the District reported a liability of \$14,266,037 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the District's proportion was 0.16110%.

For the year ended June 30, 2018, the District recognized OPEB expense of \$954,233. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 151,891	\$ (151,891)
Net difference between projected and actual earnings on OPEB plan investments	-	330,405	(330,405)
Changes in proportion and differences between employer contributions and proportionate share of contributions	55	-	55
	<u>55</u>	<u>482,296</u>	<u>(482,241)</u>
District contributions subsequent to the measurement date	994,359	-	994,359
	<u>994,359</u>	<u>-</u>	<u>994,359</u>
Total	<u>\$ 994,414</u>	<u>\$ 482,296</u>	<u>\$ 512,118</u>

\$994,359 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ (116,536)
2020	(116,536)
2021	(116,536)
2022	(116,536)
2023	<u>(16,097)</u>
Total	<u>\$ (482,241)</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 and OPEB liabilities in the September 30, 2016 actuarial valuation were 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)	7.5%
Pension Plus plan (hybrid)	7.0%
OPEB plans	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12
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.
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

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, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5188 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.4744 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

HURON SCHOOL DISTRICT

Notes to Financial Statements

Long-term Expected Return on Plan Assets

The long-term expected rate of return on 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 plan’s target asset allocation as of September 30, 2017, 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%	5.60%	1.56%
Alternative investment pools	18.00%	8.70%	1.57%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	-0.10%	-0.01%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.00%	0.78%
Short-term investment pools	2.00%	-0.90%	-0.02%
	<u>100.00%</u>		<u>5.45%</u>
Inflation			<u>2.05%</u>
Investment rate of return			<u>7.50%</u>

Discount Rate

A discount rate of 7.5% was used to measure the total pension and OPEB liabilities (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 and OPEB plan investments of 7.5% (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 and OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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 7.5% (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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 54,483,956	\$ 41,824,917	\$ 31,166,813

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net OPEB liability	\$ 16,709,653	\$ 14,266,037	\$ 12,192,173

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net OPEB liability	\$ 12,081,416	\$ 14,266,037	\$ 16,746,523

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB 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, 2018, the District reported a payable of \$586,826 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2018.

HURON SCHOOL DISTRICT

■ Notes to Financial Statements

Payable to the OPEB Plan

At June 30, 2018, the District reported a payable of \$119,372 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2018.

16. RESTATEMENT

The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result of this change, beginning net position of governmental activities was decreased by \$13,863,937.



REQUIRED SUPPLEMENTARY INFORMATION

HURON SCHOOL DISTRICT

Notes to Financial Statements

MPSERS Cost-Sharing Multiple Employer Plan

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

	Year Ended June 30,			
	2015	2016	2017	2018
District's proportion of the net pension liability	\$ 33,241,517	\$ 37,068,483	\$ 38,418,599	\$ 41,824,917
District's proportionate share of the net pension liability	0.15092%	0.15176%	0.15399%	0.16140%
District's covered payroll	\$ 12,987,923	\$ 12,767,263	\$ 13,115,803	\$ 13,782,085
District's proportionate share of the net pension liability as a percentage of its covered payroll	255.94%	290.34%	292.92%	303.47%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%	63.27%	64.21%

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

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

HURON SCHOOL DISTRICT

Notes to Financial Statements

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Pension Contributions

	Year Ended June 30,			
	2015	2016	2017	2018
Statutorily required contribution	\$ 2,943,460	\$ 3,510,330	\$ 3,770,345	\$ 4,569,787
Contributions in relation to the statutorily required contribution	(2,943,460)	(3,510,330)	(3,770,345)	(4,569,787)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 13,206,670	\$ 13,181,517	\$ 13,808,534	\$ 14,585,687
Contributions as a percentage of covered payroll	22.29%	26.63%	27.30%	31.33%

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

HURON SCHOOL DISTRICT

Notes to Financial Statements

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit (OPEB) Liability

	Year Ended June 30, 2018
District's proportion of the net OPEB liability	\$ 14,266,037
District's proportionate share of the net OPEB liability	0.16110%
District's covered payroll	\$ 13,782,085
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	103.51%
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%

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

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

HURON SCHOOL DISTRICT

Notes to Financial Statements

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the District's Other Postemployment Benefit (OPEB) Contributions

	Year Ended June 30, 2018
Statutorily required contribution	\$ 1,080,852
Contributions in relation to the statutorily required contribution	<u>(1,080,852)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered payroll	\$ 14,585,687
Contributions as a percentage of covered payroll	7.41%

Note: GASB 75 was implemented in fiscal year 2018. 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, 2018

	Special Revenue			
	School Store	Food Service	Civic Auditorium	Vocational Education
Assets				
Cash and cash equivalents	\$ -	\$ 52,502	\$ -	\$ -
Due from other governments	-	35	-	18,694
Due from other funds	42,890	-	69,607	127,635
Inventories	5,137	9,462	-	-
Total assets	\$ 48,027	\$ 61,999	\$ 69,607	\$ 146,329
Liabilities				
Accounts payable	\$ 12	\$ 14,601	\$ -	\$ 60
Due to other funds	-	32,106	-	-
Unearned revenue	-	6,774	1,327	-
Total liabilities	12	53,481	1,327	60
Fund balances				
Nonspendable	5,137	9,462	-	-
Restricted	-	-	-	146,269
Committed	42,878	-	68,280	-
Unassigned (deficit)	-	(944)	-	-
Total fund balances	48,015	8,518	68,280	146,269
Total liabilities and fund balances	\$ 48,027	\$ 61,999	\$ 69,607	\$ 146,329



Capital Projects	Total Nonmajor Governmental Funds
\$ -	\$ 52,502
-	18,729
480,855	720,987
-	14,599
<hr/>	<hr/>
\$ 480,855	\$ 806,817
<hr/> <hr/>	<hr/> <hr/>
\$ 33,450	\$ 48,123
-	32,106
-	8,101
<hr/>	<hr/>
33,450	88,330
<hr/>	<hr/>
-	14,599
-	146,269
447,405	558,563
-	(944)
<hr/>	<hr/>
447,405	718,487
<hr/>	<hr/>
\$ 480,855	\$ 806,817
<hr/> <hr/>	<hr/> <hr/>

HURON SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2018

	Special Revenue			
	School Store	Food Service	Civic Auditorium	Vocational Education
Revenues				
Local sources	\$ 34,246	\$ 296,543	\$ 55,915	\$ -
State sources	-	60,843	-	32,924
Federal sources	-	341,140	-	23,000
Other sources	-	-	-	298,674
Total revenues	34,246	698,526	55,915	354,598
Expenditures				
Current:				
Instruction-added needs	-	-	-	27,456
Support services:				
Instructional services	-	-	-	313,975
Maintenance	-	-	-	-
School store	26,407	-	-	-
Food service	-	747,298	-	-
Community services	-	-	35,476	-
Total expenditures	26,407	747,298	35,476	341,431
Revenues over (under) expenditures	7,839	(48,772)	20,439	13,167
Other financing sources (uses)				
Transfers in	-	50,000	-	-
Transfers out	(3,000)	-	-	(90,157)
Total other financing sources (uses)	(3,000)	50,000	-	(90,157)
Net change in fund balances	4,839	1,228	20,439	(76,990)
Fund balances, beginning of year	43,176	7,290	47,841	223,259
Fund balances, end of year	\$ 48,015	\$ 8,518	\$ 68,280	\$ 146,269



Capital Projects	Total Nonmajor Governmental Funds
\$ 28,000	\$ 414,704
-	93,767
-	364,140
-	298,674
<hr/>	<hr/>
28,000	1,171,285
<hr/>	<hr/>
-	27,456
-	313,975
349,481	349,481
-	26,407
-	747,298
-	35,476
<hr/>	<hr/>
349,481	1,500,093
<hr/>	<hr/>
(321,481)	(328,808)
<hr/>	<hr/>
228,000	278,000
-	(93,157)
<hr/>	<hr/>
228,000	184,843
<hr/>	<hr/>
(93,481)	(143,965)
<hr/>	<hr/>
540,886	862,452
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\$ 447,405	\$ 718,487
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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 18, 2018

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 *Huron School District* (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 18, 2018, 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, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Agriculture			
Child Nutrition Cluster:			
Breakfast Program 2017-2018	10.553	MDE	181970
National School Lunch 2017-2018	10.555	MDE	181960
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	181530-1718
Title I, Part A - Improving Basic Programs	84.010	MDE	171530-1617
Title II, Part A - Improving Teacher Quality	84.367	MDE	180520-1718
Title II, Part A - Improving Teacher Quality	84.367	MDE	170520-1617
Title IV - Student Support and Academic Enrichment Program	84.424A	MDE	180750-1718
IDEA Special Education Cluster:			
2018 IDEA Flow-through	84.027	WCRESA	180450-1718
2017 IDEA Flow-through	84.027	WCRESA	170450-1617
2016 IDEA Flow-through	84.027	WCRESA	160450-1516
2018 Positive Behavior Support Grant	84.027	WCRESA	-n/a-
2017 Positive Behavior Support Grant	84.027	WCRESA	-n/a-
2018 CPE	84.027	WCRESA	180450-1718
2017 CPE	84.027	WCRESA	170450-1617
2018 Preschool	84.173	WCRESA	180460-1718
2017 Preschool	84.173	WCRESA	170460-1617
Total IDEA Special Education Cluster			

Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2017	Federal Funds / Payments In-Kind Received	Federal Expenditures	Accrued (Unearned) Revenue at June 30, 2018
\$ 54,895	\$ -	\$ -	\$ 54,895	\$ 54,895	\$ -
250,344	-	-	250,344	250,344	-
38,401	-	-	35,901	35,901	-
		-	286,245	286,245	-
		-	341,140	341,140	-
268,309	-	-	117,652	249,682	132,030
265,652	253,946	49,780	53,666	3,886	-
		49,780	171,318	253,568	132,030
78,620	-	-	29,583	49,722	20,139
56,048	43,908	3,246	3,246	-	-
		3,246	32,829	49,722	20,139
10,000	-	-	-	1,653	1,653
967,679	-	-	444,124	915,576	471,452
1,093,770	1,033,805	226,651	254,138	59,965	32,478
932,619	932,619	19,555	19,555	-	-
1,155	-	-	-	1,155	1,155
1,989	1,989	1,989	1,989	-	-
72,238	-	-	38,172	72,238	34,066
51,030	51,030	8,373	8,373	-	-
		256,568	766,351	1,048,934	539,151
106,142	-	-	47,175	106,142	58,967
122,982	122,982	28,381	28,381	-	-
		28,381	75,556	106,142	58,967
		284,949	841,907	1,155,076	598,118

continued...

HURON SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Education (concluded)			
Career and Technical Education Program:			
2018 Secondary CTE Perkins Grant	84.048	WCRESA	183520-181225
2018 Secondary CTE Perkins Grant - Vocational Education	84.048	WCRESA	183520-181225
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			
Medicaid Cluster -			
Medical Assistance Program Title XI- 2017-2018 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, 2017	Federal Funds / Payments In-Kind Received	Federal Expenditures	Accrued (Unearned) Revenue at June 30, 2018
\$ 351,654	\$ -	\$ -	\$ 209,439	\$ 351,654	\$ 142,215
23,000	-	-	19,531	23,000	3,469
415,059	415,059	200,740	200,740	-	-
22,964	22,964	8,322	8,322	-	-
		<u>209,062</u>	<u>438,032</u>	<u>374,654</u>	<u>145,684</u>
		<u>547,037</u>	<u>1,484,086</u>	<u>1,834,673</u>	<u>897,624</u>
3,945	-	-	3,945	3,945	-
		<u>\$ 547,037</u>	<u>\$ 1,829,171</u>	<u>\$ 2,179,758</u>	<u>\$ 897,624</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 Huron School District (the "District") under programs of the federal government for the year ended June 30, 2018. 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	\$ 2,479,409
Less: Revenue from federal government paid directly for interest on long-term debt not considered to be federal expenditures	<u>(299,651)</u>
Total expenditures of federal awards	<u><u>\$ 2,179,758</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 18, 2018

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 *Huron School District* (the "District"), as of and for the year ended June 30, 2018, 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 18, 2018.

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 Lobson LLC

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

October 18, 2018

Board of Education
Huron School District
New Boston, Michigan

Report on Compliance for the Major Federal Program

We have audited the compliance of *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, 2018. 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, 2018.

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.

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

HURON SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

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, 2018

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, 2018

None reported.



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