

Huron
School
District



Year Ended
June 30, 2019

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 9, 2019

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, 2019, 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, 2019, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the schedules for the pension 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 9, 2019, 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.

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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, 2019. 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, the debt service fund, and the 2019 capital projects 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, 2018 to fiscal year ending June 30, 2019. The change in net position of the District's governmental activities is discussed below.

	Net Position	
	Governmental Activities	
	2019	2018
Assets		
Current and other assets	\$ 58,874,317	\$ 9,155,214
Capital assets, net	18,156,469	19,058,829
Total assets	<u>77,030,786</u>	<u>28,214,043</u>
Deferred outflows of resources	<u>21,935,009</u>	<u>12,254,354</u>
Liabilities		
Other liabilities	68,987,309	61,008,480
Long-term debt	64,684,732	17,009,975
Total liabilities	<u>133,672,041</u>	<u>78,018,455</u>
Deferred inflows of resources	<u>6,900,053</u>	<u>2,712,591</u>
Net position		
Net investment in capital assets	4,141,289	3,900,945
Restricted	925,850	812,160
Unrestricted (deficit)	(46,673,438)	(44,975,754)
Total net position	<u>\$ (41,606,299)</u>	<u>\$ (40,262,649)</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 fiscal year 2018. 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 \$41,606,299. Of this amount, \$(46,673,438) is unrestricted net position (deficit) and \$925,850 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	
	2019	2018
Program revenues:		
Charges for services	\$ 564,023	\$ 479,729
Operating grants	10,142,083	9,892,004
General revenues:		
Property taxes	5,436,451	5,523,351
State school aid	19,480,167	18,317,458
Grants and contributions	35,730	256,625
Unrestricted investment earnings	383,201	399,381
Total revenues	<u>36,041,655</u>	<u>34,868,548</u>
Program expenses:		
Instruction	20,523,494	18,471,921
Support services	9,881,830	9,221,515
School store	29,549	26,407
Food service	808,338	749,645
Athletics	604,331	605,072
Community services	88,815	113,536
Payments to other public schools	998,155	1,249,187
Unallocated depreciation	1,757,053	1,750,749
Interest on long-term debt	2,693,740	2,331,493
Total expenses	<u>37,385,305</u>	<u>34,519,525</u>
Change in net position	(1,343,650)	349,023
Net position:		
Beginning of year	<u>(40,262,649)</u>	<u>(40,611,672)</u>
End of year	<u>\$ (41,606,299)</u>	<u>\$ (40,262,649)</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 \$37.4 million compared to \$34.5 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 \$10.7 million. The district paid for the remaining "public benefit" portion of our governmental activities with \$5.4 million in taxes, \$19.5 million accumulated in state aid not restricted to specific programs, and other revenues, like interest and general entitlements. The majority of the district's revenues come from the per pupil foundation allowance.

Total revenues increased from the prior year by approximately 3.4%. This is largely due to the increases in state school aid of approximately \$1.2 million, which was due to a \$237 per pupil increase in the foundation allowance as well as additional funding for at-risk and special ed students. There was also additional funding from the state for dual enrollment, computer adaptive testing and CTE programs. Total expenses increased from prior year by approximately 8.3%. This is largely due to the increases in instruction of approximately \$2.1 million and support services of approximately \$0.7 million, which was the result of additional pupil support staff, updating technology throughout the district and purchasing additional buses.

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 \$54,095,171, which is an increase of \$49,616,814. The increase is largely attributable to the issuance of the 2019 School Building and Site bonds in the amount of \$41,380,000 (with a related premium of approximately \$7.8 million).

The District presents three major governmental funds: general, debt service, and 2019 capital projects. The general fund reported a fund balance of \$3,418,960, of which \$344,651 was reported as nonspendable for inventories, prepaids, and other assets. The remainder, \$3,074,309, was reported as unassigned. The debt service fund reported a fund balance of \$343,524, which is restricted. The 2019 capital projects fund reported a fund balance of \$48,733,187, which is 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 24, 2019. 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 2018-19 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 \$29.6 million) were higher than both the original (approximately \$28.0 million) and amended (approximately \$29.4 million) budgets. The general fund actual expenditures and transfers out (approximately \$28.9 million) were higher than the original (approximately \$28.8 million) and less than the amended (approximately \$29.2 million) budgets. 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 \$902,360, as summarized below:

	District's Capital Assets (Net of Depreciation)	
	2019	2018
Land	\$ 691,973	\$ 691,973
Buildings and improvements	15,671,312	16,954,201
Vehicles	672,270	474,513
Equipment	1,120,914	938,142
Total capital assets, net	<u>\$ 18,156,469</u>	<u>\$ 19,058,829</u>

Current year additions included a new phone system, theater safety upgrades, and buses. These increases were offset by the annual depreciation expense of \$1,757,053.

HURON SCHOOL DISTRICT

Management's Discussion and Analysis

Long-term Debt. At the end of this year, the District had \$54,660,000 in bonds outstanding versus \$14,756,823 last year. This increase was attributable to the issuance of the 2019 School Building and Site bonds in the amount of \$41,380,000, offset by 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 \$54.7 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 2019-20 fiscal year is 10% and 90% of the February 2019 and October 2019 student counts, respectively. The 2019-20 budget was adopted in June 2019, based on an estimated number of students that will be enrolled in September 2019. Approximately 78% of the total General Fund operating revenue for the District is from the student foundation allowance. We anticipate that the October 2019 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 2019-20 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, 2019

	Governmental Activities
Assets	
Cash and investments	\$ 52,551,563
Receivables	5,953,475
Prepays and other items	369,279
Capital assets, not being depreciated	691,973
Capital assets being depreciated, net	<u>17,464,496</u>
Total assets	<u>77,030,786</u>
Deferred outflows of resources	
Deferred charge on refunding	217,017
Deferred pension amounts	18,473,502
Deferred other postemployment benefit amounts	<u>3,244,490</u>
Total deferred outflows of resources	<u>21,935,009</u>
Liabilities	
Accounts payable and accrued liabilities	4,866,119
Unearned revenue	250,697
Long-term debt:	
Due within one year	2,037,684
Due in more than one year	62,647,048
Net pension liability (due in more than one year)	50,278,787
Net other postemployment benefit liability (due in more than one year)	<u>13,591,706</u>
Total liabilities	<u>133,672,041</u>
Deferred inflows of resources	
Deferred pension amounts	3,845,418
Deferred other postemployment benefit amounts	<u>3,054,635</u>
Total deferred inflows of resources	<u>6,900,053</u>
Net position	
Net investment in capital assets	4,141,289
Restricted for:	
Debt service	5,854
Food service program	78,267
Special education programs	683,696
Vocational education programs	158,033
Unrestricted (deficit)	<u>(46,673,438)</u>
Total net position	<u>\$ (41,606,299)</u>

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

HURON SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction:				
Basic programs	\$ 14,862,608	\$ -	\$ 2,362,700	\$ (12,499,908)
Added needs	5,660,886	-	6,802,902	1,142,016
Total instruction	<u>20,523,494</u>	<u>-</u>	<u>9,165,602</u>	<u>(11,357,892)</u>
Support services:				
Pupil	1,671,568	-	-	(1,671,568)
Instructional services	1,387,484	-	518,684	(868,800)
General administration	498,588	-	-	(498,588)
School administration	1,339,270	-	-	(1,339,270)
Business	513,250	-	-	(513,250)
Maintenance	2,344,475	12,044	-	(2,332,431)
Transportation	1,632,708	20,243	-	(1,612,465)
Central services	494,487	-	-	(494,487)
Total support services	<u>9,881,830</u>	<u>32,287</u>	<u>518,684</u>	<u>(9,330,859)</u>
School store	<u>29,549</u>	<u>37,283</u>	<u>-</u>	<u>7,734</u>
Food service	<u>808,338</u>	<u>367,480</u>	<u>457,797</u>	<u>16,939</u>
Athletics	<u>604,331</u>	<u>12,667</u>	<u>-</u>	<u>(591,664)</u>
Community services	<u>88,815</u>	<u>114,306</u>	<u>-</u>	<u>25,491</u>
Payments to other public schools	<u>998,155</u>	<u>-</u>	<u>-</u>	<u>(998,155)</u>
Unallocated depreciation	<u>1,757,053</u>	<u>-</u>	<u>-</u>	<u>(1,757,053)</u>
Interest on long-term debt	<u>2,693,740</u>	<u>-</u>	<u>-</u>	<u>(2,693,740)</u>
Total governmental activities	<u>\$ 37,385,305</u>	<u>\$ 564,023</u>	<u>\$ 10,142,083</u>	<u>\$ (26,679,199)</u>

continued...

HURON SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2019

	Governmental Activities
Change in net position	
Net expense	<u>\$ (26,679,199)</u>
General revenues:	
Property taxes	5,436,451
State school aid	19,480,167
Grants and contributions not restricted to specific programs	35,730
Unrestricted investment earnings	<u>383,201</u>
Total general revenues	<u>25,335,549</u>
Change in net position	(1,343,650)
Net position, beginning of year	<u>(40,262,649)</u>
Net position, end of year	<u><u>\$ (41,606,299)</u></u>
	concluded.

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

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FUND FINANCIAL STATEMENTS

HURON SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2019

	General Fund	Debt Service	2019 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 3,242,367	\$ 258,865	\$ 48,888,799	\$ 161,532	\$ 52,551,563
Accounts receivable	146,561	-	-	-	146,561
Taxes receivable	77,240	84,659	-	-	161,899
Due from other governments	5,596,332	-	-	48,683	5,645,015
Due from other funds	121,087	-	-	1,904,489	2,025,576
Inventories	189,462	-	-	24,628	214,090
Prepaid items	76,433	-	-	-	76,433
Other assets	78,756	-	-	-	78,756
Total assets	\$ 9,528,238	\$ 343,524	\$ 48,888,799	\$ 2,139,332	\$ 60,899,893
Liabilities					
Accounts payable	\$ 733,397	\$ -	\$ 125,112	\$ 444,930	\$ 1,303,439
Accrued salaries and related liabilities	3,225,010	-	-	-	3,225,010
Due to other funds	1,904,489	-	30,500	90,587	2,025,576
Unearned revenue	246,382	-	-	4,315	250,697
Total liabilities	6,109,278	-	155,612	539,832	6,804,722
Fund balances					
Nonspendable:					
Inventories	189,462	-	-	24,628	214,090
Prepaid items	76,433	-	-	-	76,433
Other assets	78,756	-	-	-	78,756
Restricted for:					
Debt service	-	343,524	-	-	343,524
Capital projects	-	-	48,733,187	-	48,733,187
Food service	-	-	-	60,325	60,325
Special education	-	-	-	683,696	683,696
Vocational education	-	-	-	158,033	158,033
Committed for:					
School store	-	-	-	49,063	49,063
Civic auditorium	-	-	-	34,542	34,542
Capital projects	-	-	-	589,213	589,213
Unassigned	3,074,309	-	-	-	3,074,309
Total fund balances	3,418,960	343,524	48,733,187	1,599,500	54,095,171
Total liabilities and fund balances	\$ 9,528,238	\$ 343,524	\$ 48,888,799	\$ 2,139,332	\$ 60,899,893

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, 2019

Fund balances - total governmental funds	\$ 54,095,171
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	18,156,469
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	(55,488,729)
Unamortized bond premium	(8,305,384)
Unamortized charge on refunding	217,017
Accrued interest on bonds payable	(337,670)
Retirement incentive payable	(132,030)
Compensated absences	(758,589)
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	(50,278,787)
Deferred outflows related to the net pension liability	18,473,502
Deferred inflows related to the net pension liability	(3,845,418)
Net other postemployment benefit liability	(13,591,706)
Deferred outflows related to the net other postemployment benefit liability	3,244,490
Deferred inflows related to the net other postemployment benefit liability	(3,054,635)
Net position of governmental activities	<u>\$ (41,606,299)</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, 2019

	General Fund	Debt Service	2019 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 2,255,909	\$ 3,566,136	\$ -	\$ 456,961	\$ 6,279,006
State sources	23,071,192	-	-	564,526	23,635,718
Federal sources	1,797,030	297,091	-	485,562	2,579,683
Other sources	2,149,634	-	-	1,554,306	3,703,940
Total revenues	29,273,765	3,863,227	-	3,061,355	36,198,347
Expenditures					
Current:					
Instruction:					
Basic programs	13,669,202	-	-	-	13,669,202
Added needs	4,048,415	-	-	1,217,621	5,266,036
Total instruction	17,717,617	-	-	1,217,621	18,935,238
Support services:					
Pupil	1,411,736	-	-	127,061	1,538,797
Instructional services	829,749	-	-	474,939	1,304,688
General administration	432,030	-	-	-	432,030
School administration	1,231,907	-	-	-	1,231,907
Business	475,554	-	-	-	475,554
Maintenance	2,287,663	-	-	516,784	2,804,447
Transportation	1,809,063	-	-	-	1,809,063
Central services	475,748	-	-	-	475,748
Total support services	8,953,450	-	-	1,118,784	10,072,234
School store	-	-	-	29,549	29,549
Food service	-	-	-	780,528	780,528
Athletics	579,624	-	-	-	579,624
Community services	55,240	-	-	27,344	82,584
Payments to other public schools	998,155	-	-	-	998,155
Debt service:					
Principal	-	1,476,823	-	-	1,476,823
Interest and fiscal charges	-	2,393,500	171,777	-	2,565,277
Bond issuance costs	-	-	236,633	-	236,633
Total debt service	-	3,870,323	408,410	-	4,278,733
Total expenditures	28,304,086	3,870,323	408,410	3,173,826	35,756,645
Revenues over (under) expenditures	969,679	(7,096)	(408,410)	(112,471)	441,702

continued...

HURON SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2019

	General Fund	Debt Service	2019 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)					
Issuance of long-term debt	\$ -	\$ 30,019	\$ 41,380,000	\$ -	\$ 41,410,019
Premium on bonds	-	-	7,761,597	-	7,761,597
Proceeds from sale of capital assets	3,496	-	-	-	3,496
Transfers in	288,889	-	-	683,592	972,481
Transfers out	(625,000)	-	-	(347,481)	(972,481)
Total other financing sources (uses)	<u>(332,615)</u>	<u>30,019</u>	<u>49,141,597</u>	<u>336,111</u>	<u>49,175,112</u>
Net change in fund balances	637,064	22,923	48,733,187	223,640	49,616,814
Fund balances, beginning of year	<u>2,781,896</u>	<u>320,601</u>	<u>-</u>	<u>1,375,860</u>	<u>4,478,357</u>
Fund balances, end of year	<u>\$ 3,418,960</u>	<u>\$ 343,524</u>	<u>\$ 48,733,187</u>	<u>\$ 1,599,500</u>	<u>\$ 54,095,171</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, 2019

Net change in fund balances - total governmental funds	\$ 49,616,814
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	882,980
Depreciation expense	(1,757,053)
Loss on sale of capital assets	(24,791)
Proceeds from sale of capital assets	(3,496)
Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds.	
Change in unavailable revenues	(156,692)
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	(30,019)
Proceeds from issuance of long-term debt	(41,380,000)
Premium on issuance of long-term debt	(7,761,597)
Principal payments on long-term liabilities	1,476,823
Amortization of bond premium	125,424
Amortization of charge on bond refunding	(51,133)
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	(2,587,281)
Change in net other postemployment benefit liability and related deferred amounts	352,068
Change in the accrued interest payable on bonds	33,879
Change in the accrual for compensated absences	(79,576)
Change in net position of governmental activities	<u>\$ (1,343,650)</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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 2,272,623	\$ 2,303,817	\$ 2,255,909	\$ (47,908)
State sources	21,939,366	22,731,220	23,071,192	339,972
Federal sources	1,759,472	1,922,422	1,797,030	(125,392)
Other sources	1,807,561	2,148,476	2,149,634	1,158
Total revenues	27,779,022	29,105,935	29,273,765	167,830
Expenditures				
Current:				
Instruction:				
Basic programs	13,798,572	13,727,189	13,669,202	(57,987)
Added needs	3,900,715	4,107,213	4,048,415	(58,798)
Total instruction	17,699,287	17,834,402	17,717,617	(116,785)
Support services:				
Pupil	1,484,052	1,427,742	1,411,736	(16,006)
Instructional services	771,381	887,798	829,749	(58,049)
General administration	431,901	439,777	432,030	(7,747)
School administration	1,259,741	1,260,863	1,231,907	(28,956)
Business	437,072	495,758	475,554	(20,204)
Maintenance	2,421,653	2,366,804	2,287,663	(79,141)
Transportation	1,934,461	1,838,896	1,809,063	(29,833)
Central services	464,835	489,520	475,748	(13,772)
Total support services	9,205,096	9,207,158	8,953,450	(253,708)
Athletics	638,560	591,188	579,624	(11,564)
Community services	77,000	117,426	55,240	(62,186)
Payments to other public schools	982,440	1,002,742	998,155	(4,587)
Total expenditures	28,602,383	28,752,916	28,304,086	(448,830)
Revenues over (under) expenditures	(823,361)	353,019	969,679	616,660

continued...

HURON SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources (uses)				
Proceeds from sale of capital assets	\$ -	\$ 3,496	\$ 3,496	\$ -
Transfers in	195,775	312,487	288,889	(23,598)
Transfers out	(230,000)	(475,000)	(625,000)	150,000
Total other financing uses	(34,225)	(159,017)	(332,615)	(173,598)
Net change in fund balance	(857,586)	194,002	637,064	443,062
Fund balance, beginning of year	2,781,896	2,781,896	2,781,896	-
Fund balance, end of year	\$ 1,924,310	\$ 2,975,898	\$ 3,418,960	\$ 443,062

concluded.

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

HURON SCHOOL DISTRICT

Statement of Fiduciary Assets and Liabilities

June 30, 2019

	Agency Fund
Assets	
Cash and investments	\$ 342,469
	<hr/> <hr/>
Liabilities	
Due to others	\$ 111,291
Due to student groups	231,178
	<hr/> <hr/>
Total liabilities	\$ 342,469

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

NOTES TO FINANCIAL STATEMENTS

HURON SCHOOL DISTRICT

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

HURON SCHOOL DISTRICT

Notes to Financial Statements

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

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

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

The *2019 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.

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 projects 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) cash management pool are recorded at amortized cost, the investments in the MILAF term are recorded at net asset value, and the management investments are recorded at fair value.

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

During the year ended June 30, 2019, 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			
Transfers out	\$ (475,000)	\$ (625,000)	\$ 150,000

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 investments	\$ 52,551,563
Statement of Fiduciary Assets and Liabilities	
Cash and investments	<u>342,469</u>
	<u>\$ 52,894,032</u>
Deposits and investments	
Bank deposits (checking and savings accounts)	\$ 1,125,090
Investments	51,768,742
Cash on hand	<u>200</u>
	<u>\$ 52,894,032</u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

Statutory Authority

State statutes authorize the District to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

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

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

Investment	Maturity	Amortized Cost	Rating
Michigan Liquid Asset Fund (MILAF):			
Cash management class	n/a	\$ 4,728,493	S&P - AAAm
Term investments:			
Michigan Term Series Sep 2020	Less than 1 year	1,000,000	Kroll - AAkF
Michigan Term Series Sep 2020	Less than 1 year	1,950,000	Kroll - AAkF
Michigan Term Series Sep 2020	Less than 1 year	3,465,000	Kroll - AAkF
Management investments:			
U.S. treasuries	1-5 years	25,111,524	S&P - AA+
Federal agencies	1-5 years	12,554,972	S&P - AA+
Commercial paper	Less than 1 year	<u>2,958,753</u>	S&P - A-1
		<u>\$ 51,768,742</u>	

HURON SCHOOL DISTRICT

Notes to Financial Statements

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. All investments held at year-end are reported above.

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, \$842,117 of the District's bank balance of \$1,342,117 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.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Investments in Entities that Calculate Net Asset Value per Share. The District holds shares in the Michigan Liquid Asset Fund (MILAF) Term Series whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

HURON SCHOOL DISTRICT

Notes to Financial Statements

At year end, the net asset value of the District's investment in the MILAF Term Series was \$6,415,000. The investment pool had no unfunded commitments and requires a minimum investment of \$100,000.

The MILAF Term Series provides a fixed rate, fixed-term investment with a minimum maturity of 60 days and a maximum maturity of one year. The pool allows the District to set a specific redemption date upon initiation of the investment. Early redemptions are permitted; however, an early redemption fee would apply. The investment pool includes investments which the District does not control.

The investment pool invests primarily in high quality money market instruments, including certificate of deposits, commercial paper, and U.S. government and agency obligations, to protect the investment principal and provide liquidity.

The District has the following recurring fair value measurements as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
U.S. treasuries	\$ -	\$ 25,111,524	\$ -	\$ 25,111,524
Federal agencies	-	12,554,972	-	12,554,972
Commercial paper	-	2,958,753	-	2,958,753
	<u>\$ -</u>	<u>\$ 40,625,249</u>	<u>\$ -</u>	<u>40,625,249</u>
Assets carried at amortized cost - Michigan Liquid Asset Fund (MILAF) - Cash management class				4,728,493
Assets carried at net asset value - Michigan Liquid Asset Fund (MILAF) - Term investments				<u>6,415,000</u>
Total investments				<u>\$ 51,768,742</u>

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 Governmental Funds	Total
Receivables				
Accounts receivable	\$ 146,561	\$ -	\$ -	\$ 146,561
Taxes receivable	77,240	84,659	-	161,899
Due from other governments	5,596,332	-	48,683	5,645,015
	<u>\$ 5,820,133</u>	<u>\$ 84,659</u>	<u>\$ 48,683</u>	<u>\$ 5,953,475</u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 691,973	\$ -	\$ -	\$ -	\$ 691,973
Capital assets being depreciated:					
Buildings and improvements	39,846,865	109,571	-	-	39,956,436
Vehicles	2,270,409	346,420	(199,670)	-	2,417,159
Equipment	7,036,493	426,989	(412,676)	-	7,050,806
Total capital assets being depreciated	49,153,767	882,980	(612,346)	-	49,424,401
Less accumulated depreciation for:					
Buildings and improvements	(22,892,664)	(1,392,460)	-	-	(24,285,124)
Vehicles	(1,795,896)	(121,006)	172,013	-	(1,744,889)
Equipment	(6,098,351)	(243,587)	412,046	-	(5,929,892)
Total accumulated depreciation	(30,786,911)	(1,757,053)	584,059	-	(31,959,905)
Total capital assets being depreciated, net	18,366,856	(874,073)	(28,287)	-	17,464,496
Governmental activities capital assets, net	\$ 19,058,829	\$ (874,073)	\$ (28,287)	\$ -	\$ 18,156,469

Depreciation expense of \$1,757,053 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	2019 Capital Projects	Nonmajor Governmental Funds	Total
Fund financial statements				
Accounts payable	\$ 733,397	\$ 125,112	\$ 444,930	\$ 1,303,439
Accrued salaries and related liabilities	3,225,010	-	-	3,225,010
	<u>\$ 3,958,407</u>	<u>\$ 125,112</u>	<u>\$ 444,930</u>	<u>4,528,449</u>
Government-wide financial statements				
Accrued interest on long-term debt				<u>337,670</u>
				<u>\$ 4,866,119</u>

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2019, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ 121,087	\$ 1,904,489
2019 Capital Projects fund	-	30,500
Nonmajor governmental funds	1,904,489	90,587
	<u>\$ 2,025,576</u>	<u>\$ 2,025,576</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.

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

	Transfers out	Transfers in
General fund	\$ 625,000	\$ 288,889
Nonmajor governmental funds	347,481	683,592
	<u>\$ 972,481</u>	<u>\$ 972,481</u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

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, 2019, interfund transfers consisted of transfers between the general fund and the nonmajor governmental funds, largely 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, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 14,756,823	\$ 41,380,000	\$ (1,476,823)	\$ 54,660,000	\$ 1,810,000
Unamortized bond premium	669,211	7,761,597	(125,424)	8,305,384	77,684
School bond loan fund	772,898	55,831	-	828,729	-
Retirement incentive	132,030	-	-	132,030	-
Compensated absences	679,013	215,903	(136,327)	758,589	150,000
	<u>\$ 17,009,975</u>	<u>\$ 49,413,331</u>	<u>\$ (1,738,574)</u>	<u>\$ 64,684,732</u>	<u>\$ 2,037,684</u>

Bonds payable at June 30, 2019, consists of the following:

General obligation bonds

\$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% \$ 5,670,000

\$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 3.00% to 4.00% 7,610,000

\$41,380,000 2019 School Building and Site Bonds, due in annual installments of \$795,000 to \$1,840,000 through May 1, 2049; interest at 4.00% to 5.00% 41,380,000

Total general obligation bonds payable \$ 54,660,000

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

HURON SCHOOL DISTRICT

Notes to Financial Statements

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

Year Ended June 30,	Principal	Interest	Total
2020	\$ 1,810,000	\$ 2,337,863	\$ 4,147,863
2021	2,650,000	2,563,940	5,213,940
2022	2,730,000	2,435,410	5,165,410
2023	2,815,000	2,301,760	5,116,760
2024	2,900,000	2,163,550	5,063,550
2025-2029	8,970,000	8,941,810	17,911,810
2030-2034	6,390,000	7,267,000	13,657,000
2035-2039	8,025,000	5,630,550	13,655,550
2040-2044	9,170,000	3,678,250	12,848,250
2045-2049	9,200,000	1,380,000	10,580,000
	<u>\$ 54,660,000</u>	<u>\$ 38,700,133</u>	<u>\$ 93,360,133</u>

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, 2019, are as follows:

	Principal	Interest	Total
Beginning balance	\$ 687,385	\$ 85,513	\$ 772,898
Additions	30,019	25,812	55,831
Ending balance	<u>\$ 717,404</u>	<u>\$ 111,325</u>	<u>\$ 828,729</u>

Retirement Incentive

In addition to the pension benefits described in Note 14, 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.

HURON SCHOOL DISTRICT

Notes to Financial Statements

10. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2019, net investment in capital assets is comprised of the following:

Capital assets, net	\$ 18,156,469
General obligation bonds payable	(54,660,000)
Unamortized bond premium	(8,305,384)
Unamortized charge on refunding	217,017
Unspent bond proceeds	<u>48,733,187</u>
Total net investment in capital assets	<u>\$ 4,141,289</u>

11. RISK MANAGEMENT

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

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

12. 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.

13. TAX ABATEMENTS

The District received reduced property tax revenues during 2019 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 \$60,000 in reduced District tax revenues for 2019.

HURON SCHOOL DISTRICT

Notes to Financial Statements

14. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Plan Description

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

The System'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.

HURON SCHOOL DISTRICT

Notes to Financial Statements

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

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.

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.

HURON SCHOOL DISTRICT

Notes to Financial Statements

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, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 18.25%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 18.25%
Pension Plus	3.00% - 6.40%	16.46% - 16.61%
Pension Plus 2	6.20%	19.59% - 19.74%
Defined Contribution	0.00%	13.39% - 13.54%

For the year ended June 30, 2019, required and actual contributions from the District to the pension plan were \$4,549,707, which included \$1,889,777, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

The table below summarizes OPEB contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.67% - 7.93%
Personal Healthcare Fund (PHF)	0.00%	7.42% - 7.57%

For the year ended June 30, 2019, required and actual contributions from the District to the OPEB plan were \$1,176,849.

The table below summarizes defined contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2019, required and actual contributions from the District for those members with a defined contribution benefit were \$127,275.

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, 2019, the District reported a liability of \$50,278,787 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the District's proportion was 0.16725%, which was an increase of 0.00585% from its proportion measured as of September 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$7,132,285. At June 30, 2019, 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	\$ 233,303	\$ 365,367	\$ (132,064)
Changes in assumptions	11,644,526	-	11,644,526
Net difference between projected and actual earnings on pension plan investments	-	3,437,791	(3,437,791)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,307,909	42,260	2,265,649
	<u>14,185,738</u>	<u>3,845,418</u>	<u>10,340,320</u>
District contributions subsequent to the measurement date	4,287,764	-	4,287,764
	<u>4,287,764</u>	<u>-</u>	<u>4,287,764</u>
Total	<u>\$ 18,473,502</u>	<u>\$ 3,845,418</u>	<u>\$ 14,628,084</u>

The \$4,287,764 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, 2020. 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
2020	\$ 4,109,678
2021	3,195,783
2022	2,192,072
2023	842,787
Total	<u>\$ 10,340,320</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, 2019, the District reported a liability of \$13,591,706 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the District's proportion was 0.17099% which was an increase of 0.00989% from its proportion measured as of September 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$824,544. At June 30, 2019, 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	\$ -	\$ 2,529,766	\$ (2,529,766)
Changes in assumptions	1,439,369	-	1,439,369
Net difference between projected and actual earnings on OPEB plan investments	-	522,362	(522,362)
Changes in proportion and differences between employer contributions and proportionate share of contributions	743,741	2,507	741,234
	<u>2,183,110</u>	<u>3,054,635</u>	<u>(871,525)</u>
District contributions subsequent to the measurement date	1,061,380	-	1,061,380
	<u>3,244,490</u>	<u>3,054,635</u>	<u>189,855</u>
Total	\$ 3,244,490	\$ 3,054,635	\$ 189,855

The \$1,061,380 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, 2020. 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
2020	\$ (237,209)
2021	(237,209)
2022	(237,209)
2023	(130,604)
2024	<u>(29,294)</u>
Total	\$ <u>(871,525)</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, 2017 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	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.05%
Pension Plus plan (hybrid)	7.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	7.15%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.0% Year 12
Mortality	RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and 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 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5304 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 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 Pension Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, 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%	5.70%	1.60%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		5.66%
Inflation			2.30%
Risk adjustment			<u>-0.91%</u>
Investment rate of return			<u>7.05%</u>

HURON SCHOOL DISTRICT

Notes to Financial Statements

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of September 30, 2018, 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%	5.70%	1.60%
Private equity pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		5.66%
Inflation			2.30%
Risk adjustment			<u>-0.81%</u>
Investment rate of return			<u>7.15%</u>

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan) and 7.15%, respectively. The projection of cash flows used to determine these discount rates 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 the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 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 (6.05% / 6.00% / 5.00%)	Current Discount Rate (7.05% / 7.00% / 6.00%)	1% Increase (8.05% / 8.00% / 7.00%)
District's proportionate share of the net pension liability	\$ 66,012,164	\$ 50,278,787	\$ 37,206,908

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, 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 (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net OPEB liability	\$ 16,316,567	\$ 13,591,706	\$ 11,299,765

Sensitivity of the 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 (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability	\$ 11,179,028	\$ 13,591,706	\$ 16,359,540

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.

HURON SCHOOL DISTRICT

Notes to Financial Statements

Payable to the Pension Plan

At June 30, 2019, the District reported a payable of \$811,370 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2019.

Payable to the OPEB Plan

At June 30, 2019, the District reported a payable of \$128,548 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2019.

15. BONDED CONSTRUCTION COSTS

The 2019 capital project fund records capital project activities funded with bonds issued after May 1, 1994. For this fund, the District has complied with the applicable provisions of §1351(a) of the Michigan Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.



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	2019
District's proportionate share of the net pension liability	\$ 33,241,517	\$ 37,068,483	\$ 38,418,599	\$ 41,824,917	\$ 50,278,787
District's proportion of the net pension liability	0.15092%	0.15176%	0.15399%	0.16140%	0.16725%
District's covered payroll	\$ 12,987,923	\$ 12,767,263	\$ 13,115,803	\$ 13,782,085	\$ 14,558,735
District's proportionate share of the net pension liability as a percentage of its covered payroll	255.94%	290.34%	292.92%	303.47%	345.35%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%	63.27%	64.21%	62.36%

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

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	2019
Statutorily required contribution	\$ 2,943,460	\$ 3,510,330	\$ 3,770,345	\$ 4,569,787	\$ 4,549,707
Contributions in relation to the statutorily required contribution	<u>(2,943,460)</u>	<u>(3,510,330)</u>	<u>(3,770,345)</u>	<u>(4,569,787)</u>	<u>(4,549,707)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 13,206,670	\$ 13,181,517	\$ 13,808,534	\$ 14,585,687	\$ 15,093,276
Contributions as a percentage of covered payroll	22.29%	26.63%	27.30%	31.33%	30.14%

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

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	2019
District's proportionate share of the net OPEB liability	\$ 14,266,037	\$ 13,591,706
District's proportion of the net OPEB liability	0.16110%	0.17099%
District's covered payroll	\$ 13,782,085	\$ 14,558,735
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	103.51%	93.36%
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%	42.95%

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

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	2019
Statutorily required contribution	\$ 1,080,852	\$ 1,176,849
Contributions in relation to the statutorily required contribution	<u>(1,080,852)</u>	<u>(1,176,849)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 14,585,687	\$ 15,093,276
Contributions as a percentage of covered payroll	7.41%	7.80%

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

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COMBINING FUND FINANCIAL STATEMENTS

HURON SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2019

	Special Revenue			
	School Store	Food Service	Civic Auditorium	Special Education
Assets				
Cash and investments	\$ -	\$ 161,532	\$ -	\$ -
Due from other governments	-	3,218	10,061	-
Due from other funds	49,091	-	24,973	1,118,467
Inventories	6,686	17,942	-	-
Total assets	\$ 55,777	\$ 182,692	\$ 35,034	\$ 1,118,467
Liabilities				
Accounts payable	\$ 28	\$ 10,015	\$ -	\$ 434,771
Due to other funds	-	90,587	-	-
Unearned revenue	-	3,823	492	-
Total liabilities	28	104,425	492	434,771
Fund balances				
Nonspendable - inventories	6,686	17,942	-	-
Restricted	-	60,325	-	683,696
Committed	49,063	-	34,542	-
Total fund balances	55,749	78,267	34,542	683,696
Total liabilities and fund balances	\$ 55,777	\$ 182,692	\$ 35,034	\$ 1,118,467



Special Revenue

Vocational Education	Capital Projects	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 161,532
35,404	-	48,683
122,745	589,213	1,904,489
-	-	24,628
<hr/>	<hr/>	<hr/>
\$ 158,149	\$ 589,213	\$ 2,139,332
<hr/>	<hr/>	<hr/>
\$ 116	\$ -	\$ 444,930
-	-	90,587
-	-	4,315
<hr/>	<hr/>	<hr/>
116	-	539,832
<hr/>	<hr/>	<hr/>
-	-	24,628
158,033	-	902,054
-	589,213	672,818
<hr/>	<hr/>	<hr/>
158,033	589,213	1,599,500
<hr/>	<hr/>	<hr/>
\$ 158,149	\$ 589,213	\$ 2,139,332
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HURON SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2019

	Special Revenue			
	School Store	Food Service	Civic Auditorium	Special Education
Revenues				
Local sources	\$ 37,283	\$ 367,480	\$ 52,198	\$ -
State sources	-	59,355	-	465,872
Federal sources	-	398,442	-	87,120
Other sources	-	-	-	1,074,921
Total revenues	37,283	825,277	52,198	1,627,913
Expenditures				
Current:				
Instruction-added needs	-	-	-	1,178,322
Support services:				
Pupil	-	-	-	127,061
Instructional services	-	-	-	93,900
Maintenance	-	-	-	-
School store	29,549	-	-	-
Food service	-	780,528	-	-
Community services	-	-	27,344	-
Total expenditures	29,549	780,528	27,344	1,399,283
Revenues over (under) expenditures	7,734	44,749	24,854	228,630
Other financing sources (uses)				
Transfers in	-	25,000	-	-
Transfers out	-	-	(58,592)	(202,307)
Total other financing sources (uses)	-	25,000	(58,592)	(202,307)
Net change in fund balances	7,734	69,749	(33,738)	26,323
Fund balances, beginning of year	48,015	8,518	68,280	657,373
Fund balances, end of year	\$ 55,749	\$ 78,267	\$ 34,542	\$ 683,696



Special Revenue

Vocational Education	Capital Projects	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 456,961
39,299	-	564,526
-	-	485,562
479,385	-	1,554,306
<hr/>	<hr/>	<hr/>
518,684	-	3,061,355
<hr/>	<hr/>	<hr/>
39,299	-	1,217,621
-	-	127,061
381,039	-	474,939
-	516,784	516,784
-	-	29,549
-	-	780,528
-	-	27,344
<hr/>	<hr/>	<hr/>
420,338	516,784	3,173,826
<hr/>	<hr/>	<hr/>
98,346	(516,784)	(112,471)
<hr/>	<hr/>	<hr/>
-	658,592	683,592
(86,582)	-	(347,481)
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(86,582)	658,592	336,111
<hr/>	<hr/>	<hr/>
11,764	141,808	223,640
<hr/>	<hr/>	<hr/>
146,269	447,405	1,375,860
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\$ 158,033	\$ 589,213	\$ 1,599,500
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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 9, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 9, 2019, 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, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Agriculture			
Child Nutrition Cluster:			
Breakfast Program 2018-2019	10.553	MDE	191970
Breakfast Program 2017-2018	10.553	MDE	181970
National School Lunch 2018-2019	10.555	MDE	191960
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	191530-1819
Title I, Part A - Improving Basic Programs	84.010	MDE	181530-1718
Title II, Part A - Improving Teacher Quality	84.367	MDE	190520-1819
Title II, Part A - Improving Teacher Quality	84.367	MDE	180520-1718
Title IV - Student Support and Academic Enrichment Program	84.424A	MDE	190750-1819
Title IV - Student Support and Academic Enrichment Program	84.424A	MDE	180750-1718
IDEA Special Education Cluster:			
2019 IDEA Flow-through	84.027	WCRESA	190450-1819
2018 IDEA Flow-through	84.027	WCRESA	180450-1718
2017 IDEA Flow-through	84.027	WCRESA	170450-1617
2019 Positive Behavior Support Grant	84.027	WCRESA	-n/a-
2018 Positive Behavior Support Grant	84.027	WCRESA	-n/a-
2019 CPE	84.027	WCRESA	190450-1819
2018 CPE	84.027	WCRESA	180450-1718
2019 Preschool	84.173	WCRESA	190460-1819
2018 Preschool	84.173	WCRESA	180460-1718
Total IDEA Special Education Cluster			

Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2018	Federal Funds / Payments In-Kind Received	Federal Expenditures	Accrued (Unearned) Revenue at June 30, 2019
\$ 63,802	\$ -	\$ -	\$ 58,427	\$ 58,427	\$ -
60,270	54,895	-	5,375	5,375	-
		-	63,802	63,802	-
291,117	-	-	262,672	262,672	-
278,789	250,344	-	28,445	28,445	-
43,523	-	-	43,523	43,523	-
		-	334,640	334,640	-
		-	398,442	398,442	-
248,871	-	-	194,116	238,842	44,726
268,309	249,682	132,030	137,540	5,510	-
		132,030	331,656	244,352	44,726
96,510	-	-	38,515	39,562	1,047
78,620	49,722	20,139	30,995	10,856	-
		20,139	69,510	50,418	1,047
18,710	-	-	18,710	18,710	-
10,000	1,653	1,653	8,997	7,344	-
		1,653	27,707	26,054	-
956,384	-	-	425,246	898,155	472,909
967,679	915,576	471,452	491,176	52,103	32,379
1,093,770	1,093,770	32,478	32,478	-	-
1,200	-	-	-	1,200	1,200
1,155	1,155	1,155	1,155	-	-
87,120	-	-	46,301	87,120	40,819
72,238	72,238	34,066	34,066	-	-
		539,151	1,030,422	1,038,578	547,307
118,475	-	-	52,295	118,475	66,180
106,142	106,142	58,967	58,967	-	-
		58,967	111,262	118,475	66,180
		598,118	1,141,684	1,157,053	613,487

continued...

HURON SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Education (concluded)			
Career and Technical Education Program:			
2019 Secondary CTE Perkins Grant	84.048	WCRESA	193520-191225
2018 Secondary CTE Perkins Grant	84.048	WCRESA	183520-181225
2018 Secondary CTE Perkins Grant - Vocational Education	84.048	WCRESA	183520-181225
Total U.S. Department of Education			
U.S. Department of Health and Human Services			
Medicaid Cluster -			
Medical Assistance Program Title XI-			
2018-2019 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, 2018	Federal Funds / Payments In-Kind Received	Federal Expenditures	Accrued (Unearned) Revenue at June 30, 2019
\$ 401,772	\$ -	\$ -	\$ 225,662	\$ 401,772	\$ 176,110
351,654	351,654	142,215	142,215	-	-
23,000	23,000	3,469	3,469	-	-
		<u>145,684</u>	<u>371,346</u>	<u>401,772</u>	<u>176,110</u>
		<u>897,624</u>	<u>1,941,903</u>	<u>1,879,649</u>	<u>835,370</u>
4,501	-	-	4,501	4,501	-
		<u>\$ 897,624</u>	<u>\$ 2,344,846</u>	<u>\$ 2,282,592</u>	<u>\$ 835,370</u>

concluded.

HURON SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2019. 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.

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.

2. 10% DE MINIMIS COST RATE

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	\$ 2,579,683
Less: Revenue from federal government paid directly for interest on long-term debt not considered to be federal expenditures	<u>(297,091)</u>
Total expenditures of federal awards	<u><u>\$ 2,282,592</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 Educational 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 9, 2019

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, 2019, 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 9, 2019.

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.

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

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

October 9, 2019

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, 2019. 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, 2019.

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.

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, 2019

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, 2019

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, 2019

None reported.



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