

HANOVER-HORTON SCHOOL DISTRICT



FINANCIAL STATEMENTS

YEAR ENDED
JUNE 30, 2017



Drake
Certified
Public
Accountants

HANOVER-HORTON SCHOOL DISTRICT

LIST OF PRINCIPAL INDIVIDUALS

Board of Education

Christine Vincent	President
Gary Schuette	Vice President
Joseph Childs	Secretary
Leon Densmore	Treasurer
Gail Proctor	Board Member
Chris Blackledge	Board Member
Tim Evans	Board Member

Management

John Denney	Superintendent
Adrienne Spencer	Business Manager



HANOVER-HORTON SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Education
Hanover-Horton School District
Horton, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanover-Horton School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School 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.

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.

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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanover-Horton School District, as of June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Accounting Changes

As described in Note 21 to the financial statements, the District adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures. Our opinions are not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, budgetary comparison information, the Schedule of Reporting Unit's Proportionate Share of Net Pension Liability, and the Schedule of Reporting Unit's Contributions on pages 3-9 and 37-40 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 Hanover-Horton School District’s basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental 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. 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 other supplemental information is 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 August 21, 2017, on our consideration of the Hanover-Horton School 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 Hanover-Horton School District’s internal control over financial reporting and compliance.

Karl Z. Drake

Drake Certified Public Accountants
August 21, 2017



HANOVER-HORTON SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hanover-Horton School District's annual financial report presents discussion and analysis of the School District's financial performance during the year ended June 30, 2017. It is best read in conjunction with the School District's financial statements, which immediately follow 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 Hanover-Horton School District financially as a whole. The District-Wide Financial Statements provide information about the activities of the entire School District, presenting both an aggregate view of the School 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 School District's operations in more detail than the District-Wide financial statements by providing information about the School District's most significant funds - the General Fund and Food Service Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Schedules for Net Pension Liability

Budgetary Information for the General Fund and Food Service
(Required Supplemental Information)

Other Supplemental Information

Reporting the School District as a Whole - Government-Wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities (that appear first in the School District's financial statements) report information on the School District as a whole and its activities in a way that helps answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.



Reporting the School District as a Whole - Government-Wide Financial Statements (Continued)

These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to 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 School District.

The statement of net position and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

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

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes funds as needed to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental Funds

All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing money inflow and outflow and the balances remaining at year end which 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 School 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 School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation.

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

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



HANOVER-HORTON SCHOOL DISTRICT

Management's Discussion and Analysis

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2017 and 2016:

TABLE 1	Governmental Activities (In Millions)	
	2017	2016
ASSETS		
Current and other assets	\$ 4.3	\$ 3.8
Capital assets - net of accumulated depreciation	7.1	7.4
TOTAL ASSETS	11.4	11.2
DEFERRED OUTFLOWS OF RESOURCES	2.2	1.6
LIABILITIES		
Current liabilities	3.1	3.0
Long-term liabilities	17.6	18.3
TOTAL LIABILITIES	20.7	21.3
DEFERRED INFLOWS OF RESOURCES	1.1	0.2
NET POSITION		
Invested in property and equipment - net of related debt	4.1	3.9
Restricted	1.2	1.1
Unrestricted	(13.5)	(13.7)
TOTAL NET POSITION	\$ (8.2)	\$ (8.7)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was (\$8.2) million at June 30, 2017. Capital assets, net of related debt totaling \$4.1 million compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use the net position for day-to-day operations. The remaining amount of net position (\$13.5 million) was unrestricted.

The (\$13.5) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.



Management's Discussion and Analysis

The School District as a Whole (Continued)

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal year 2017 and 2016.

TABLE 2	Governmental Activities	
	(In Millions)	
	2017	2016
REVENUE		
Program Revenue		
Charges for Services	\$ 0.7	\$ 0.7
Grants and Categoricals	1.0	1.0
General Revenue		
Property Taxes	1.4	2.1
State Aid	7.3	7.1
Other	1.4	0.7
TOTAL REVENUE	11.8	11.6
FUNCTION/PROGRAM EXPENSES		
Instruction	6.4	6.2
Support Services	3.5	3.7
Athletics	0.3	0.3
Food Services	0.5	0.4
Interest on Long-Term Debt	0.1	0.1
Depreciation (Unallocated)	0.5	0.4
TOTAL FUNCTION/PROGRAM EXPENSES	11.3	11.1
INCREASE (DECREASE) IN NET POSITION	\$ 0.5	\$ 0.5

The primary reasons for the change in net position have been funding cuts at the state level and controlling expenditures. The net results are still negatively impacting School Districts across the state of Michigan and specifically our School District. The funding deficit has resulted in cuts to services across the School District.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of School District operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.



HANOVER-HORTON SCHOOL DISTRICT

Management's Discussion and Analysis

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$1.9 million, which is an increase of \$608 thousand over last year. The primary reason for the increase is controlling expenditures. The General Fund, the principal operating fund, saw the fund balance increase \$239,695 to \$408,263, which is more than the budgeted increase of \$63,946.

- Special Revenue Funds remained stable from the prior year, showing a net increase of approximately \$15,378.
- Combined, the Debt Service Funds showed a fund balance increase of \$805,531. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Fund Balances in the Debt Service Funds are restricted since they can only be used to pay debt service obligations.

General Budgetary Highlights

Over the course of the year, the School District amends its budget as it attempts to deal with changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The School District has made cuts in line item spending as well as eliminating programs, over the past few years, in an attempt to lower expenditures. In addition, the School District has not replaced employees that have retired. Nine teaching positions were eliminated at the end of the 2014-15 school year in order to avoid going into deficit. In 2017, a bond was passed in order to address needed technology items to keep from making the purchases out of the general fund.

In the 2011-12 school year, the School District added a Virtual High School to try to increase enrollment. This program has averaged 10-15 students over the last few years.

Retirement costs have increased dramatically from 12% in 2001-2002 to as high as 30% in 2016-2017.

There was a slight increase in the State Foundation Allowance. However, there were other costs incurred by the School District due to changes in MPSERS.



Capital Asset and Debt Administration

Capital Asset

At June 30, 2017, the School District had \$7.1 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of approximately \$351,918 or 4.73 percent, from last year.

	2017	2016
Land and Improvements	\$ 2,454,499	\$ 2,429,228
Buildings and Improvements	12,510,597	12,462,242
Buses and Other Vehicles	409,229	409,229
Furniture and Equipment	940,026	907,598
Total Capital Assets	16,314,351	16,208,297
Less Accumulated Depreciation	(9,226,421)	(8,768,449)
Net Capital Assets	\$ 7,087,930	\$ 7,439,848

Debt

At the end of this year, the School District had \$1.5 million in bonds and loans outstanding versus \$2.1 million in the previous year - a decrease of 29.5 percent. Debt consisted of the following:

	2017	2016
General Obligation Bonds	\$ 1,430,000	\$ 2,045,000
Bus Loans	56,738	64,000
	\$ 1,486,738	\$ 2,109,000

The School District's general obligation bond rating continues to be equivalent to the State's credit rating. 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 School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$1.5 million is significantly below the statutorily imposed limit.



HANOVER-HORTON SCHOOL DISTRICT

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

The elected officials and administration considered many factors when setting the School District's 2016-2017 fiscal year budget. The two most important factors are the student count and the amount of revenue that the School District will receive per pupil. During the 2011-12 school year, the School District opened the Virtual High School. If the School District is able to maintain at least the same level of enrollment in this program as last year, it should help offset the decline in enrollment at the elementary school. The birth rate is down in Michigan, and both the State and the Jackson County unemployment rates are having a negative impact on the School District as well. The other budget impact is our per-pupil allocation. The state foundation revenue is determined by multiplying the blended student count (using two separate count days) by the per student foundation allocation. The per-pupil allocation in 2008-2009 was \$7,316. Since then, the School District has had several consecutive years of budget cuts, with some ability to partially restore funding through federal funds that were received in 2009-2011. In 2011-2012, the School District had some carry-over funds that it was able to use; however, all of these funding sources have expired. The 2016-2017 per-pupil allocation is \$7,511.

Additionally, staff has been required to pay 20% of the cost of health care. This has shifted some of the rising insurance costs to the employee. Changes have also been made in carriers, increased deductibles and co-pays; all in an attempt to reduce the cost of health care. All insured employees were covered through the Jackson County Health Consortium again in the 2015-2016 school year. The largest cost increase that the School District has experienced is the rising cost of the Michigan Public School Employee Retirement System or MPSERS. The Legislature has passed changes that are designed to limit future increases in the amount that School Districts are contributing into the system. The biggest unknown for the 2017-2018 school year is the fall enrollment number. After the final number is known, the 2017-2018 budget will need to be revised. With the spring student count of just over 1,130 students, the budget was developed with an anticipated enrollment of 1,120 students.

Prior to 2011, the School District's revenue was dependent on the health of the state's School Aid Fund. If there was a surplus in the state School Aid Fund, School Districts received increases in their per pupil allocation. If the School Aid Fund was not generating adequate funding to meet their revenue obligations, local School Districts could receive mid-year budget reductions or a proration. Now that the School Aid Fund has been tapped by the legislature to help balance the state General Fund, local School District funding is even more precarious. The state's long-term commitment to local School Districts is uncertain at best, and budgeting is more challenging as costs continue to rise and revenue continues to decline.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors and creditors of the Hanover-Horton School District with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager, 10400 Moscow Road, Horton, Michigan 49246.



BASIC FINANCIAL STATEMENTS



HANOVER-HORTON SCHOOL DISTRICT

District-Wide Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 2,746,229
Due From Other Governmental Units	1,573,024
Accounts Receivable	3,841
Inventories	17,805
Prepaid Expenditures	837
TOTAL CURRENT ASSETS	<u>4,341,736</u>
NON-CURRENT ASSETS	
Capital Assets	16,314,351
Less: Accumulated Depreciation	<u>(9,226,421)</u>
TOTAL NON-CURRENT ASSETS	<u>7,087,930</u>
TOTAL ASSETS	<u>11,429,666</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>2,249,062</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 13,678,728</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 18,972
Accrued Salaries and Expenses	1,160,120
Accrued Interest	10,322
Bonds and Loans Payable, Due within One Year	<u>1,952,461</u>
TOTAL CURRENT LIABILITIES	<u>3,141,875</u>
NON-CURRENT LIABILITIES	
Bonds Payable	1,035,000
Loans Payable	49,277
Compensated Absences and Severance Pay	40,843
Net Pension Liability	<u>16,449,080</u>
TOTAL NON-CURRENT LIABILITIES	<u>17,574,200</u>
TOTAL LIABILITIES	<u>20,716,075</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>1,069,359</u>
NET POSITION	
Net Investment in Capital Assets	4,051,192
Restricted for Debt Service	805,531
Restricted for Food Service	100,495
Restricted for Sinking Fund	326,228
Restricted for Capital Projects	222,127
Unrestricted	<u>(13,612,279)</u>
TOTAL NET POSITION	<u>(8,106,706)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 13,678,728</u>

See Accompanying Notes to Financial Statements



District-Wide Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenue		Governmental
		Charges For Services	Operating Grants	Activities
				Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
Governmental Activities				
Instruction	\$ 6,373,494	\$ 2,000	\$ 479,500	\$ (5,891,994)
Support Services	3,502,143	424,695	181,964	(2,895,484)
Food Services	479,308	226,339	298,734	45,765
Community Services	4,376	377	-	(3,999)
Athletics	287,708	59,455	-	(228,253)
Interest on Long-Term Debt	76,110	-	-	(76,110)
Depreciation (Unallocated)	457,972	-	-	(457,972)
Total Governmental Activities	<u>11,181,111</u>	<u>712,866</u>	<u>960,198</u>	<u>(9,508,047)</u>
General Revenue				
Taxes				
Property Taxes, Levied for General Operations				1,099,000
Property Taxes, Levied for Debt Service				-
Property Taxes, Levied for Sinking Fund				257,988
State of Michigan Aid, Unrestricted				7,316,890
Interest Earnings				7,447
Other				1,432,414
Total General Revenue				<u>10,113,739</u>
CHANGE IN NET POSITION				605,692
NET POSITION - BEGINNING OF YEAR				<u>(8,712,398)</u>
NET POSITION - END OF YEAR				<u>\$ (8,106,706)</u>



HANOVER-HORTON SCHOOL DISTRICT

Governmental Funds

BALANCE SHEET

JUNE 30, 2017

	General	Food Service	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,583,684	\$ 134,887	\$ 1,027,658	\$ 2,746,229
Accounts Receivable	3,841	-	-	3,841
Due from Other Governmental Units	1,573,024	-	-	1,573,024
Due from Other Funds	45,690	-	326,228	371,918
Inventories	-	17,805	-	17,805
Prepaid Expenditures	650	187	-	837
TOTAL ASSETS	\$ 3,206,889	\$ 152,879	\$ 1,353,886	\$ 4,713,654
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 11,703	\$ 6,694	\$ -	\$ 18,397
Accrued Salaries and Withholdings	1,160,120	-	-	1,160,120
Due to Other Funds	326,228	45,690	-	371,918
Short-Term Loans	1,300,000	-	-	1,300,000
Deferred Revenue	575	-	-	575
TOTAL LIABILITIES	2,798,626	52,384	-	2,851,010
FUND BALANCES				
Non-spendable	650	17,992	-	18,642
Restricted	123,362	82,503	1,353,886	1,559,751
Committed	-	-	-	-
Assigned	175,377	-	-	175,377
Unrestricted	108,874	-	-	108,874
TOTAL FUND BALANCES	408,263	100,495	1,353,886	1,862,644
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,206,889	\$ 152,879	\$ 1,353,886	\$ 4,713,654
TOTAL GOVERNMENTAL FUND BALANCES				\$ 1,862,644
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:				
Cost of the Capital Assets				16,314,351
Accumulated Depreciation				(9,226,421)
				<u>7,087,930</u>
Long-term liabilities are not due and payable in the current period and are not reported in the fund:				
Bonds Payable				(1,680,000)
Loans Payable				(56,738)
Compensated Absences				(40,843)
Net Pension Liability				(16,449,080)
Accrued interest is not included as a liability in governmental funds				(10,322)
Deferred Outflows of Resources are not included in governmental funds				2,249,062
Deferred Inflows of Resources are not included in governmental funds				(1,069,359)
NET POSITION OF GOVERNMENTAL ACTIVITIES				<u>\$ (8,106,706)</u>

See Accompanying Notes to Financial Statements



Governmental Funds

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2017

Table with 5 columns: Description, General, Food Service, Other Non-Major Governmental Funds, Total Governmental Funds. Rows include REVENUE (Local, Inter-District, State, Federal, Other Sources), EXPENDITURES (Instruction, Supporting Services, Athletic Activities, Community Services, Debt Service, Capital Outlay), and FUND BALANCES (Beginning and End of Year).



HANOVER-HORTON SCHOOL DISTRICT

Governmental Funds

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 608,321
Amounts reported for governmental activities in the statement of activities are different because:		
- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.		
Depreciation Expense	(457,972)	
Capital Outlay	<u>106,054</u>	
		(351,918)
- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.		
		2,216
- Deferred outflows of resources are recorded in the statement of net position but not in the governmental funds.		
		665,270
- Deferred inflows of resources are recorded in the statement of net position but not in the governmental funds.		
		(897,613)
- Loan proceeds are a revenue in the governmental funds, but not in the statement of activities (where it increases long-term debt).		
		(250,000)
- Repayment of note and bond principal are an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).		
		622,262
- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds.		
		20,190
- Net Pension Liability is recorded in the statement of net position but not in the governmental funds.		
		<u>186,964</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ 605,692

See Accompanying Notes to Financial Statements



STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS	
Cash and Cash Equivalents	\$ 292,682
Accounts Receivable	-
TOTAL ASSETS	\$ 292,682
LIABILITIES	
Due to Others	\$ -
Due to Student Groups	292,682
TOTAL LIABILITIES	\$ 292,682
NET POSITION	\$ -



HANOVER-HORTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY

Hanover-Horton School District is located in Jackson County, Michigan. The School District is a K through 12 system. The School District is governed by a School Board consisting of seven Board members, all of whom are elected by School District residents.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

B. BASIS OF PRESENTATION

District-Wide and Fund Financial Statements

The District-Wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary 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 revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the School District's government-wide activities are considered governmental activities.

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

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.

District-Wide Statements

The District-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

District-Wide Statements (Continued)

As a general rule, the effect of inter-fund activity has been eliminated from the District-Wide financial statements.

Fund Based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

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

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Special Revenue Fund maintained by the School District is the Food Service Fund.

Debt Retirement Funds

These funds are used to account for the accumulation of resources for, and for the payment of, general long-term debt principal, interest, and related costs. Debt Retirement Funds maintained by the School District are to retire outstanding 2017 bonded indebtedness, 2009 refunding, and 2002 bonded indebtedness.

Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Project Funds include capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of 1351a of the Revised School Code.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

Fund Based Statements (Continued)

GOVERNMENTAL FUNDS (CONTINUED)

Sinking Fund

Sinking Funds are used to account for tax revenue specifically collected for facility improvements and repairs.

FIDUCIARY FUNDS

Agency Fund

The Agency Fund is used to account for assets held by the School as an agent for student clubs and organizations. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund, Special Revenue Funds, and Debt Retirement Funds are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied and payable on December 1. The School District collects its taxes through the local School District treasurers. Settlement of the delinquent real property taxes is funded by Jackson and Hillsdale Counties. The School District recognizes property tax revenue in the year of levy except for delinquent personal property taxes, which are recorded as revenue when received.

E. INVENTORIES

Inventories are accounted for at cost on a first-in, first-out basis of accounting with the exception of USDA Commodities that are recorded at market value. Inventory consists of expendable supplies held for consumption and USDA Commodities.

F. CASH EQUIVALENTS

The School District considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. FINANCIAL INSTRUMENTS

The School does not require collateral to support financial instruments subject to credit risk.

H. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

I. STATE CATEGORICAL REVENUE

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose.

J. EQUITY

Net Position

Net position represents the difference between assets and deferred outflow of resources, less liabilities and deferred inflow of resources. The School District reports three categories of net position, as follows: (1) Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflow of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflow or resources related to those assets; (2) Restricted net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the School District’s debt. Restricted net position is reduced by liabilities and deferred inflow of resources related to the restricted assets; (3) Unrestricted net position consists of all other net position that does not meet the definition of the above components and is available for general use by the School District.

Fund Balance

In the fund financial statements, governmental funds report the following components of fund balance:

- Non-spendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed - Amounts that have been formally set aside by the board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board.
- Assigned - Intent to spend resources on specific purposes expressed by the board.
- Unassigned - Balances that do not otherwise fall into one of the above categories.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially or extend asset life are not capitalized. The School District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Building and additions	15-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

M. ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. DEFERRED OUTFLOW/INFLOW 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 future periods and so will not be recognized as outflows of resources (expenses) until then.

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 a future period and so will not be recognized as inflows of resources (revenue) until that time. The School District has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

O. NET PENSION LIABILITY

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Department, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS (CONTINUED)

6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The School District is in compliance with State law regarding their cash deposits.

The School District maintains its cash deposits in two financial institutions. At June 30, 2017, the book value of the School District's deposits was \$1,175,148 and the bank balance was \$1,302,683. Of the bank balance, \$500,000 was covered by federal depository insurance and \$675,148 was uninsured and uncollateralized.

Investments consist of external pooled funds and are stated at Net Asset Value. See footnote Fair Value Measurement for further details.

Total cash and investments as of June 30, 2017, consist of:

Petty Cash	\$	746
Deposits with Financial Institutions		1,174,402
Investments		1,891,638
	\$	<u>3,066,786</u>

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does have a policy for custodial credit risk, requiring diligence and prudence of investment officials when considering investments in obligations other than those of an agency of the United States. At year end, the School District had no investment securities that were uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the School District's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the School District had no such investments.

Concentration of Credit Risk

The School District does limit the amount that it may invest in any one issuer. The School District currently has no one investment which exceeds 20 percent of its total investments.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The School District restricts the amount of investments in foreign currency and, thus, at year end had no securities subject to foreign currency risk.



NOTE 3 - ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at June 30, 2017.

NOTE 4 - BUDGETARY ACCOUNTING

During the year ended June 30, 2017, the School District incurred no expenditures that were in excess of the amounts budgeted.

NOTE 5 - COMPENSATED ABSENCES

The School's policy is not to compensate employees for vacation time not used during the school year. Accumulated sick pay policies are as follows:

Teachers

Credited with 11 sick leave days per year; maximum accumulation of 130 days allowed; amounts over 130 days not used are paid at a rate of \$65 per day. A retirement leave benefit of \$70 per day (maximum \$980) is paid to teachers, employed by the School District for ten years or more, retiring from the School District.

Support Personnel

Credited with one day per month for months worked up to 10 per year; maximum accumulation of 120 days allowed; amounts over 120 days not used are paid at a rate of 50% of the employee's daily rate. A retirement leave benefit of 50% of the daily rate (maximum \$1,500) is paid upon retirement from the School District.

NOTE 6 - RELATED PARTY ACTIVITY

There was no related party activity in the year ended June 30, 2017.

NOTE 7 - COMPONENTS OF FUND BALANCE

The School District had the following components of fund balance at June 30, 2017:

- A. \$17,992 of fund balance in the Special Revenue - Food Service Fund is non-spendable. This amount represents inventory supplies and USDA commodity inventories on hand at year-end as well as prepaid expenses and is not available for current appropriations and expenditures of the Food Service Fund.
- B. \$1,559,751 of fund balance is restricted for the specific purpose for which it was received. At June 30, 2017, \$82,503 was restricted for Food Service, \$123,362 was restricted for At Risk, \$805,531 was restricted for Debt Service, \$326,228 was restricted for the Sinking Fund, and \$222,127 was restricted for Capital Projects.
- C. \$175,377 of the General Fund balance is assigned for the deficit projected in the District's 2017-2018 budget.
- D. The balance of the Fund Balance is unassigned and is available to fund future School operations. The June 30, 2017, Unassigned General Fund Balance of \$108,874 compares to June 30, 2016, unassigned General Fund Balance of \$100,931.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 8 - INVENTORY

There is \$17,805 of inventory in the Special Revenue Fund - Food Service.

NOTE 9 - DUE FROM OTHER GOVERNMENTAL UNITS

The Due from Other Governmental Units at June 30, 2017, is comprised of the following:

<u>General Fund</u>	
State of Michigan	
State Aid	\$ 1,544,634
Title 1	26,653
Title 2A	1,737
	<u>\$ 1,573,024</u>

NOTE 10 - INVESTMENTS

Investments at estimated fair value as of June 30, 2017, consist of:

External Investment Pools	<u>\$ 1,891,638</u>
---------------------------	---------------------

Investment income (loss) for the year ended June 30, 2017, consists of:

Interest and Dividends	\$ 8,791
Net Realized and Unrealized Gain (Loss)	<u>-</u>
Total	<u>\$ 8,791</u>

NOTE 11 - FAIR VALUE MEASUREMENTS

The District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the District's mission, the District determines that the disclosures related to these investments only need to be disaggregated by major type.

Investments valued at the net asset value as of June 30, 2017, are:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
External Investment Pools	<u>\$ 1,891,638</u>	<u>\$ -</u>	Unlimited	None



NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

External investment pools consist of Michigan Liquid Asset Funds and Comerica Bank School Cash Investment Funds. The District's funds are invested in the Michigan Liquid Asset Funds and the Comerica Bank School Cash Investment Funds trust accounts in accordance with Sections 622, 1221, and 1223 of the School Code. These investment pools are composed entirely of instruments that are legal for direct investment by a school district. These pools are not categorized as to risk because it is not evidenced by securities that the District owns specifically or can be identified with securities within the liquid asset account. Instead, the funds are held at Net Asset Value (NAV). NAV is determined by each individual pool on a per share basis. Each school district owns a prorata share of each fund, which is held in the name of the funds. There are no restrictions on the redemption of funds from either pool.

NOTE 12 - ACCRUED SALARIES AND FRINGE BENEFITS

Of \$594,291 salaries payable at June 30, 2017, \$540,101 represents the unpaid portion of teacher contracts for the 2016-17 school year. Of these salaries, there are also fringe benefits payable at year-end totaling \$379,120.

NOTE 13 - CAPITAL ASSETS

Capital asset activity of the School District's Governmental activities was as follows:

	July 1, 2016	Additions	Disposals and Adjustments	June 30, 2017
Assets not being depreciated:				
Land	\$ 1,150	\$ -	\$ -	\$ 1,150
Capital assets being depreciated:				
Land Improvements	2,428,078	25,271	-	2,453,349
Building and Building Improvements	12,462,242	48,355	-	12,510,597
Buses and Other Vehicles	409,229	-	-	409,229
Furniture and Equipment	907,598	32,428	-	940,026
Subtotal	16,207,147	106,054	-	16,313,201
Accumulated depreciation:				
Land Improvements	662,637	57,762	-	720,399
Building and Building Improvements	7,149,095	309,005	-	7,458,100
Buses and Other Vehicles	243,658	37,634	-	281,292
Furniture and Equipment	713,059	53,571	-	766,630
Subtotal	8,768,449	457,972	-	9,226,421
Net Capital Assets Being Depreciated	7,438,698	(351,918)	-	7,086,780
Net Capital Assets	\$ 7,439,848	\$ (351,918)	\$ -	\$ 7,087,930

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 14 - DUE TO/FROM OTHER FUNDS

Due to/due from at June 30, 2017, consisted of the following:

Due To:		Due From:	
General Fund	\$ 45,690	Food Service	\$ 45,690
Sinking Fund	326,228	General Fund	326,228
	<u>\$ 371,918</u>		<u>\$ 371,918</u>

NOTE 15 - BUS LEASE

On July 30, 2014, the School District entered into a five year lease for school buses with Santander Leasing, LLC. Lease expense for the year ended June 30, 2017, totaled \$102,672. On August 24, 2017, the School District restructured this lease resulting in an extension through the year ended June 30, 2022. Future minimum payments are as follows:

Year Ending June 30,	
2018	\$ 102,672
2019	138,600
2020	138,600
2021	138,600
2022	70,656
	<u>\$ 589,128</u>

NOTE 16 - SINKING FUND

The School District has established a sinking fund. For this fund, authorized prior to March 16, 2017, the school district has complied with the applicable provisions of Section 1212 of the Revised School Code. Taxpayers are funding the Sinking Fund with 1 mill of property taxes for the years 2016-2021. This money will be used for facility repairs and improvements. In the year ended June 30, 2017, \$262,896 was collected and \$115,594 was spent on facility improvements.

NOTE 17 - SHORT TERM LOAN

In August 2016, the School District borrowed \$1,300,000 from County National Bank in a State Aid Note. This note matures August 2017, and bears interest at 0.75%. The balance due at June 30, 2017, was \$1,300,000.



Notes to Financial Statements

NOTE 18 - LONG TERM DEBT

Long-Term Debt is comprised of bonded debt and bus notes payable. During the year ended June 30, 2017, long-term debt changed as follows:

Bond Issue	July 1, 2016	Additional Debt	2016-2017 Payments	June 30, 2017
2009 Refunding Debt	\$ 1,695,000	\$ -	\$ 440,000	\$ 1,255,000
2002 Debt	350,000	-	175,000	175,000
Equipment Loan	64,000	-	7,262	56,738
2017 Debt	-	250,000	-	250,000
	<u>\$ 2,109,000</u>	<u>\$ 250,000</u>	<u>\$ 622,262</u>	<u>\$ 1,736,738</u>

Future minimum payments are as follows:

Year Ending June 30,	2009				Total
	2017 Debt	Equipment Loan	Refunding Debt	2002 Debt	
2018	\$ 40,000	\$ 7,461	\$ 430,000	\$ 175,000	\$ 652,461
2019	45,000	7,667	420,000	-	472,667
2020	50,000	7,878	405,000	-	462,878
2021	55,000	8,094	-	-	63,094
2022	60,000	8,317	-	-	68,317
Thereafter	-	17,321	-	-	17,321
	<u>\$ 250,000</u>	<u>\$ 56,738</u>	<u>\$ 1,255,000</u>	<u>\$ 175,000</u>	<u>\$ 1,736,738</u>

A. 2009 REFUNDING BONDS

The bonds are dated February 25, 2009 with principal due each May 1 and interest due each May 1 and November 1 beginning May 1, 2010 and ending May 1, 2020. The original amount of the bonds was \$4,940,000. Interest rates vary from 3% to 4%. The proceeds from these bonds were used to refund 1999 Building and Site Bonds. The remaining bonds payable at June 30, 2017, were \$1,255,000.

B. 2002 BONDS

The bonds are dated June 1, 2002 with principal due each May 1 and interest due each May 1 and November 1, beginning November 1, 2002 and ending May 1, 2018. The original amount of the bonds was \$2,005,000. Interest rates vary from 3.0% to 4.650%. The proceeds of the bonds were used for athletic facility improvements. Total amount outstanding at June 30, 2017, was \$175,000.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 18 - LONG TERM DEBT (CONTINUED)

C. EQUIPMENT LOAN

The School District borrowed \$64,000 from Hillsdale County National Bank in 2016 for the purchase of equipment. Annual payments of \$9,022 (including interest at 2.75%) are due from 2017 through 2024. The balance due at June 30, 2017, was \$56,738.

D. 2017 BONDS

The bonds are dated June 28, 2017 with principal due each May 1 and interest due each May 1 and November 1, beginning May 1, 2018 and ending May 1, 2022. The original amount of the bonds was \$250,000. Interest rates vary from 1.0% to 1.5%. The proceeds of the bonds were used for school building and technology improvements. Total amount outstanding at June 30, 2017, was \$250,000.

NOTE 19 - RISK MANAGEMENT AND LITIGATION

The School District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the School District has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At June 30, 2017, no claims exist, and no provision has been entered into the accounting records.

NOTE 20 - NET PENSION LIABILITY

PLAN DESCRIPTION

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

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

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



NOTE 20 - NET PENSION LIABILITY (CONTINUED)

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 percent to 1.50 percent. 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 plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member’s rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

CONTRIBUTIONS AND FUNDING STATUS

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 21 year period for the 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.95%
Member Investment Plan	3.0 - 7.0%	18.95%
Pension Plus	3.0 - 6.4%	17.73%
Defined Contribution	0.0%	14.56%

Required contributions to the pension plan from the School District were \$1,480,500 for the year ended September 30, 2016.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 20 - NET PENSION LIABILITY (CONTINUED)

LONG-TERM EXPECTED RETURN ON PLAN ASSETS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9%
Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short-Term Investment Pools	2.0%	0.0%
	<u>100.0%</u>	

*Long-term rate of return does not include 2.1% inflation

DISCOUNT RATE

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

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN DISCOUNT RATE

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School 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:



NOTE 20 - NET PENSION LIABILITY (CONTINUED)

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE (CONTINUED)

	Current Single Discount	
1% Decrease (Non-Hybrid/Hybrid)	Rate Assumption (Non-Hybrid/Hybrid)	1% Increase (Non-Hybrid/Hybrid)
7.0%/6.0%	8.0%/7.0%	9.0%/8.0%
\$ 21,182,275	\$ 16,449,080	\$ 12,458,542

ACTUARIAL VALUATIONS AND 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.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate	3.5%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid)	8.0%
Pension Plus Plan (Hybrid)	7.0%
Projected Salary Increases	3.5-12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 20 - NET PENSION LIABILITY (CONTINUED)

ACTUARIAL VALUATIONS AND ASSUMPTIONS (CONTINUED)

NOTES:

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.6273.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2017, the School District reported a liability of \$16,449,080 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016, the School District's proportion was 0.06593 percent, which was a decrease of 0.00154 percent from its proportion measured as of September 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$1,422,983. At June 30, 2017, the School 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
Differences Between Expected and Actual Experience	\$ 204,999	\$ 38,985
Changes in Assumptions	257,168	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	273,384	-
Changes in Proportion and Differences between Reporting Unit Contributions and Proportionate share of Contributions	25,644	531,569
Reporting Unit Contributions Subsequent to the Measurement Date	1,487,867	498,805
Total	<u>\$ 2,249,062</u>	<u>\$ 1,069,359</u>



NOTE 20 - NET PENSION LIABILITY (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ended September 30:	
2017	\$ (15,284)
2018	(36,858)
2019	256,667
2020	(13,884)
	\$ 190,641

MPSERS FIDUCIARY NET POSITION

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPSERS CAFR.

NOTE 21 - TAX ABATEMENTS

Local governments from whom the District collects tax revenues entered into property tax abatement agreements with local businesses under the Plan Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides 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. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption for ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The IFT of a new plant and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year ended June 30, 2017, the District abated property tax revenues totaling \$29,373 under this program.

NOTE 22 - ADOPTION OF NEW ACCOUNTING POLICIES

Effective March 1, 2016, the District adopted the provisions of the following accounting pronouncement. In August 2015, the GASB issued Statement No. 77, Tax Abatement Disclosures. Statement No. 77 requires the disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenue. The requirements of this statement improve financial reporting by giving the users of the financial statements essential information that is not consistently or comprehensively reported to the public at present.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 23 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement No. 75 requires governments to report information about postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements beginning after June 15, 2017.



REQUIRED SUPPLEMENTAL INFORMATION



HANOVER-HORTON SCHOOL DISTRICT

Net Pension Liability

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN LAST 10 FISCAL YEARS

AMOUNTS DETERMINED AS OF 9/30 OF EACH FISCAL YEAR

	2016	2015	2014
A. Reporting Unit's Proportion of Net Pension Liability (%)	0.06593%	0.06811%	0.06747%
B. Reporting Unit's Proportionate Share of Net Pension Liability	\$16,449,080	\$16,636,044	\$15,140,274
C. Reporting Unit's Covered-Employee Payroll	\$ 5,335,135	\$ 5,304,335	\$ 5,774,396
D. Reporting Unit's Proportionate Share of Net Pension Liability as a Percentage of Its Covered-Employee Payroll	308.32%	313.63%	262.20%
E. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.27%	63.17%	66.20%

This schedule is built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with fiscal year end June 30, 2015.



SCHEDULE OF REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS

AMOUNTS DETERMINED AS OF 6/30 OF EACH FISCAL YEAR

	2017	2016	2015
A. Statutorily Required Contributions	\$1,480,500	\$1,313,943	\$1,456,714
B. Contributions in Relation to Statutorily Required Contributions	1,831,522	1,351,832	1,456,714
C. Contribution Deficiency (Excess)	\$ (351,022)	\$ (37,889)	\$ -
D. Reporting Unit's Covered-Employee Payroll	\$5,335,135	\$5,304,335	\$5,774,396
E. Contributions as a Percentage of Covered-Employee Payroll	34.33%	25.49%	25.23%

This schedule is built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with fiscal year end June 30, 2015.

Changes of Benefit Terms

There were no changes of benefit terms in 2016.

Changes of Assumptions

There were no changes of benefit assumptions in 2016.



HANOVER-HORTON SCHOOL DISTRICT

Budgetary Comparison Schedule

GENERAL FUND

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUE				
Local Sources	\$ 1,254,329	\$ 1,224,906	\$ 1,227,575	\$ 2,669
Inter-District Sources	402,200	406,281	424,695	18,414
State Sources	8,202,761	8,489,244	8,490,849	1,605
Federal Sources	181,170	233,299	181,964	(51,335)
Other Sources	31,000	31,000	30,387	(613)
TOTAL REVENUE	10,071,460	10,384,730	10,355,470	(29,260)
EXPENDITURES				
Instruction				
Basic Programs	5,458,037	5,529,864	5,465,784	64,080
Added Needs	885,894	931,704	907,710	23,994
Supporting Services				
Pupil	514,119	522,915	492,555	30,360
Instructional Staff	11,383	12,002	11,918	84
Administration	1,125,580	1,103,560	1,100,581	2,979
Business Services	1,830,746	1,860,130	1,796,990	63,140
Athletic Activities	311,297	298,277	287,708	10,569
Community Services	23,309	5,473	4,376	1,097
Capital Outlay	27,167	43,905	35,199	8,706
Debt Service	10,710	8,401	8,401	-
Other Uses	-	4,553	4,553	-
TOTAL EXPENDITURES	10,198,242	10,320,784	10,115,775	205,009
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES	(126,782)	63,946	239,695	175,749
BUDGETARY FUND BALANCE- July 1, 2016	168,568	168,568	168,568	-
BUDGETARY FUND BALANCE- June 30, 2017	\$ 41,786	\$ 232,514	\$ 408,263	\$ 175,749



Budgetary Comparison Schedule

FOOD SERVICE FUND

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
REVENUE				
Local Sources	\$ 236,227	\$ 232,794	\$ 221,786	\$ (11,008)
State Sources	19,357	16,122	17,392	1,270
Federal Sources	259,235	274,818	281,342	6,524
Other Sources	-	-	4,553	4,553
TOTAL REVENUE	514,819	523,734	525,073	1,339
EXPENDITURES				
Instruction				
Basic Programs	-	-	-	-
Added Needs	-	-	-	-
Supporting Services				
Pupil	492,519	483,326	479,308	4,018
Instructional Staff	-	-	-	-
Administration	-	-	-	-
Business Services	-	-	-	-
Athletic Activities	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Other Uses - Operating Transfers	25,000	31,000	30,387	613
TOTAL EXPENDITURES	517,519	514,326	509,695	4,631
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES	(2,700)	9,408	15,378	5,970
BUDGETARY FUND BALANCE-				
July 1, 2016	85,117	85,117	85,117	-
BUDGETARY FUND BALANCE-				
June 30, 2017	\$ 82,417	\$ 94,525	\$ 100,495	\$ 5,970



HANOVER-HORTON SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION



GENERAL FUND



HANOVER-HORTON SCHOOL DISTRICT

General Fund

COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
REVENUE				
LOCAL SOURCES				
Current Property Tax Levy	\$ 1,091,762	\$ 1,088,933	\$ (2,829)	\$ 1,096,505
Interest and Penalties - Delinquent Taxes	9,798	10,067	269	27,676
Tuition	2,125	2,000	(125)	2,175
Sale of School Property	193	193	-	8,310
Refunds	17,257	15,404	(1,853)	9,529
Athletic Revenue	59,455	59,455	-	57,213
Interest Earned	2,040	2,539	499	961
Rental of School Facilities	16,080	16,080	-	11,080
Transportation	17,673	24,380	6,707	15,062
Kids Club Fees	377	377	-	18,395
Other	8,146	8,147	1	10,712
TOTAL LOCAL SOURCES	1,224,906	1,227,575	2,669	1,257,618
INTER-DISTRICT SOURCES				
Career Prep	9,000	9,000	-	9,000
Data Processing Support	29,648	29,648	-	29,000
Special Education	364,200	382,614	18,414	364,200
Tech Readiness Infrastructure	3,433	3,433	-	5,165
TOTAL INTER-DISTRICT SOURCES	406,281	424,695	18,414	407,365
STATE SOURCES				
State Aid	7,315,280	7,316,890	1,610	7,082,056
Data Collection	28,732	28,727	(5)	28,319
Special Education	234,757	234,757	-	233,366
At Risk	206,593	206,593	-	198,958
Renaissance Zone	9,423	9,423	-	8,222
Literacy Instruction	10,040	10,040	-	11,880
Principal Training	-	-	-	1,050
Retirement Stabilization	684,419	684,419	-	655,158
Tech Infrastructure	-	-	-	20,086
TOTAL STATE SOURCES	8,489,244	8,490,849	1,605	8,239,095
FEDERAL SOURCES				
Medicaid ADM Outreach	3,516	3,516	-	2,530
Title I	154,041	134,424	(19,617)	138,818
Title II - A	72,997	41,988	(31,009)	29,036
McKinney Vento	2,745	2,036	(709)	1,640
TOTAL FEDERAL SOURCES	233,299	181,964	(51,335)	172,024
TOTAL REVENUE	\$ 10,353,730	\$ 10,325,083	\$ (28,647)	\$ 10,076,102



COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL (CONTINUED)

YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
EXPENDITURES				
INSTRUCTION				
BASIC PROGRAMS				
Elementary School	\$ 2,479,081	\$ 2,470,586	\$ 8,495	\$ 2,332,646
Middle School	1,278,719	1,262,335	16,384	1,211,874
High School	1,766,929	1,723,787	43,142	1,816,115
Summer School	5,135	9,076	(3,941)	688
TOTAL BASIC PROGRAMS	5,529,864	5,465,784	64,080	5,361,323
ADDED NEEDS				
Special Education	783,278	778,767	4,511	736,609
Compensatory Education	148,426	128,943	19,483	122,599
TOTAL ADDED NEEDS	931,704	907,710	23,994	859,208
TOTAL INSTRUCTION	6,461,568	6,373,494	88,074	6,220,531
SUPPORTING SERVICES				
PUPIL				
Guidance	133,531	132,777	754	173,451
Health Services	26,281	22,516	3,765	24,002
Social Work Services	44,100	50,900	(6,800)	-
Other Pupil Services	201,588	190,673	10,915	215,788
Improvement of Instruction	44,585	24,317	20,268	26,328
Educational Media Services	72,830	71,372	1,458	69,506
TOTAL PUPIL	522,915	492,555	30,360	509,075
INSTRUCTIONAL STAFF				
Supervision and Direction	12,002	11,918	84	11,770
TOTAL INSTRUCTIONAL STAFF	12,002	11,918	84	11,770
ADMINISTRATION				
Board of Education	65,025	53,641	11,384	77,910
Executive Administration	421,617	424,287	(2,670)	418,726
School Administration	616,918	622,653	(5,735)	605,837
TOTAL ADMINISTRATION	\$ 1,103,560	\$ 1,100,581	\$ 2,979	\$ 1,102,473



HANOVER-HORTON SCHOOL DISTRICT

General Fund

COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL (CONTINUED)

YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
EXPENDITURES (CONTINUED)				
SUPPORTING SERVICES (CONTINUED)				
BUSINESS SERVICES				
Operation and Maintenance	\$ 1,050,278	\$ 1,025,979	\$ 24,299	\$ 992,668
Pupil Transportation	584,551	573,141	11,410	542,766
Technology	128,544	119,937	8,607	120,505
Security	11,652	11,554	98	10,331
Other	72,213	53,487	18,726	61,753
Pupil Accounting	12,892	12,892	-	13,073
TOTAL BUSINESS SERVICES	1,860,130	1,796,990	63,140	1,741,096
TOTAL SUPPORTING SERVICES	3,498,607	3,402,044	96,563	3,364,414
ATHLETIC ACTIVITIES	298,277	287,708	10,569	284,645
COMMUNITY SERVICES				
Kids Club	117	119	(2)	14,351
Other	5,356	4,257	1,099	4,757
TOTAL COMMUNITY SERVICES	5,473	4,376	1,097	19,108
DEBT SERVICE	8,401	8,401	-	10,501
CAPITAL OUTLAY	43,905	35,199	8,706	98,521
TOTAL EXPENDITURES	10,316,231	10,111,222	205,009	9,997,720
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	37,499	213,861	176,362	78,382
OTHER FINANCING SOURCES (USES)				
Indirect Costs	31,000	30,387	613	38,144
Loan Proceeds	-	-	-	64,000
Prior Period Adjustment	(4,553)	(4,553)	-	(135,005)
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	26,447	25,834	613	(32,861)
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 63,946	239,695	\$ 176,975	\$ 45,521
FUND BALANCE - JULY 1, 2016		168,568		
FUND BALANCE - JUNE 30, 2017		\$ 408,263		



SPECIAL REVENUE FUND



HANOVER-HORTON SCHOOL DISTRICT

Food Service Fund

COMPARATIVE BALANCE SHEET

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Investments	\$ 134,887	\$ 131,195
Due from Other Governmental Units	-	-
Due from Other Funds	-	-
Prepaid Expenses	187	54
Inventory	17,805	5,518
TOTAL ASSETS	\$ 152,879	\$ 136,767
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 6,694	\$ 5,473
Accrued Salaries	-	-
Accrued Expenses	-	-
Due to Other Funds	45,690	46,177
TOTAL LIABILITIES	52,384	51,650
FUND BALANCE		
Non-Spendable	17,992	5,572
Restricted	82,503	79,545
TOTAL FUND BALANCE	100,495	85,117
TOTAL LIABILITIES AND FUND BALANCE	\$ 152,879	\$ 136,767



**COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
REVENUE				
Goods Sold				
Student Meals	\$ 133,940	\$ 128,590	\$ (5,350)	\$ 113,995
Adult Meals	7,188	6,841	(347)	7,147
Ala Carte Meals	68,067	65,657	(2,410)	84,783
Breakfast	11,710	11,090	(620)	12,365
Catering	2,607	2,081	(526)	2,311
State Aid	16,122	17,392	1,270	24,113
Federal Aid	243,900	238,399	(5,501)	226,918
Federal USDA Commodities in Kind	30,918	42,943	12,025	32,302
Other Income	8,584	6,704	(1,880)	6,280
Interest Income	698	823	125	245
TOTAL REVENUE	<u>523,734</u>	<u>520,520</u>	<u>(3,214)</u>	<u>510,459</u>
EXPENDITURES				
Salaries	126,146	128,680	(2,534)	129,230
Fringe Benefits	71,486	76,035	(4,549)	75,673
Dues and Fees	8,181	8,561	(380)	8,363
Purchased Services	13,075	8,645	4,430	4,964
Food and Supplies	215,151	208,494	6,657	198,223
Miscellaneous	466	118	348	106
Contracted Services	48,821	48,775	46	51,182
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>483,326</u>	<u>479,308</u>	<u>4,018</u>	<u>467,741</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	40,408	41,212	804	42,718
OTHER FINANCING SOURCES (USES)				
Indirect Costs	(31,000)	(30,387)	613	(38,144)
Prior Period Adjustment	-	4,553	4,553	-
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(31,000)</u>	<u>(25,834)</u>	<u>5,166</u>	<u>(38,144)</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND AND OTHER USES	<u>\$ 9,408</u>	15,378	<u>\$ 5,970</u>	<u>\$ 4,574</u>
FUND BALANCE - BEGINNING OF YEAR		85,117		
FUND BALANCE - END OF YEAR		<u>\$ 100,495</u>		



HANOVER-HORTON SCHOOL DISTRICT

DEBT RETIREMENT FUNDS



COMBINING BALANCE SHEET

JUNE 30, 2017

	2009 Refunding			
	Debt	2002 Debt	2017 Debt	Total
ASSETS				
Cash and Investments	\$ 619,866	\$ 185,665	\$ -	\$ 805,531
Due from Other Funds	-	-	-	-
TOTAL ASSETS	\$ 619,866	\$ 185,665	\$ -	\$ 805,531
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Governments	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCE				
Fund Balance	619,866	185,665	-	805,531
TOTAL FUND BALANCE	619,866	185,665	-	805,531
TOTAL LIABILITIES AND FUND BALANCE	\$ 619,866	\$ 185,665	\$ -	\$ 805,531



HANOVER-HORTON SCHOOL DISTRICT

Debt Retirement Funds

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

YEAR ENDED JUNE 30, 2017

	2009 Refunding Debt		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Current Taxes	\$ 514,408	\$ 514,208	\$ (200)
Interest and Penalties on Delinquent Property Taxes	1,440	1,514	74
Earned Interest	2,390	2,153	(237)
State Aid Revenue	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUE	<u>518,238</u>	<u>517,875</u>	<u>(363)</u>
EXPENDITURES			
Principal on Bonds	440,000	440,000	-
Interest on Bond	58,075	58,075	-
Agent Fees and Other	300	243	57
TOTAL EXPENDITURES	<u>498,375</u>	<u>498,318</u>	<u>57</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>19,863</u>	<u>19,557</u>	<u>(306)</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 19,863</u>	<u>19,557</u>	<u>\$ (306)</u>
FUND BALANCE - BEGINNING OF YEAR		<u>600,309</u>	
FUND BALANCE - END OF YEAR		<u>\$ 619,866</u>	



Debt Retirement Funds

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET TO ACTUAL (CONTINUED)

YEAR ENDED JUNE 30, 2017

2002 Debt			2017 Debt		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 154,315	\$ 154,252	\$ (63)	\$ -	\$ -	\$ -
860	876	16	-	-	-
810	745	(65)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>155,985</u>	<u>155,873</u>	<u>(112)</u>	<u>-</u>	<u>-</u>	<u>-</u>
175,000	175,000	-	-	-	-
16,275	16,275	-	-	-	-
350	336	14	-	-	-
<u>191,625</u>	<u>191,611</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(35,640)</u>	<u>(35,738)</u>	<u>(98)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ (35,640)</u>	<u>(35,738)</u>	<u>\$ (98)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
	<u>221,403</u>			<u>-</u>	
	<u>\$ 185,665</u>			<u>\$ -</u>	



HANOVER-HORTON SCHOOL DISTRICT

Debt Retirement Funds

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (CONTINUED)

YEAR ENDED JUNE 30, 2017

	Total		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUE			
Current Taxes	\$ 668,723	\$ 668,460	\$ (263)
Interest and Penalties on Delinquent Property Taxes	2,300	2,390	90
Earned Interest	3,200	2,898	(302)
State Aid Revenue	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUE	<u>674,223</u>	<u>673,748</u>	<u>(475)</u>
EXPENDITURES			
Principal on Bonds	615,000	615,000	-
Interest on Bond	74,350	74,350	-
Agent Fees and Other	650	579	71
TOTAL EXPENDITURES	<u>690,000</u>	<u>689,929</u>	<u>71</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>(15,777)</u>	<u>(16,181)</u>	<u>(404)</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (15,777)</u>	<u>(16,181)</u>	<u>\$ (404)</u>
FUND BALANCE - BEGINNING OF YEAR		<u>821,712</u>	
FUND BALANCE - END OF YEAR		<u>\$ 805,531</u>	



CAPITAL PROJECT FUND



HANOVER-HORTON SCHOOL DISTRICT

Capital Project Fund

BALANCE SHEET

JUNE 30, 2017

ASSETS

Cash and Investments	\$	222,127
Due from Other Funds		-

TOTAL ASSETS

\$	222,127
----	---------

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$	-
Due to Other Funds		-

TOTAL LIABILITIES

-

FUND BALANCE

Fund Balance		222,127
--------------	--	---------

TOTAL FUND BALANCE

222,127

TOTAL LIABILITIES AND FUND BALANCE

\$	222,127
----	---------



STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2017

REVENUE	
Current Taxes	\$ -
Delinquent Taxes	-
Interest and Penalties on on Delinquent Property Taxes	-
Earned Interest	3
State Aid Revenue	-
Miscellaneous	-
TOTAL REVENUE	3
EXPENDITURES	
Debt Service	-
Capital Outlay	22,609
Bond Fees	5,267
TOTAL EXPENDITURES	27,876
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(27,873)
OTHER FINANCING SOURCES (USES)	
Bond Proceeds	250,000
Operating Transfers In	-
Operating Transfers (Out)	-
TOTAL OTHER FINANCING SOURCES (USES)	250,000
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	222,127
FUND BALANCE - BEGINNING OF YEAR	-
FUND BALANCE - END OF YEAR	\$ 222,127



HANOVER-HORTON SCHOOL DISTRICT

SINKING FUND



COMPARATIVE BALANCE SHEET

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Investments	\$ -	\$ -
Taxes Receivable	-	-
Due from Other Funds	326,228	178,926
TOTAL ASSETS	\$ 326,228	\$ 178,926
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ -	\$ -
Due to Other Governments	-	-
TOTAL LIABILITIES	-	-
FUND BALANCE		
Fund Balance	326,228	178,926
TOTAL FUND BALANCE	326,228	178,926
TOTAL LIABILITIES AND FUND BALANCE	\$ 326,228	\$ 178,926



HANOVER-HORTON SCHOOL DISTRICT

Sinking Fund

COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

YEAR ENDED JUNE 30, 2017 AND 2016

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
REVENUE				
Current Taxes	\$ 257,242	\$ 257,094	\$ (148)	\$ 253,100
Delinquent Taxes	900	894	(6)	2,318
Grants	-	-	-	-
Earned Interest	300	4,908	4,608	1,684
Miscellaneous	-	-	-	-
TOTAL REVENUE	<u>258,442</u>	<u>262,896</u>	<u>4,454</u>	<u>257,102</u>
EXPENDITURES				
Capital Outlay	180,037	115,594	64,443	373,108
TOTAL EXPENDITURES	<u>180,037</u>	<u>115,594</u>	<u>64,443</u>	<u>373,108</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	78,405	147,302	68,897	(116,006)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 78,405</u>	147,302	<u>\$ 68,897</u>	<u>\$ (116,006)</u>
FUND BALANCE - BEGINNING OF YEAR		<u>178,926</u>		
FUND BALANCE - END OF YEAR		<u>\$ 326,228</u>		



AGENCY FUND



HANOVER-HORTON SCHOOL DISTRICT

Agency Funds

STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2017

ASSETS

Cash and Investments	\$ 292,682
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TOTAL ASSETS	\$ 292,682
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LIABILITIES

Due to Other Funds	\$ -
--------------------	------

Due to Student Groups	292,682
-----------------------	---------

TOTAL LIABILITIES	\$ 292,682
--------------------------	-------------------



STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2017

	<u>July 1,</u> <u>2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30,</u> <u>2017</u>
ASSETS				
Cash	<u>\$ 299,228</u>	<u>\$ 351,532</u>	<u>\$ 358,078</u>	<u>\$ 292,682</u>
LIABILITIES				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Due to Student Groups	<u>299,228</u>	<u>351,532</u>	<u>358,078</u>	<u>292,682</u>
	<u>\$ 299,228</u>	<u>\$ 351,532</u>	<u>\$ 358,078</u>	<u>\$ 292,682</u>

HANOVER-HORTON SCHOOL DISTRICT

Agency Funds

DETAILED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES INTERNAL ACTIVITIES FUND

YEAR ENDED JUNE 30, 2017

ACTIVITY	Due to		Due to	
	Student Groups July 1, 2016	Receipts	Disbursements	Student Groups June 30, 2017
Academic Boosters	\$ 77	\$ -	\$ -	\$ 77
Academic Service Learning	2,771	-	693	2,078
Alumni Account	31,522	1,568	-	33,090
Ames Memorial	23,613	200	2,000	21,813
Athletic Tournaments	8,892	5,884	7,127	7,649
Athletic Vending	4,673	-	4,673	-
Band Piano	1,660	-	135	1,525
Band Fundraising	2,326	10,075	9,889	2,512
Band Travel	-	25,450	19,670	5,780
Blooming Comets	214	-	-	214
Give Hope	-	150	-	150
5th Grade	1,192	4,051	2,827	2,416
Cheerleaders	974	9,504	7,994	2,484
Choir	313	743	905	151
Chris Brian Scholarship	-	910	-	910
Citizens for Education	(5)	-	-	(5)
Class of:				
2015	3,214	-	3,214	-
2016	3,454	15	79	3,390
2017	7,794	3,541	10,963	372
2018	311	12,031	7,354	4,988
2019	2,736	3,571	1,879	4,428
2020	-	7,022	1,296	5,726
Competitive Grant (JCF)	166	-	-	166
Cool Care Challenge	57	-	-	57
Counseling - Elem	100	-	-	100
Drama Club	5,361	2,930	1,625	6,666
Earnings of Investments	349	532	-	881
Educational Fund Grants	558	3,176	2,400	1,334
Elementary	2,702	3,841	3,810	2,733
Young 5 Field Trips	141	682	-	823
Kindergarten Field Trips	644	1,803	823	1,624
First Grade Field Trips	(129)	1,101	-	972
Elementary Art	779	-	-	779
Second Grade Field Trips	278	1,241	-	1,519
Third Grade Field Trips	(762)	4,061	1,632	1,667
Elementary Box Tops	5,269	858	5,601	526
Fourth Grade Field Trips	317	2,458	856	1,919
Elementary Fourth Grade Science	499	600	169	930
Elementary Merchandise	\$ 381	\$ 1,440	\$ 1,480	\$ 341



**DETAILED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
INTERNAL ACTIVITIES FUND (CONTINUED)**

YEAR ENDED JUNE 30, 2017

ACTIVITY	Due to			Due to
	Student Groups July 1, 2016	Receipts	Disbursements	Student Groups June 30, 2017
Elementary Pop Fund	\$ 2,525	\$ 552	\$ 1,687	\$ 1,390
Elementary RTI	232	-	-	232
Elementary Student Council	2,954	-	1,900	1,054
Girl's Golf	100	-	-	100
Girl's Travel Basketball	4,361	7,044	9,681	1,724
H-H Renaissance Account	(263)	-	-	(263)
H-H Music Boosters	7,972	11,859	9,736	10,095
H-H Community Service Club	3,528	1,350	2,098	2,780
HS Art	441	188	397	232
HS Baseball	1,014	13,544	10,581	3,977
HS Business Management Class	409	8,755	8,721	443
HS Cross Country	867	10,715	9,491	2,091
HS English Department	500	-	-	500
HS Football	4,275	17,544	12,061	9,758
HS GSA Club	39	12	-	51
HS Golf	(192)	-	-	(192)
HS Human Relations	1,425	-	-	1,425
HS Journalism	65	446	-	511
HS Milk Grant	5	2,200	1,143	1,062
HS Miscellaneous	2,513	913	726	2,700
HS Counseling	493	1,964	1,388	1,069
HS National Honor Society	1,212	670	506	1,376
HS Portfolio Supplies	590	-	-	590
HS Tech Lab	2,348	-	1,037	1,311
HS Softball	269	1,288	2,267	(710)
HS World Language Club	1,889	166	101	1,954
HS SAC	939	-	-	939
HS Girls Soccer	3,273	4,689	3,203	4,759
HS Boys Soccer	2,014	4,562	5,331	1,245
HS Student Council	3,201	1,184	996	3,389
HS Teacher's Lounge	224	15	43	196
HS Track	651	2,319	2,694	276
HS Website Development	230	-	-	230
HS Yearbook	(10,050)	5,763	1,260	(5,547)
JCF Youth Mini Grant	73	-	-	73
Junior Pro Boys Basketball	4,529	9,991	10,396	4,124
Kids Club	143	184	260	67
Ladd Scholarship	97	-	-	97
Library Fund	1,191	426	637	980
Lil Comets	\$ 1,660	\$ -	\$ -	\$ 1,660



HANOVER-HORTON SCHOOL DISTRICT

Agency Funds

DETAILED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES INTERNAL ACTIVITIES FUND (CONTINUED)

YEAR ENDED JUNE 30, 2017

ACTIVITY	Due to			Due to
	Student Groups July 1, 2016	Receipts	Disbursements	Student Groups June 30, 2017
Loss and Damage	\$ 2,794	\$ 414	\$ 2,513	\$ 695
Maintenance Rewards and Recognition	810	-	128	682
M. Bytnar Memorial Fund	217	-	-	217
Most Teens Don't	692	-	-	692
MS Activity	8,027	22,218	21,736	8,509
MS Art Fund	123	50	8	165
MS Cheerleading	22	-	-	22
MS Choir	3,829	1,795	1,928	3,696
MS Robotics	180	-	-	180
MS Miscellaneous	2,950	1,498	1,153	3,295
MS Pop Machine	406	28	92	342
MS Popcorn Repair Fund	478	-	-	478
MS Rewards	1	-	-	1
MS Running Club	120	-	49	71
MS Student Council	1,830	1,684	2,127	1,387
MS Volleyball	2,649	-	2,649	-
Weight Equipment	143	3,350	3,195	298
MS Yearbook	1,463	20	-	1,483
McGee Scholarship L.E.	1,598	1,369	1,500	1,467
New Library	1,084	-	-	1,084
New Press Box	340	-	-	340
Nick Thornsbury Memorial	4,016	-	300	3,716
Night Lights	8,382	5,384	8,336	5,430
Nursing	130	-	-	130
HS Science Dept	575	20,000	20,062	513
Pop Machine	2,489	3,719	6,259	(51)
PTA	17,000	10,919	25,886	2,033
RIOT Account	846	-	-	846
Robbie Curtis Charitable	1,004	-	-	1,004
Ruth Creps Scholarship	45,299	33,872	35,950	43,221
Soccer	1,078	9,471	5,718	4,831
Scholarship Fund	2,299	4,955	3,972	3,282
HS Math	-	1,102	-	1,102
Student Teacher Fund	1,133	-	90	1,043
Summer Lights	769	-	-	769
Supplies R Us	2,151	486	-	2,637
Tech Grant	10,424	2,095	2,089	10,430
HS Volleyball	11,128	6,600	12,714	5,014
Wall of Fame	1,000	-	-	1,000
Wrestling Club	(441)	2,722	2,189	92
Youth Baseball	4	-	-	4
Total	\$ 299,228	\$ 351,532	\$ 358,078	\$ 292,681



STATEMENTS OF INDEBTEDNESS



HANOVER-HORTON SCHOOL DISTRICT

Statement of Indebtedness

JUNE 30, 2017

EQUIPMENT LOAN

Balance Outstanding - June 30, 2017

\$ 56,738

Balance Payable as Follows:

Loan	Year	Interest Rate	Principal	Interest	Total
Hillsdale County National Bank	2017-2018	2.75%	\$ 7,461	\$ 1,561	\$ 9,022
	2018-2019	2.75%	7,667	1,355	9,022
	2019-2020	2.75%	7,878	1,144	9,022
	2020-2021	2.75%	8,094	928	9,022
	2021-2022	2.75%	8,317	705	9,022
	2022-2023	2.75%	8,545	477	9,022
	2023-2024	2.75%	8,776	246	9,022
			<u>\$ 56,738</u>	<u>\$ 6,416</u>	<u>\$ 63,154</u>

2009 REFUNDING DEBT

Balance Outstanding - June 30, 2017

\$ 1,255,000

Balance Payable as Follows:

Year	Interest Rate	Principal	Interest	Total
2017-18	3.25%	\$ 430,000	\$ 44,875	\$ 474,875
2018-19	3.50%	420,000	30,900	450,900
2019-20	4.00%	405,000	16,200	421,200
		<u>\$ 1,255,000</u>	<u>\$ 91,975</u>	<u>\$ 1,346,975</u>



Statement of Indebtedness

JUNE 30, 2017

2002 DEBT

Balance Outstanding - June 30, 2017 \$ 175,000

Balance Payable as Follows:

Year	Interest Rate	Principal	Interest	Total
2017-18	4.65%	\$ 175,000	\$ 16,275	\$ 191,275
		<u>\$ 175,000</u>	<u>\$ 16,275</u>	<u>\$ 191,275</u>

2017 DEBT

Balance Outstanding - June 30, 2017 \$ 250,000

Balance Payable as Follows:

Loan	Year	Interest Rate	Principal	Interest	Total
Hillsdale County National Bank	2017-2018	1.00%	\$ 40,000	\$ 2,664	\$ 42,664
	2018-2019	1.30%	45,000	2,785	47,785
	2019-2020	1.35%	50,000	2,268	52,268
	2020-2021	1.40%	55,000	1,642	56,642
	2021-2022	1.50%	60,000	900	60,900
			<u>\$ 250,000</u>	<u>\$ 10,259</u>	<u>\$ 260,259</u>



**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***

INDEPENDENT AUDITORS' REPORT

Board of Education
Hanover-Horton School District
Horton, 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 Hanover-Horton Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Hanover-Horton School's basic financial statements, and have issued our report thereon dated August 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hanover-Horton School's internal control over financial reporting 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 Hanover-Horton School's internal control. Accordingly, we do not express an opinion on the effectiveness of Hanover-Horton School'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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of Hanover-Horton School'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 Hanover-Horton School District's financial statements are free of 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 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 Hanover-Horton School 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 Hanover-Horton School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Karl Z. Drake

Drake Certified Public Accountants

August 21, 2017



HANOVER-HORTON SCHOOL DISTRICT



FINANCIAL STATEMENTS

YEAR ENDED
JUNE 30, 2017



Drake
Certified
Public
Accountants

HANOVER-HORTON SCHOOL DISTRICT

LIST OF PRINCIPAL INDIVIDUALS

Board of Education

Christine Vincent	President
Gary Schuette	Vice President
Joseph Childs	Secretary
Leon Densmore	Treasurer
Gail Proctor	Board Member
Chris Blackledge	Board Member
Tim Evans	Board Member

Management

John Denney	Superintendent
Adrienne Spencer	Business Manager



HANOVER-HORTON SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Education
Hanover-Horton School District
Horton, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanover-Horton School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School 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.

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.

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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanover-Horton School District, as of June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Accounting Changes

As described in Note 21 to the financial statements, the District adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures. Our opinions are not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, budgetary comparison information, the Schedule of Reporting Unit's Proportionate Share of Net Pension Liability, and the Schedule of Reporting Unit's Contributions on pages 3-9 and 37-40 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 Hanover-Horton School District’s basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental 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. 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 other supplemental information is 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 August 21, 2017, on our consideration of the Hanover-Horton School 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 Hanover-Horton School District’s internal control over financial reporting and compliance.

Karl Z. Drake

Drake Certified Public Accountants
August 21, 2017



HANOVER-HORTON SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hanover-Horton School District's annual financial report presents discussion and analysis of the School District's financial performance during the year ended June 30, 2017. It is best read in conjunction with the School District's financial statements, which immediately follow 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 Hanover-Horton School District financially as a whole. The District-Wide Financial Statements provide information about the activities of the entire School District, presenting both an aggregate view of the School 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 School District's operations in more detail than the District-Wide financial statements by providing information about the School District's most significant funds - the General Fund and Food Service Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Schedules for Net Pension Liability

Budgetary Information for the General Fund and Food Service
(Required Supplemental Information)

Other Supplemental Information

Reporting the School District as a Whole - Government-Wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities (that appear first in the School District's financial statements) report information on the School District as a whole and its activities in a way that helps answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.



Reporting the School District as a Whole - Government-Wide Financial Statements (Continued)

These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to 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 School District.

The statement of net position and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

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

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes funds as needed to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental Funds

All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing money inflow and outflow and the balances remaining at year end which 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 School 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 School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation.

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

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



HANOVER-HORTON SCHOOL DISTRICT

Management's Discussion and Analysis

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2017 and 2016:

TABLE 1	Governmental Activities	
	(In Millions)	
	2017	2016
ASSETS		
Current and other assets	\$ 4.3	\$ 3.8
Capital assets - net of accumulated depreciation	7.1	7.4
TOTAL ASSETS	11.4	11.2
DEFERRED OUTFLOWS OF RESOURCES	2.2	1.6
LIABILITIES		
Current liabilities	3.1	3.0
Long-term liabilities	17.6	18.3
TOTAL LIABILITIES	20.7	21.3
DEFERRED INFLOWS OF RESOURCES	1.1	0.2
NET POSITION		
Invested in property and equipment - net of related debt	4.1	3.9
Restricted	1.2	1.1
Unrestricted	(13.5)	(13.7)
TOTAL NET POSITION	\$ (8.2)	\$ (8.7)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was (\$8.2) million at June 30, 2017. Capital assets, net of related debt totaling \$4.1 million compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use the net position for day-to-day operations. The remaining amount of net position (\$13.5 million) was unrestricted.

The (\$13.5) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.



The School District as a Whole (Continued)

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal year 2017 and 2016.

TABLE 2	Governmental Activities	
	(In Millions)	
	2017	2016
REVENUE		
Program Revenue		
Charges for Services	\$ 0.7	\$ 0.7
Grants and Categoricals	1.0	1.0
General Revenue		
Property Taxes	1.4	2.1
State Aid	7.3	7.1
Other	1.4	0.7
TOTAL REVENUE	11.8	11.6
FUNCTION/PROGRAM EXPENSES		
Instruction	6.4	6.2
Support Services	3.5	3.7
Athletics	0.3	0.3
Food Services	0.5	0.4
Interest on Long-Term Debt	0.1	0.1
Depreciation (Unallocated)	0.5	0.4
TOTAL FUNCTION/PROGRAM EXPENSES	11.3	11.1
INCREASE (DECREASE) IN NET POSITION	\$ 0.5	\$ 0.5

The primary reasons for the change in net position have been funding cuts at the state level and controlling expenditures. The net results are still negatively impacting School Districts across the state of Michigan and specifically our School District. The funding deficit has resulted in cuts to services across the School District.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of School District operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.



HANOVER-HORTON SCHOOL DISTRICT

Management's Discussion and Analysis

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$1.9 million, which is an increase of \$608 thousand over last year. The primary reason for the increase is controlling expenditures. The General Fund, the principal operating fund, saw the fund balance increase \$239,695 to \$408,263, which is more than the budgeted increase of \$63,946.

- Special Revenue Funds remained stable from the prior year, showing a net increase of approximately \$15,378.
- Combined, the Debt Service Funds showed a fund balance increase of \$805,531. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Fund Balances in the Debt Service Funds are restricted since they can only be used to pay debt service obligations.

General Budgetary Highlights

Over the course of the year, the School District amends its budget as it attempts to deal with changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The School District has made cuts in line item spending as well as eliminating programs, over the past few years, in an attempt to lower expenditures. In addition, the School District has not replaced employees that have retired. Nine teaching positions were eliminated at the end of the 2014-15 school year in order to avoid going into deficit. In 2017, a bond was passed in order to address needed technology items to keep from making the purchases out of the general fund.

In the 2011-12 school year, the School District added a Virtual High School to try to increase enrollment. This program has averaged 10-15 students over the last few years.

Retirement costs have increased dramatically from 12% in 2001-2002 to as high as 30% in 2016-2017.

There was a slight increase in the State Foundation Allowance. However, there were other costs incurred by the School District due to changes in MPSERS.



Capital Asset and Debt Administration

Capital Asset

At June 30, 2017, the School District had \$7.1 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of approximately \$351,918 or 4.73 percent, from last year.

	2017	2016
Land and Improvements	\$ 2,454,499	\$ 2,429,228
Buildings and Improvements	12,510,597	12,462,242
Buses and Other Vehicles	409,229	409,229
Furniture and Equipment	940,026	907,598
Total Capital Assets	16,314,351	16,208,297
Less Accumulated Depreciation	(9,226,421)	(8,768,449)
Net Capital Assets	\$ 7,087,930	\$ 7,439,848

Debt

At the end of this year, the School District had \$1.5 million in bonds and loans outstanding versus \$2.1 million in the previous year - a decrease of 29.5 percent. Debt consisted of the following:

	2017	2016
General Obligation Bonds	\$ 1,430,000	\$ 2,045,000
Bus Loans	56,738	64,000
	\$ 1,486,738	\$ 2,109,000

The School District's general obligation bond rating continues to be equivalent to the State's credit rating. 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 School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$1.5 million is significantly below the statutorily imposed limit.



HANOVER-HORTON SCHOOL DISTRICT

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

The elected officials and administration considered many factors when setting the School District's 2016-2017 fiscal year budget. The two most important factors are the student count and the amount of revenue that the School District will receive per pupil. During the 2011-12 school year, the School District opened the Virtual High School. If the School District is able to maintain at least the same level of enrollment in this program as last year, it should help offset the decline in enrollment at the elementary school. The birth rate is down in Michigan, and both the State and the Jackson County unemployment rates are having a negative impact on the School District as well. The other budget impact is our per-pupil allocation. The state foundation revenue is determined by multiplying the blended student count (using two separate count days) by the per student foundation allocation. The per-pupil allocation in 2008-2009 was \$7,316. Since then, the School District has had several consecutive years of budget cuts, with some ability to partially restore funding through federal funds that were received in 2009-2011. In 2011-2012, the School District had some carry-over funds that it was able to use; however, all of these funding sources have expired. The 2016-2017 per-pupil allocation is \$7,511.

Additionally, staff has been required to pay 20% of the cost of health care. This has shifted some of the rising insurance costs to the employee. Changes have also been made in carriers, increased deductibles and co-pays; all in an attempt to reduce the cost of health care. All insured employees were covered through the Jackson County Health Consortium again in the 2015-2016 school year. The largest cost increase that the School District has experienced is the rising cost of the Michigan Public School Employee Retirement System or MPSERS. The Legislature has passed changes that are designed to limit future increases in the amount that School Districts are contributing into the system. The biggest unknown for the 2017-2018 school year is the fall enrollment number. After the final number is known, the 2017-2018 budget will need to be revised. With the spring student count of just over 1,130 students, the budget was developed with an anticipated enrollment of 1,120 students.

Prior to 2011, the School District's revenue was dependent on the health of the state's School Aid Fund. If there was a surplus in the state School Aid Fund, School Districts received increases in their per pupil allocation. If the School Aid Fund was not generating adequate funding to meet their revenue obligations, local School Districts could receive mid-year budget reductions or a proration. Now that the School Aid Fund has been tapped by the legislature to help balance the state General Fund, local School District funding is even more precarious. The state's long-term commitment to local School Districts is uncertain at best, and budgeting is more challenging as costs continue to rise and revenue continues to decline.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors and creditors of the Hanover-Horton School District with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager, 10400 Moscow Road, Horton, Michigan 49246.



BASIC FINANCIAL STATEMENTS



HANOVER-HORTON SCHOOL DISTRICT

District-Wide Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 2,746,229
Due From Other Governmental Units	1,573,024
Accounts Receivable	3,841
Inventories	17,805
Prepaid Expenditures	837
TOTAL CURRENT ASSETS	<u>4,341,736</u>
NON-CURRENT ASSETS	
Capital Assets	16,314,351
Less: Accumulated Depreciation	<u>(9,226,421)</u>
TOTAL NON-CURRENT ASSETS	<u>7,087,930</u>
TOTAL ASSETS	<u>11,429,666</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>2,249,062</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 13,678,728
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 18,972
Accrued Salaries and Expenses	1,160,120
Accrued Interest	10,322
Bonds and Loans Payable, Due within One Year	<u>1,952,461</u>
TOTAL CURRENT LIABILITIES	<u>3,141,875</u>
NON-CURRENT LIABILITIES	
Bonds Payable	1,035,000
Loans Payable	49,277
Compensated Absences and Severance Pay	40,843
Net Pension Liability	<u>16,449,080</u>
TOTAL NON-CURRENT LIABILITIES	<u>17,574,200</u>
TOTAL LIABILITIES	<u>20,716,075</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>1,069,359</u>
NET POSITION	
Net Investment in Capital Assets	4,051,192
Restricted for Debt Service	805,531
Restricted for Food Service	100,495
Restricted for Sinking Fund	326,228
Restricted for Capital Projects	222,127
Unrestricted	<u>(13,612,279)</u>
TOTAL NET POSITION	<u>(8,106,706)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 13,678,728

See Accompanying Notes to Financial Statements



District-Wide Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenue		Governmental
		Charges For Services	Operating Grants	Activities
				Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
Governmental Activities				
Instruction	\$ 6,373,494	\$ 2,000	\$ 479,500	\$ (5,891,994)
Support Services	3,502,143	424,695	181,964	(2,895,484)
Food Services	479,308	226,339	298,734	45,765
Community Services	4,376	377	-	(3,999)
Athletics	287,708	59,455	-	(228,253)
Interest on Long-Term Debt	76,110	-	-	(76,110)
Depreciation (Unallocated)	457,972	-	-	(457,972)
Total Governmental Activities	<u>11,181,111</u>	<u>712,866</u>	<u>960,198</u>	<u>(9,508,047)</u>
General Revenue				
Taxes				
Property Taxes, Levied for General Operations				1,099,000
Property Taxes, Levied for Debt Service				-
Property Taxes, Levied for Sinking Fund				257,988
State of Michigan Aid, Unrestricted				7,316,890
Interest Earnings				7,447
Other				1,432,414
Total General Revenue				<u>10,113,739</u>
CHANGE IN NET POSITION				605,692
NET POSITION - BEGINNING OF YEAR				<u>(8,712,398)</u>
NET POSITION - END OF YEAR				<u>\$ (8,106,706)</u>



HANOVER-HORTON SCHOOL DISTRICT

Governmental Funds

BALANCE SHEET

JUNE 30, 2017

	General	Food Service	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,583,684	\$ 134,887	\$ 1,027,658	\$ 2,746,229
Accounts Receivable	3,841	-	-	3,841
Due from Other Governmental Units	1,573,024	-	-	1,573,024
Due from Other Funds	45,690	-	326,228	371,918
Inventories	-	17,805	-	17,805
Prepaid Expenditures	650	187	-	837
TOTAL ASSETS	\$ 3,206,889	\$ 152,879	\$ 1,353,886	\$ 4,713,654
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 11,703	\$ 6,694	\$ -	\$ 18,397
Accrued Salaries and Withholdings	1,160,120	-	-	1,160,120
Due to Other Funds	326,228	45,690	-	371,918
Short-Term Loans	1,300,000	-	-	1,300,000
Deferred Revenue	575	-	-	575
TOTAL LIABILITIES	2,798,626	52,384	-	2,851,010
FUND BALANCES				
Non-spendable	650	17,992	-	18,642
Restricted	123,362	82,503	1,353,886	1,559,751
Committed	-	-	-	-
Assigned	175,377	-	-	175,377
Unrestricted	108,874	-	-	108,874
TOTAL FUND BALANCES	408,263	100,495	1,353,886	1,862,644
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,206,889	\$ 152,879	\$ 1,353,886	\$ 4,713,654
TOTAL GOVERNMENTAL FUND BALANCES				\$ 1,862,644
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:				
Cost of the Capital Assets				16,314,351
Accumulated Depreciation				(9,226,421)
				<u>7,087,930</u>
Long-term liabilities are not due and payable in the current period and are not reported in the fund:				
Bonds Payable				(1,680,000)
Loans Payable				(56,738)
Compensated Absences				(40,843)
Net Pension Liability				(16,449,080)
Accrued interest is not included as a liability in governmental funds				(10,322)
Deferred Outflows of Resources are not included in governmental funds				2,249,062
Deferred Inflows of Resources are not included in governmental funds				(1,069,359)
NET POSITION OF GOVERNMENTAL ACTIVITIES				<u><u>\$ (8,106,706)</u></u>

See Accompanying Notes to Financial Statements



Governmental Funds

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2017

	General	Food Service	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUE				
Local Sources	\$ 1,227,575	\$ 221,786	\$ 936,647	\$ 2,386,008
Inter-District Sources	424,695	-	-	424,695
State Sources	8,490,849	17,392	-	8,508,241
Federal Sources	181,964	281,342	-	463,306
Other Sources	-	4,553	-	4,553
TOTAL REVENUE	10,325,083	525,073	936,647	11,786,803
EXPENDITURES				
Instruction	6,373,494	-	-	6,373,494
Supporting Services	3,402,044	479,308	-	3,881,352
Athletic Activities	287,708	-	-	287,708
Community Services	4,376	-	-	4,376
Debt Service	8,401	-	689,929	698,330
Capital Outlay	35,199	-	143,470	178,669
TOTAL EXPENDITURES	10,111,222	479,308	833,399	11,423,929
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	213,861	45,765	103,248	362,874
OTHER FINANCING SOURCES (USES)				
Indirect costs	30,387	(30,387)	-	-
Loan Proceeds	-	-	250,000	250,000
Prior Period Adjustment	(4,553)	-	-	(4,553)
Transfers In (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	25,834	(30,387)	250,000	245,447
NET CHANGE IN FUND BALANCES	239,695	15,378	353,248	608,321
FUND BALANCES - BEGINNING OF YEAR	168,568	85,117	1,000,638	1,254,323
FUND BALANCES - END OF YEAR	\$ 408,263	\$ 100,495	\$ 1,353,886	\$ 1,862,644



HANOVER-HORTON SCHOOL DISTRICT

Governmental Funds

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 608,321
Amounts reported for governmental activities in the statement of activities are different because:		
- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.		
Depreciation Expense	(457,972)	
Capital Outlay	<u>106,054</u>	
		(351,918)
- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.		2,216
- Deferred outflows of resources are recorded in the statement of net position but not in the governmental funds.		665,270
- Deferred inflows of resources are recorded in the statement of net position but not in the governmental funds.		(897,613)
- Loan proceeds are a revenue in the governmental funds, but not in the statement of activities (where it increases long-term debt).		(250,000)
- Repayment of note and bond principal are an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).		622,262
- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds.		20,190
- Net Pension Liability is recorded in the statement of net position but not in the governmental funds.		<u>186,964</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ 605,692

See Accompanying Notes to Financial Statements



STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS	
Cash and Cash Equivalents	\$ 292,682
Accounts Receivable	-
TOTAL ASSETS	\$ 292,682
LIABILITIES	
Due to Others	\$ -
Due to Student Groups	292,682
TOTAL LIABILITIES	\$ 292,682
NET POSITION	\$ -



HANOVER-HORTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY

Hanover-Horton School District is located in Jackson County, Michigan. The School District is a K through 12 system. The School District is governed by a School Board consisting of seven Board members, all of whom are elected by School District residents.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

B. BASIS OF PRESENTATION

District-Wide and Fund Financial Statements

The District-Wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary 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 revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the School District's government-wide activities are considered governmental activities.

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

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.

District-Wide Statements

The District-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

District-Wide Statements (Continued)

As a general rule, the effect of inter-fund activity has been eliminated from the District-Wide financial statements.

Fund Based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

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

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Special Revenue Fund maintained by the School District is the Food Service Fund.

Debt Retirement Funds

These funds are used to account for the accumulation of resources for, and for the payment of, general long-term debt principal, interest, and related costs. Debt Retirement Funds maintained by the School District are to retire outstanding 2017 bonded indebtedness, 2009 refunding, and 2002 bonded indebtedness.

Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Project Funds include capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of 1351a of the Revised School Code.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

Fund Based Statements (Continued)

GOVERNMENTAL FUNDS (CONTINUED)

Sinking Fund

Sinking Funds are used to account for tax revenue specifically collected for facility improvements and repairs.

FIDUCIARY FUNDS

Agency Fund

The Agency Fund is used to account for assets held by the School as an agent for student clubs and organizations. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund, Special Revenue Funds, and Debt Retirement Funds are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied and payable on December 1. The School District collects its taxes through the local School District treasurers. Settlement of the delinquent real property taxes is funded by Jackson and Hillsdale Counties. The School District recognizes property tax revenue in the year of levy except for delinquent personal property taxes, which are recorded as revenue when received.

E. INVENTORIES

Inventories are accounted for at cost on a first-in, first-out basis of accounting with the exception of USDA Commodities that are recorded at market value. Inventory consists of expendable supplies held for consumption and USDA Commodities.

F. CASH EQUIVALENTS

The School District considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. FINANCIAL INSTRUMENTS

The School does not require collateral to support financial instruments subject to credit risk.

H. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

I. STATE CATEGORICAL REVENUE

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose.

J. EQUITY

Net Position

Net position represents the difference between assets and deferred outflow of resources, less liabilities and deferred inflow of resources. The School District reports three categories of net position, as follows: (1) Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflow of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflow or resources related to those assets; (2) Restricted net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the School District’s debt. Restricted net position is reduced by liabilities and deferred inflow of resources related to the restricted assets; (3) Unrestricted net position consists of all other net position that does not meet the definition of the above components and is available for general use by the School District.

Fund Balance

In the fund financial statements, governmental funds report the following components of fund balance:

- Non-spendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed - Amounts that have been formally set aside by the board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board.
- Assigned - Intent to spend resources on specific purposes expressed by the board.
- Unassigned - Balances that do not otherwise fall into one of the above categories.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially or extend asset life are not capitalized. The School District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Building and additions	15-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

M. ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. DEFERRED OUTFLOW/INFLOW 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 future periods and so will not be recognized as outflows of resources (expenses) until then.

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 a future period and so will not be recognized as inflows of resources (revenue) until that time. The School District has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

O. NET PENSION LIABILITY

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Department, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS (CONTINUED)

6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The School District is in compliance with State law regarding their cash deposits.

The School District maintains its cash deposits in two financial institutions. At June 30, 2017, the book value of the School District's deposits was \$1,175,148 and the bank balance was \$1,302,683. Of the bank balance, \$500,000 was covered by federal depository insurance and \$675,148 was uninsured and uncollateralized.

Investments consist of external pooled funds and are stated at Net Asset Value. See footnote Fair Value Measurement for further details.

Total cash and investments as of June 30, 2017, consist of:

Petty Cash	\$	746
Deposits with Financial Institutions		1,174,402
Investments		1,891,638
	\$	<u>3,066,786</u>

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does have a policy for custodial credit risk, requiring diligence and prudence of investment officials when considering investments in obligations other than those of an agency of the United States. At year end, the School District had no investment securities that were uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the School District's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the School District had no such investments.

Concentration of Credit Risk

The School District does limit the amount that it may invest in any one issuer. The School District currently has no one investment which exceeds 20 percent of its total investments.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The School District restricts the amount of investments in foreign currency and, thus, at year end had no securities subject to foreign currency risk.



NOTE 3 - ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at June 30, 2017.

NOTE 4 - BUDGETARY ACCOUNTING

During the year ended June 30, 2017, the School District incurred no expenditures that were in excess of the amounts budgeted.

NOTE 5 - COMPENSATED ABSENCES

The School's policy is not to compensate employees for vacation time not used during the school year. Accumulated sick pay policies are as follows:

Teachers

Credited with 11 sick leave days per year; maximum accumulation of 130 days allowed; amounts over 130 days not used are paid at a rate of \$65 per day. A retirement leave benefit of \$70 per day (maximum \$980) is paid to teachers, employed by the School District for ten years or more, retiring from the School District.

Support Personnel

Credited with one day per month for months worked up to 10 per year; maximum accumulation of 120 days allowed; amounts over 120 days not used are paid at a rate of 50% of the employee's daily rate. A retirement leave benefit of 50% of the daily rate (maximum \$1,500) is paid upon retirement from the School District.

NOTE 6 - RELATED PARTY ACTIVITY

There was no related party activity in the year ended June 30, 2017.

NOTE 7 - COMPONENTS OF FUND BALANCE

The School District had the following components of fund balance at June 30, 2017:

- A. \$17,992 of fund balance in the Special Revenue - Food Service Fund is non-spendable. This amount represents inventory supplies and USDA commodity inventories on hand at year-end as well as prepaid expenses and is not available for current appropriations and expenditures of the Food Service Fund.
- B. \$1,559,751 of fund balance is restricted for the specific purpose for which it was received. At June 30, 2017, \$82,503 was restricted for Food Service, \$123,362 was restricted for At Risk, \$805,531 was restricted for Debt Service, \$326,228 was restricted for the Sinking Fund, and \$222,127 was restricted for Capital Projects.
- C. \$175,377 of the General Fund balance is assigned for the deficit projected in the District's 2017-2018 budget.
- D. The balance of the Fund Balance is unassigned and is available to fund future School operations. The June 30, 2017, Unassigned General Fund Balance of \$108,874 compares to June 30, 2016, unassigned General Fund Balance of \$100,931.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 8 - INVENTORY

There is \$17,805 of inventory in the Special Revenue Fund - Food Service.

NOTE 9 - DUE FROM OTHER GOVERNMENTAL UNITS

The Due from Other Governmental Units at June 30, 2017, is comprised of the following:

<u>General Fund</u>	
State of Michigan	
State Aid	\$ 1,544,634
Title 1	26,653
Title 2A	1,737
	<u>\$ 1,573,024</u>

NOTE 10 - INVESTMENTS

Investments at estimated fair value as of June 30, 2017, consist of:

External Investment Pools	<u>\$ 1,891,638</u>
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Investment income (loss) for the year ended June 30, 2017, consists of:

Interest and Dividends	\$ 8,791
Net Realized and Unrealized Gain (Loss)	<u>-</u>
Total	<u>\$ 8,791</u>

NOTE 11 - FAIR VALUE MEASUREMENTS

The District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the District's mission, the District determines that the disclosures related to these investments only need to be disaggregated by major type.

Investments valued at the net asset value as of June 30, 2017, are:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
External Investment Pools	<u>\$ 1,891,638</u>	<u>\$ -</u>	Unlimited	None



NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

External investment pools consist of Michigan Liquid Asset Funds and Comerica Bank School Cash Investment Funds. The District's funds are invested in the Michigan Liquid Asset Funds and the Comerica Bank School Cash Investment Funds trust accounts in accordance with Sections 622, 1221, and 1223 of the School Code. These investment pools are composed entirely of instruments that are legal for direct investment by a school district. These pools are not categorized as to risk because it is not evidenced by securities that the District owns specifically or can be identified with securities within the liquid asset account. Instead, the funds are held at Net Asset Value (NAV). NAV is determined by each individual pool on a per share basis. Each school district owns a prorata share of each fund, which is held in the name of the funds. There are no restrictions on the redemption of funds from either pool.

NOTE 12 - ACCRUED SALARIES AND FRINGE BENEFITS

Of \$594,291 salaries payable at June 30, 2017, \$540,101 represents the unpaid portion of teacher contracts for the 2016-17 school year. Of these salaries, there are also fringe benefits payable at year-end totaling \$379,120.

NOTE 13 - CAPITAL ASSETS

Capital asset activity of the School District's Governmental activities was as follows:

	July 1, 2016	Additions	Disposals and Adjustments	June 30, 2017
Assets not being depreciated:				
Land	\$ 1,150	\$ -	\$ -	\$ 1,150
Capital assets being depreciated:				
Land Improvements	2,428,078	25,271	-	2,453,349
Building and Building Improvements	12,462,242	48,355	-	12,510,597
Buses and Other Vehicles	409,229	-	-	409,229
Furniture and Equipment	907,598	32,428	-	940,026
Subtotal	16,207,147	106,054	-	16,313,201
Accumulated depreciation:				
Land Improvements	662,637	57,762	-	720,399
Building and Building Improvements	7,149,095	309,005	-	7,458,100
Buses and Other Vehicles	243,658	37,634	-	281,292
Furniture and Equipment	713,059	53,571	-	766,630
Subtotal	8,768,449	457,972	-	9,226,421
Net Capital Assets Being Depreciated	7,438,698	(351,918)	-	7,086,780
Net Capital Assets	\$ 7,439,848	\$ (351,918)	\$ -	\$ 7,087,930

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 14 - DUE TO/FROM OTHER FUNDS

Due to/due from at June 30, 2017, consisted of the following:

Due To:		Due From:	
General Fund	\$ 45,690	Food Service	\$ 45,690
Sinking Fund	326,228	General Fund	326,228
	<u>\$ 371,918</u>		<u>\$ 371,918</u>

NOTE 15 - BUS LEASE

On July 30, 2014, the School District entered into a five year lease for school buses with Santander Leasing, LLC. Lease expense for the year ended June 30, 2017, totaled \$102,672. On August 24, 2017, the School District restructured this lease resulting in an extension through the year ended June 30, 2022. Future minimum payments are as follows:

Year Ending June 30,	
2018	\$ 102,672
2019	138,600
2020	138,600
2021	138,600
2022	70,656
	<u>\$ 589,128</u>

NOTE 16 - SINKING FUND

The School District has established a sinking fund. For this fund, authorized prior to March 16, 2017, the school district has complied with the applicable provisions of Section 1212 of the Revised School Code. Taxpayers are funding the Sinking Fund with 1 mill of property taxes for the years 2016-2021. This money will be used for facility repairs and improvements. In the year ended June 30, 2017, \$262,896 was collected and \$115,594 was spent on facility improvements.

NOTE 17 - SHORT TERM LOAN

In August 2016, the School District borrowed \$1,300,000 from County National Bank in a State Aid Note. This note matures August 2017, and bears interest at 0.75%. The balance due at June 30, 2017, was \$1,300,000.



Notes to Financial Statements

NOTE 18 - LONG TERM DEBT

Long-Term Debt is comprised of bonded debt and bus notes payable. During the year ended June 30, 2017, long-term debt changed as follows:

Bond Issue	July 1, 2016	Additional Debt	2016-2017 Payments	June 30, 2017
2009 Refunding Debt	\$ 1,695,000	\$ -	\$ 440,000	\$ 1,255,000
2002 Debt	350,000	-	175,000	175,000
Equipment Loan	64,000	-	7,262	56,738
2017 Debt	-	250,000	-	250,000
	<u>\$ 2,109,000</u>	<u>\$ 250,000</u>	<u>\$ 622,262</u>	<u>\$ 1,736,738</u>

Future minimum payments are as follows:

Year Ending June 30,	2009				
	2017 Debt	Equipment Loan	Refunding Debt	2002 Debt	Total
2018	\$ 40,000	\$ 7,461	\$ 430,000	\$ 175,000	\$ 652,461
2019	45,000	7,667	420,000	-	472,667
2020	50,000	7,878	405,000	-	462,878
2021	55,000	8,094	-	-	63,094
2022	60,000	8,317	-	-	68,317
Thereafter	-	17,321	-	-	17,321
	<u>\$ 250,000</u>	<u>\$ 56,738</u>	<u>\$ 1,255,000</u>	<u>\$ 175,000</u>	<u>\$ 1,736,738</u>

A. 2009 REFUNDING BONDS

The bonds are dated February 25, 2009 with principal due each May 1 and interest due each May 1 and November 1 beginning May 1, 2010 and ending May 1, 2020. The original amount of the bonds was \$4,940,000. Interest rates vary from 3% to 4%. The proceeds from these bonds were used to refund 1999 Building and Site Bonds. The remaining bonds payable at June 30, 2017, were \$1,255,000.

B. 2002 BONDS

The bonds are dated June 1, 2002 with principal due each May 1 and interest due each May 1 and November 1, beginning November 1, 2002 and ending May 1, 2018. The original amount of the bonds was \$2,005,000. Interest rates vary from 3.0% to 4.650%. The proceeds of the bonds were used for athletic facility improvements. Total amount outstanding at June 30, 2017, was \$175,000.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 18 - LONG TERM DEBT (CONTINUED)

C. EQUIPMENT LOAN

The School District borrowed \$64,000 from Hillsdale County National Bank in 2016 for the purchase of equipment. Annual payments of \$9,022 (including interest at 2.75%) are due from 2017 through 2024. The balance due at June 30, 2017, was \$56,738.

D. 2017 BONDS

The bonds are dated June 28, 2017 with principal due each May 1 and interest due each May 1 and November 1, beginning May 1, 2018 and ending May 1, 2022. The original amount of the bonds was \$250,000. Interest rates vary from 1.0% to 1.5%. The proceeds of the bonds were used for school building and technology improvements. Total amount outstanding at June 30, 2017, was \$250,000.

NOTE 19 - RISK MANAGEMENT AND LITIGATION

The School District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the School District has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At June 30, 2017, no claims exist, and no provision has been entered into the accounting records.

NOTE 20 - NET PENSION LIABILITY

PLAN DESCRIPTION

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

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

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



NOTE 20 - NET PENSION LIABILITY (CONTINUED)

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 percent to 1.50 percent. 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 plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member’s rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

CONTRIBUTIONS AND FUNDING STATUS

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 21 year period for the 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.95%
Member Investment Plan	3.0 - 7.0%	18.95%
Pension Plus	3.0 - 6.4%	17.73%
Defined Contribution	0.0%	14.56%

Required contributions to the pension plan from the School District were \$1,480,500 for the year ended September 30, 2016.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 20 - NET PENSION LIABILITY (CONTINUED)

LONG-TERM EXPECTED RETURN ON PLAN ASSETS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9%
Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short-Term Investment Pools	2.0%	0.0%
	<u>100.0%</u>	

*Long-term rate of return does not include 2.1% inflation

DISCOUNT RATE

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

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN DISCOUNT RATE

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School 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:



NOTE 20 - NET PENSION LIABILITY (CONTINUED)

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE (CONTINUED)

	Current Single Discount	
1% Decrease (Non-Hybrid/Hybrid)	Rate Assumption (Non-Hybrid/Hybrid)	1% Increase (Non-Hybrid/Hybrid)
7.0%/6.0%	8.0%/7.0%	9.0%/8.0%
\$ 21,182,275	\$ 16,449,080	\$ 12,458,542

ACTUARIAL VALUATIONS AND 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.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate	3.5%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid)	8.0%
Pension Plus Plan (Hybrid)	7.0%
Projected Salary Increases	3.5-12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 20 - NET PENSION LIABILITY (CONTINUED)

ACTUARIAL VALUATIONS AND ASSUMPTIONS (CONTINUED)

NOTES:

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.6273.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2017, the School District reported a liability of \$16,449,080 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016, the School District's proportion was 0.06593 percent, which was a decrease of 0.00154 percent from its proportion measured as of September 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$1,422,983. At June 30, 2017, the School 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
Differences Between Expected and Actual Experience	\$ 204,999	\$ 38,985
Changes in Assumptions	257,168	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	273,384	-
Changes in Proportion and Differences between Reporting Unit Contributions and Proportionate share of Contributions	25,644	531,569
Reporting Unit Contributions Subsequent to the Measurement Date	1,487,867	498,805
Total	<u>\$ 2,249,062</u>	<u>\$ 1,069,359</u>



NOTE 20 - NET PENSION LIABILITY (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ended September 30:	
2017	\$ (15,284)
2018	(36,858)
2019	256,667
2020	(13,884)
	\$ 190,641

MPSERS FIDUCIARY NET POSITION

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPSERS CAFR.

NOTE 21 - TAX ABATEMENTS

Local governments from whom the District collects tax revenues entered into property tax abatement agreements with local businesses under the Plan Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides 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. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption for ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The IFT of a new plant and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year ended June 30, 2017, the District abated property tax revenues totaling \$29,373 under this program.

NOTE 22 - ADOPTION OF NEW ACCOUNTING POLICIES

Effective March 1, 2016, the District adopted the provisions of the following accounting pronouncement. In August 2015, the GASB issued Statement No. 77, Tax Abatement Disclosures. Statement No. 77 requires the disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenue. The requirements of this statement improve financial reporting by giving the users of the financial statements essential information that is not consistently or comprehensively reported to the public at present.



HANOVER-HORTON SCHOOL DISTRICT

Notes to Financial Statements

NOTE 23 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement No. 75 requires governments to report information about postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements beginning after June 15, 2017.



REQUIRED SUPPLEMENTAL INFORMATION



HANOVER-HORTON SCHOOL DISTRICT

Net Pension Liability

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN LAST 10 FISCAL YEARS

AMOUNTS DETERMINED AS OF 9/30 OF EACH FISCAL YEAR

	2016	2015	2014
A. Reporting Unit's Proportion of Net Pension Liability (%)	0.06593%	0.06811%	0.06747%
B. Reporting Unit's Proportionate Share of Net Pension Liability	\$16,449,080	\$16,636,044	\$15,140,274
C. Reporting Unit's Covered-Employee Payroll	\$ 5,335,135	\$ 5,304,335	\$ 5,774,396
D. Reporting Unit's Proportionate Share of Net Pension Liability as a Percentage of Its Covered-Employee Payroll	308.32%	313.63%	262.20%
E. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.27%	63.17%	66.20%

This schedule is built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with fiscal year end June 30, 2015.



SCHEDULE OF REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS

AMOUNTS DETERMINED AS OF 6/30 OF EACH FISCAL YEAR

	2017	2016	2015
A. Statutorily Required Contributions	\$1,480,500	\$1,313,943	\$1,456,714
B. Contributions in Relation to Statutorily Required Contributions	1,831,522	1,351,832	1,456,714
C. Contribution Deficiency (Excess)	\$ (351,022)	\$ (37,889)	\$ -
D. Reporting Unit's Covered-Employee Payroll	\$5,335,135	\$5,304,335	\$5,774,396
E. Contributions as a Percentage of Covered-Employee Payroll	34.33%	25.49%	25.23%

This schedule is built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with fiscal year end June 30, 2015.

Changes of Benefit Terms

There were no changes of benefit terms in 2016.

Changes of Assumptions

There were no changes of benefit assumptions in 2016.



HANOVER-HORTON SCHOOL DISTRICT

Budgetary Comparison Schedule

GENERAL FUND

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
REVENUE				
Local Sources	\$ 1,254,329	\$ 1,224,906	\$ 1,227,575	\$ 2,669
Inter-District Sources	402,200	406,281	424,695	18,414
State Sources	8,202,761	8,489,244	8,490,849	1,605
Federal Sources	181,170	233,299	181,964	(51,335)
Other Sources	31,000	31,000	30,387	(613)
TOTAL REVENUE	10,071,460	10,384,730	10,355,470	(29,260)
EXPENDITURES				
Instruction				
Basic Programs	5,458,037	5,529,864	5,465,784	64,080
Added Needs	885,894	931,704	907,710	23,994
Supporting Services				
Pupil	514,119	522,915	492,555	30,360
Instructional Staff	11,383	12,002	11,918	84
Administration	1,125,580	1,103,560	1,100,581	2,979
Business Services	1,830,746	1,860,130	1,796,990	63,140
Athletic Activities	311,297	298,277	287,708	10,569
Community Services	23,309	5,473	4,376	1,097
Capital Outlay	27,167	43,905	35,199	8,706
Debt Service	10,710	8,401	8,401	-
Other Uses	-	4,553	4,553	-
TOTAL EXPENDITURES	10,198,242	10,320,784	10,115,775	205,009
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES	(126,782)	63,946	239,695	175,749
BUDGETARY FUND BALANCE- July 1, 2016	168,568	168,568	168,568	-
BUDGETARY FUND BALANCE- June 30, 2017	\$ 41,786	\$ 232,514	\$ 408,263	\$ 175,749



Budgetary Comparison Schedule

FOOD SERVICE FUND

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
REVENUE				
Local Sources	\$ 236,227	\$ 232,794	\$ 221,786	\$ (11,008)
State Sources	19,357	16,122	17,392	1,270
Federal Sources	259,235	274,818	281,342	6,524
Other Sources	-	-	4,553	4,553
TOTAL REVENUE	514,819	523,734	525,073	1,339
EXPENDITURES				
Instruction				
Basic Programs	-	-	-	-
Added Needs	-	-	-	-
Supporting Services				
Pupil	492,519	483,326	479,308	4,018
Instructional Staff	-	-	-	-
Administration	-	-	-	-
Business Services	-	-	-	-
Athletic Activities	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Other Uses - Operating Transfers	25,000	31,000	30,387	613
TOTAL EXPENDITURES	517,519	514,326	509,695	4,631
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES	(2,700)	9,408	15,378	5,970
BUDGETARY FUND BALANCE-				
July 1, 2016	85,117	85,117	85,117	-
BUDGETARY FUND BALANCE-				
June 30, 2017	\$ 82,417	\$ 94,525	\$ 100,495	\$ 5,970



HANOVER-HORTON SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION



GENERAL FUND



HANOVER-HORTON SCHOOL DISTRICT

General Fund

COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
REVENUE				
LOCAL SOURCES				
Current Property Tax Levy	\$ 1,091,762	\$ 1,088,933	\$ (2,829)	\$ 1,096,505
Interest and Penalties - Delinquent Taxes	9,798	10,067	269	27,676
Tuition	2,125	2,000	(125)	2,175
Sale of School Property	193	193	-	8,310
Refunds	17,257	15,404	(1,853)	9,529
Athletic Revenue	59,455	59,455	-	57,213
Interest Earned	2,040	2,539	499	961
Rental of School Facilities	16,080	16,080	-	11,080
Transportation	17,673	24,380	6,707	15,062
Kids Club Fees	377	377	-	18,395
Other	8,146	8,147	1	10,712
TOTAL LOCAL SOURCES	1,224,906	1,227,575	2,669	1,257,618
INTER-DISTRICT SOURCES				
Career Prep	9,000	9,000	-	9,000
Data Processing Support	29,648	29,648	-	29,000
Special Education	364,200	382,614	18,414	364,200
Tech Readiness Infrastructure	3,433	3,433	-	5,165
TOTAL INTER-DISTRICT SOURCES	406,281	424,695	18,414	407,365
STATE SOURCES				
State Aid	7,315,280	7,316,890	1,610	7,082,056
Data Collection	28,732	28,727	(5)	28,319
Special Education	234,757	234,757	-	233,366
At Risk	206,593	206,593	-	198,958
Renaissance Zone	9,423	9,423	-	8,222
Literacy Instruction	10,040	10,040	-	11,880
Principal Training	-	-	-	1,050
Retirement Stabilization	684,419	684,419	-	655,158
Tech Infrastructure	-	-	-	20,086
TOTAL STATE SOURCES	8,489,244	8,490,849	1,605	8,239,095
FEDERAL SOURCES				
Medicaid ADM Outreach	3,516	3,516	-	2,530
Title I	154,041	134,424	(19,617)	138,818
Title II - A	72,997	41,988	(31,009)	29,036
McKinney Vento	2,745	2,036	(709)	1,640
TOTAL FEDERAL SOURCES	233,299	181,964	(51,335)	172,024
TOTAL REVENUE	\$ 10,353,730	\$ 10,325,083	\$ (28,647)	\$ 10,076,102



COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL (CONTINUED)

YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
EXPENDITURES				
INSTRUCTION				
BASIC PROGRAMS				
Elementary School	\$ 2,479,081	\$ 2,470,586	\$ 8,495	\$ 2,332,646
Middle School	1,278,719	1,262,335	16,384	1,211,874
High School	1,766,929	1,723,787	43,142	1,816,115
Summer School	5,135	9,076	(3,941)	688
TOTAL BASIC PROGRAMS	5,529,864	5,465,784	64,080	5,361,323
ADDED NEEDS				
Special Education	783,278	778,767	4,511	736,609
Compensatory Education	148,426	128,943	19,483	122,599
TOTAL ADDED NEEDS	931,704	907,710	23,994	859,208
TOTAL INSTRUCTION	6,461,568	6,373,494	88,074	6,220,531
SUPPORTING SERVICES				
PUPIL				
Guidance	133,531	132,777	754	173,451
Health Services	26,281	22,516	3,765	24,002
Social Work Services	44,100	50,900	(6,800)	-
Other Pupil Services	201,588	190,673	10,915	215,788
Improvement of Instruction	44,585	24,317	20,268	26,328
Educational Media Services	72,830	71,372	1,458	69,506
TOTAL PUPIL	522,915	492,555	30,360	509,075
INSTRUCTIONAL STAFF				
Supervision and Direction	12,002	11,918	84	11,770
TOTAL INSTRUCTIONAL STAFF	12,002	11,918	84	11,770
ADMINISTRATION				
Board of Education	65,025	53,641	11,384	77,910
Executive Administration	421,617	424,287	(2,670)	418,726
School Administration	616,918	622,653	(5,735)	605,837
TOTAL ADMINISTRATION	\$ 1,103,560	\$ 1,100,581	\$ 2,979	\$ 1,102,473



HANOVER-HORTON SCHOOL DISTRICT

General Fund

COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL (CONTINUED)

YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
EXPENDITURES (CONTINUED)				
SUPPORTING SERVICES (CONTINUED)				
BUSINESS SERVICES				
Operation and Maintenance	\$ 1,050,278	\$ 1,025,979	\$ 24,299	\$ 992,668
Pupil Transportation	584,551	573,141	11,410	542,766
Technology	128,544	119,937	8,607	120,505
Security	11,652	11,554	98	10,331
Other	72,213	53,487	18,726	61,753
Pupil Accounting	12,892	12,892	-	13,073
TOTAL BUSINESS SERVICES	1,860,130	1,796,990	63,140	1,741,096
TOTAL SUPPORTING SERVICES	3,498,607	3,402,044	96,563	3,364,414
ATHLETIC ACTIVITIES	298,277	287,708	10,569	284,645
COMMUNITY SERVICES				
Kids Club	117	119	(2)	14,351
Other	5,356	4,257	1,099	4,757
TOTAL COMMUNITY SERVICES	5,473	4,376	1,097	19,108
DEBT SERVICE	8,401	8,401	-	10,501
CAPITAL OUTLAY	43,905	35,199	8,706	98,521
TOTAL EXPENDITURES	10,316,231	10,111,222	205,009	9,997,720
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	37,499	213,861	176,362	78,382
OTHER FINANCING SOURCES (USES)				
Indirect Costs	31,000	30,387	613	38,144
Loan Proceeds	-	-	-	64,000
Prior Period Adjustment	(4,553)	(4,553)	-	(135,005)
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	26,447	25,834	613	(32,861)
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 63,946	239,695	\$ 176,975	\$ 45,521
FUND BALANCE - JULY 1, 2016		168,568		
FUND BALANCE - JUNE 30, 2017		\$ 408,263		



SPECIAL REVENUE FUND



HANOVER-HORTON SCHOOL DISTRICT

Food Service Fund

COMPARATIVE BALANCE SHEET

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Investments	\$ 134,887	\$ 131,195
Due from Other Governmental Units	-	-
Due from Other Funds	-	-
Prepaid Expenses	187	54
Inventory	17,805	5,518
TOTAL ASSETS	\$ 152,879	\$ 136,767
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 6,694	\$ 5,473
Accrued Salaries	-	-
Accrued Expenses	-	-
Due to Other Funds	45,690	46,177
TOTAL LIABILITIES	52,384	51,650
FUND BALANCE		
Non-Spendable	17,992	5,572
Restricted	82,503	79,545
TOTAL FUND BALANCE	100,495	85,117
TOTAL LIABILITIES AND FUND BALANCE	\$ 152,879	\$ 136,767



COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
REVENUE				
Goods Sold				
Student Meals	\$ 133,940	\$ 128,590	\$ (5,350)	\$ 113,995
Adult Meals	7,188	6,841	(347)	7,147
Ala Carte Meals	68,067	65,657	(2,410)	84,783
Breakfast	11,710	11,090	(620)	12,365
Catering	2,607	2,081	(526)	2,311
State Aid	16,122	17,392	1,270	24,113
Federal Aid	243,900	238,399	(5,501)	226,918
Federal USDA Commodities in Kind	30,918	42,943	12,025	32,302
Other Income	8,584	6,704	(1,880)	6,280
Interest Income	698	823	125	245
TOTAL REVENUE	<u>523,734</u>	<u>520,520</u>	<u>(3,214)</u>	<u>510,459</u>
EXPENDITURES				
Salaries	126,146	128,680	(2,534)	129,230
Fringe Benefits	71,486	76,035	(4,549)	75,673
Dues and Fees	8,181	8,561	(380)	8,363
Purchased Services	13,075	8,645	4,430	4,964
Food and Supplies	215,151	208,494	6,657	198,223
Miscellaneous	466	118	348	106
Contracted Services	48,821	48,775	46	51,182
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>483,326</u>	<u>479,308</u>	<u>4,018</u>	<u>467,741</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	40,408	41,212	804	42,718
OTHER FINANCING SOURCES (USES)				
Indirect Costs	(31,000)	(30,387)	613	(38,144)
Prior Period Adjustment	-	4,553	4,553	-
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(31,000)</u>	<u>(25,834)</u>	<u>5,166</u>	<u>(38,144)</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND AND OTHER USES	<u>\$ 9,408</u>	<u>15,378</u>	<u>\$ 5,970</u>	<u>\$ 4,574</u>
FUND BALANCE - BEGINNING OF YEAR		85,117		
FUND BALANCE - END OF YEAR		<u>\$ 100,495</u>		



HANOVER-HORTON SCHOOL DISTRICT

DEBT RETIREMENT FUNDS



COMBINING BALANCE SHEET

JUNE 30, 2017

	2009 Refunding			
	Debt	2002 Debt	2017 Debt	Total
ASSETS				
Cash and Investments	\$ 619,866	\$ 185,665	\$ -	\$ 805,531
Due from Other Funds	-	-	-	-
TOTAL ASSETS	\$ 619,866	\$ 185,665	\$ -	\$ 805,531
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Governments	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCE				
Fund Balance	619,866	185,665	-	805,531
TOTAL FUND BALANCE	619,866	185,665	-	805,531
TOTAL LIABILITIES AND FUND BALANCE	\$ 619,866	\$ 185,665	\$ -	\$ 805,531



HANOVER-HORTON SCHOOL DISTRICT

Debt Retirement Funds

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

YEAR ENDED JUNE 30, 2017

	2009 Refunding Debt		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Current Taxes	\$ 514,408	\$ 514,208	\$ (200)
Interest and Penalties on Delinquent Property Taxes	1,440	1,514	74
Earned Interest	2,390	2,153	(237)
State Aid Revenue	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUE	<u>518,238</u>	<u>517,875</u>	<u>(363)</u>
EXPENDITURES			
Principal on Bonds	440,000	440,000	-
Interest on Bond	58,075	58,075	-
Agent Fees and Other	300	243	57
TOTAL EXPENDITURES	<u>498,375</u>	<u>498,318</u>	<u>57</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>19,863</u>	<u>19,557</u>	<u>(306)</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 19,863</u>	<u>19,557</u>	<u>\$ (306)</u>
FUND BALANCE - BEGINNING OF YEAR		<u>600,309</u>	
FUND BALANCE - END OF YEAR		<u>\$ 619,866</u>	



Debt Retirement Funds

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET TO ACTUAL (CONTINUED)

YEAR ENDED JUNE 30, 2017

2002 Debt			2017 Debt		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 154,315	\$ 154,252	\$ (63)	\$ -	\$ -	\$ -
860	876	16	-	-	-
810	745	(65)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>155,985</u>	<u>155,873</u>	<u>(112)</u>	<u>-</u>	<u>-</u>	<u>-</u>
175,000	175,000	-	-	-	-
16,275	16,275	-	-	-	-
350	336	14	-	-	-
<u>191,625</u>	<u>191,611</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(35,640)</u>	<u>(35,738)</u>	<u>(98)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ (35,640)</u>	<u>(35,738)</u>	<u>\$ (98)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
	<u>221,403</u>			<u>-</u>	
	<u>\$ 185,665</u>			<u>\$ -</u>	



HANOVER-HORTON SCHOOL DISTRICT

Debt Retirement Funds

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (CONTINUED)

YEAR ENDED JUNE 30, 2017

	Total		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUE			
Current Taxes	\$ 668,723	\$ 668,460	\$ (263)
Interest and Penalties on Delinquent Property Taxes	2,300	2,390	90
Earned Interest	3,200	2,898	(302)
State Aid Revenue	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUE	<u>674,223</u>	<u>673,748</u>	<u>(475)</u>
EXPENDITURES			
Principal on Bonds	615,000	615,000	-
Interest on Bond	74,350	74,350	-
Agent Fees and Other	650	579	71
TOTAL EXPENDITURES	<u>690,000</u>	<u>689,929</u>	<u>71</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>(15,777)</u>	<u>(16,181)</u>	<u>(404)</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (15,777)</u>	<u>(16,181)</u>	<u>\$ (404)</u>
FUND BALANCE - BEGINNING OF YEAR		<u>821,712</u>	
FUND BALANCE - END OF YEAR		<u>\$ 805,531</u>	



CAPITAL PROJECT FUND



HANOVER-HORTON SCHOOL DISTRICT

Capital Project Fund

BALANCE SHEET

JUNE 30, 2017

ASSETS

Cash and Investments	\$	222,127
Due from Other Funds		-

TOTAL ASSETS

\$	222,127
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$	-
Due to Other Funds		-

TOTAL LIABILITIES

-

FUND BALANCE

Fund Balance		222,127
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TOTAL FUND BALANCE

222,127

TOTAL LIABILITIES AND FUND BALANCE

\$	222,127
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STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2017

REVENUE	
Current Taxes	\$ -
Delinquent Taxes	-
Interest and Penalties on on Delinquent Property Taxes	-
Earned Interest	3
State Aid Revenue	-
Miscellaneous	-
TOTAL REVENUE	<u>3</u>
EXPENDITURES	
Debt Service	-
Capital Outlay	22,609
Bond Fees	5,267
TOTAL EXPENDITURES	<u>27,876</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>(27,873)</u>
OTHER FINANCING SOURCES (USES)	
Bond Proceeds	250,000
Operating Transfers In	-
Operating Transfers (Out)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>250,000</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>222,127</u>
FUND BALANCE - BEGINNING OF YEAR	-
FUND BALANCE - END OF YEAR	<u>\$ 222,127</u>



HANOVER-HORTON SCHOOL DISTRICT

SINKING FUND



COMPARATIVE BALANCE SHEET

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Investments	\$ -	\$ -
Taxes Receivable	-	-
Due from Other Funds	326,228	178,926
TOTAL ASSETS	\$ 326,228	\$ 178,926
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ -	\$ -
Due to Other Governments	-	-
TOTAL LIABILITIES	-	-
FUND BALANCE		
Fund Balance	326,228	178,926
TOTAL FUND BALANCE	326,228	178,926
TOTAL LIABILITIES AND FUND BALANCE	\$ 326,228	\$ 178,926



HANOVER-HORTON SCHOOL DISTRICT

Sinking Fund

COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

YEAR ENDED JUNE 30, 2017 AND 2016

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
REVENUE				
Current Taxes	\$ 257,242	\$ 257,094	\$ (148)	\$ 253,100
Delinquent Taxes	900	894	(6)	2,318
Grants	-	-	-	-
Earned Interest	300	4,908	4,608	1,684
Miscellaneous	-	-	-	-
TOTAL REVENUE	<u>258,442</u>	<u>262,896</u>	<u>4,454</u>	<u>257,102</u>
EXPENDITURES				
Capital Outlay	<u>180,037</u>	<u>115,594</u>	<u>64,443</u>	<u>373,108</u>
TOTAL EXPENDITURES	<u>180,037</u>	<u>115,594</u>	<u>64,443</u>	<u>373,108</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	78,405	147,302	68,897	(116,006)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 78,405</u>	147,302	<u>\$ 68,897</u>	<u>\$ (116,006)</u>
FUND BALANCE - BEGINNING OF YEAR		<u>178,926</u>		
FUND BALANCE - END OF YEAR		<u>\$ 326,228</u>		



AGENCY FUND



HANOVER-HORTON SCHOOL DISTRICT

Agency Funds

STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2017

ASSETS

Cash and Investments	\$ 292,682
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TOTAL ASSETS	\$ 292,682
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LIABILITIES

Due to Other Funds	\$ -
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Due to Student Groups	292,682
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TOTAL LIABILITIES	\$ 292,682
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STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2017

	July 1, 2016	Receipts	Disbursements	June 30, 2017
ASSETS				
Cash	\$ 299,228	\$ 351,532	\$ 358,078	\$ 292,682
LIABILITIES				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Due to Student Groups	299,228	351,532	358,078	292,682
	<u>\$ 299,228</u>	<u>\$ 351,532</u>	<u>\$ 358,078</u>	<u>\$ 292,682</u>



HANOVER-HORTON SCHOOL DISTRICT

Agency Funds

DETAILED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES INTERNAL ACTIVITIES FUND

YEAR ENDED JUNE 30, 2017

ACTIVITY	Due to		Due to	
	Student Groups July 1, 2016	Receipts	Disbursements	Student Groups June 30, 2017
Academic Boosters	\$ 77	\$ -	\$ -	\$ 77
Academic Service Learning	2,771	-	693	2,078
Alumni Account	31,522	1,568	-	33,090
Ames Memorial	23,613	200	2,000	21,813
Athletic Tournaments	8,892	5,884	7,127	7,649
Athletic Vending	4,673	-	4,673	-
Band Piano	1,660	-	135	1,525
Band Fundraising	2,326	10,075	9,889	2,512
Band Travel	-	25,450	19,670	5,780
Blooming Comets	214	-	-	214
Give Hope	-	150	-	150
5th Grade	1,192	4,051	2,827	2,416
Cheerleaders	974	9,504	7,994	2,484
Choir	313	743	905	151
Chris Brian Scholarship	-	910	-	910
Citizens for Education	(5)	-	-	(5)
Class of:				
2015	3,214	-	3,214	-
2016	3,454	15	79	3,390
2017	7,794	3,541	10,963	372
2018	311	12,031	7,354	4,988
2019	2,736	3,571	1,879	4,428
2020	-	7,022	1,296	5,726
Competitive Grant (JCF)	166	-	-	166
Cool Care Challenge	57	-	-	57
Counseling - Elem	100	-	-	100
Drama Club	5,361	2,930	1,625	6,666
Earnings of Investments	349	532	-	881
Educational Fund Grants	558	3,176	2,400	1,334
Elementary	2,702	3,841	3,810	2,733
Young 5 Field Trips	141	682	-	823
Kindergarten Field Trips	644	1,803	823	1,624
First Grade Field Trips	(129)	1,101	-	972
Elementary Art	779	-	-	779
Second Grade Field Trips	278	1,241	-	1,519
Third Grade Field Trips	(762)	4,061	1,632	1,667
Elementary Box Tops	5,269	858	5,601	526
Fourth Grade Field Trips	317	2,458	856	1,919
Elementary Fourth Grade Science	499	600	169	930
Elementary Merchandise	\$ 381	\$ 1,440	\$ 1,480	\$ 341



**DETAILED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
INTERNAL ACTIVITIES FUND (CONTINUED)**

YEAR ENDED JUNE 30, 2017

ACTIVITY	Due to			Due to
	Student Groups July 1, 2016	Receipts	Disbursements	Student Groups June 30, 2017
Elementary Pop Fund	\$ 2,525	\$ 552	\$ 1,687	\$ 1,390
Elementary RTI	232	-	-	232
Elementary Student Council	2,954	-	1,900	1,054
Girl's Golf	100	-	-	100
Girl's Travel Basketball	4,361	7,044	9,681	1,724
H-H Renaissance Account	(263)	-	-	(263)
H-H Music Boosters	7,972	11,859	9,736	10,095
H-H Community Service Club	3,528	1,350	2,098	2,780
HS Art	441	188	397	232
HS Baseball	1,014	13,544	10,581	3,977
HS Business Management Class	409	8,755	8,721	443
HS Cross Country	867	10,715	9,491	2,091
HS English Department	500	-	-	500
HS Football	4,275	17,544	12,061	9,758
HS GSA Club	39	12	-	51
HS Golf	(192)	-	-	(192)
HS Human Relations	1,425	-	-	1,425
HS Journalism	65	446	-	511
HS Milk Grant	5	2,200	1,143	1,062
HS Miscellaneous	2,513	913	726	2,700
HS Counseling	493	1,964	1,388	1,069
HS National Honor Society	1,212	670	506	1,376
HS Portfolio Supplies	590	-	-	590
HS Tech Lab	2,348	-	1,037	1,311
HS Softball	269	1,288	2,267	(710)
HS World Language Club	1,889	166	101	1,954
HS SAC	939	-	-	939
HS Girls Soccer	3,273	4,689	3,203	4,759
HS Boys Soccer	2,014	4,562	5,331	1,245
HS Student Council	3,201	1,184	996	3,389
HS Teacher's Lounge	224	15	43	196
HS Track	651	2,319	2,694	276
HS Website Development	230	-	-	230
HS Yearbook	(10,050)	5,763	1,260	(5,547)
JCF Youth Mini Grant	73	-	-	73
Junior Pro Boys Basketball	4,529	9,991	10,396	4,124
Kids Club	143	184	260	67
Ladd Scholarship	97	-	-	97
Library Fund	1,191	426	637	980
Lil Comets	\$ 1,660	\$ -	\$ -	\$ 1,660



HANOVER-HORTON SCHOOL DISTRICT

Agency Funds

DETAILED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES INTERNAL ACTIVITIES FUND (CONTINUED)

YEAR ENDED JUNE 30, 2017

ACTIVITY	Due to			Due to
	Student Groups July 1, 2016	Receipts	Disbursements	Student Groups June 30, 2017
Loss and Damage	\$ 2,794	\$ 414	\$ 2,513	\$ 695
Maintenance Rewards and Recognition	810	-	128	682
M. Bytnar Memorial Fund	217	-	-	217
Most Teens Don't	692	-	-	692
MS Activity	8,027	22,218	21,736	8,509
MS Art Fund	123	50	8	165
MS Cheerleading	22	-	-	22
MS Choir	3,829	1,795	1,928	3,696
MS Robotics	180	-	-	180
MS Miscellaneous	2,950	1,498	1,153	3,295
MS Pop Machine	406	28	92	342
MS Popcorn Repair Fund	478	-	-	478
MS Rewards	1	-	-	1
MS Running Club	120	-	49	71
MS Student Council	1,830	1,684	2,127	1,387
MS Volleyball	2,649	-	2,649	-
Weight Equipment	143	3,350	3,195	298
MS Yearbook	1,463	20	-	1,483
McGee Scholarship L.E.	1,598	1,369	1,500	1,467
New Library	1,084	-	-	1,084
New Press Box	340	-	-	340
Nick Thornsbury Memorial	4,016	-	300	3,716
Night Lights	8,382	5,384	8,336	5,430
Nursing	130	-	-	130
HS Science Dept	575	20,000	20,062	513
Pop Machine	2,489	3,719	6,259	(51)
PTA	17,000	10,919	25,886	2,033
RIOT Account	846	-	-	846
Robbie Curtis Charitable	1,004	-	-	1,004
Ruth Creps Scholarship	45,299	33,872	35,950	43,221
Soccer	1,078	9,471	5,718	4,831
Scholarship Fund	2,299	4,955	3,972	3,282
HS Math	-	1,102	-	1,102
Student Teacher Fund	1,133	-	90	1,043
Summer Lights	769	-	-	769
Supplies R Us	2,151	486	-	2,637
Tech Grant	10,424	2,095	2,089	10,430
HS Volleyball	11,128	6,600	12,714	5,014
Wall of Fame	1,000	-	-	1,000
Wrestling Club	(441)	2,722	2,189	92
Youth Baseball	4	-	-	4
Total	\$ 299,228	\$ 351,532	\$ 358,078	\$ 292,681



STATEMENTS OF INDEBTEDNESS



HANOVER-HORTON SCHOOL DISTRICT

Statement of Indebtedness

JUNE 30, 2017

EQUIPMENT LOAN

Balance Outstanding - June 30, 2017

\$ 56,738

Balance Payable as Follows:

Loan	Year	Interest Rate	Principal	Interest	Total
Hillsdale County National Bank	2017-2018	2.75%	\$ 7,461	\$ 1,561	\$ 9,022
	2018-2019	2.75%	7,667	1,355	9,022
	2019-2020	2.75%	7,878	1,144	9,022
	2020-2021	2.75%	8,094	928	9,022
	2021-2022	2.75%	8,317	705	9,022
	2022-2023	2.75%	8,545	477	9,022
	2023-2024	2.75%	8,776	246	9,022
			<u>\$ 56,738</u>	<u>\$ 6,416</u>	<u>\$ 63,154</u>

2009 REFUNDING DEBT

Balance Outstanding - June 30, 2017

\$ 1,255,000

Balance Payable as Follows:

Year	Interest Rate	Principal	Interest	Total
2017-18	3.25%	\$ 430,000	\$ 44,875	\$ 474,875
2018-19	3.50%	420,000	30,900	450,900
2019-20	4.00%	405,000	16,200	421,200
		<u>\$ 1,255,000</u>	<u>\$ 91,975</u>	<u>\$ 1,346,975</u>



Statement of Indebtedness

JUNE 30, 2017

2002 DEBT

Balance Outstanding - June 30, 2017 \$ 175,000

Balance Payable as Follows:

Year	Interest Rate	Principal	Interest	Total
2017-18	4.65%	\$ 175,000	\$ 16,275	\$ 191,275
		<u>\$ 175,000</u>	<u>\$ 16,275</u>	<u>\$ 191,275</u>

2017 DEBT

Balance Outstanding - June 30, 2017 \$ 250,000

Balance Payable as Follows:

Loan	Year	Interest Rate	Principal	Interest	Total
Hillsdale County National Bank	2017-2018	1.00%	\$ 40,000	\$ 2,664	\$ 42,664
	2018-2019	1.30%	45,000	2,785	47,785
	2019-2020	1.35%	50,000	2,268	52,268
	2020-2021	1.40%	55,000	1,642	56,642
	2021-2022	1.50%	60,000	900	60,900
			<u>\$ 250,000</u>	<u>\$ 10,259</u>	<u>\$ 260,259</u>



**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***

INDEPENDENT AUDITORS' REPORT

Board of Education
Hanover-Horton School District
Horton, 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 Hanover-Horton Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Hanover-Horton School's basic financial statements, and have issued our report thereon dated August 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hanover-Horton School's internal control over financial reporting 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 Hanover-Horton School's internal control. Accordingly, we do not express an opinion on the effectiveness of Hanover-Horton School'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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of Hanover-Horton School'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 Hanover-Horton School District's financial statements are free of 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 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 Hanover-Horton School 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 Hanover-Horton School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Karl Z. Drake

Drake Certified Public Accountants

August 21, 2017

