Shepherd Public School District
Shepherd, Michigan

Financial Statements
With Supplementary Information
June 30, 2019

RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

Shepherd Public School District
Table of Contents
June 30, 2019

Roslund Prestage & Company
Certified Public Accountants

To the Board of Education
Shepherd Public School District

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 Shepherd Public School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are 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 September 19, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

September 19, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Shepherd Public School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2019. Please read this discussion and analysis in conjunction with the District's financial statements beginning on page 1.

I. Description of the Basic Financial Statements

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities on pages 1 and 2 provide information concerning the operation of the District as a whole. This reporting model takes into consideration the cost of capital assets of the district, as well as, reflects the District's operations on the accrual basis of accounting similar to that used in industry. Most notable is the fact that capital assets are not recorded as an expense at the time of purchase. Instead, under this model, capital assets are depreciated over their expected life. Accumulated depreciation is recorded as an offset to capital assets. This reporting model is intended to present a clearer picture of the cost of utilizing capital assets in the District's operations. This model generally has a long-term focus.

Fund Financial Statements

The Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance on pages 3 and 5 provide financial information for the individual governmental funds. The focus of this presentation is to present resources available at the beginning of the year, the receipt and use of resources during the year, and the balance of resources available at year-end to be used in future years. This model is referred to as modified accrual and is focused on available spendable resources. This model generally has a short-term focus.

Reconciliation

The statements on pages 4 and 6 reconcile the differences between the District-Wide Financial Statements and the Fund Financial Statements.

Trust and Agency Funds

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position, found on pages 10 and 11, present the financial activity of funds held for the benefit of other individuals and/or entities. These amounts are not reflected in the Government-Wide Financial Statements because these resources are not intended to be used to finance the operations of the District.

II. Condensed Government-Wide Financial Information

The change in assets, liabilities, and net position from the previous year for the government-wide financial statements are as follows:

Current assets saw an increase of $391,284 over last year. This was primarily due to an increase in cash and cash equivalents and in due from other governmental units.

The decrease in capital assets net of depreciation indicates that capital assets are depreciating at a faster rate than they are being replaced. This was expected since construction is finished from the 2008 bond issue and most of the facilities have already been updated. There were more asset additions than disposals this year by $216,754 however, current year net depreciation was $1,123,972 resulting in a net decrease in capital assets of $907,218.

The current liabilities increased from the previous year by $56,863. Due to a variety of current liabilities increasing by small increments.

Noncurrent liabilities increased by $2,478,733 due to increases in compensated absences, school bond loan fund balance and net pension liability.

As of the year ended, June 30, 2015, the District implemented GASB 68, Accounting and Financial Reporting for Pensions. Then in the year ending June 30, 2018 the District implemented GASB 75, Accounting and Financial Reporting for Other Post Employment Benefits (Retiree Health Care). These two pronouncements had a significant impact on the District's overall net position as the District was required to reflect its proportionate share of the MPSERS net pension liability and the health care liability.

All information presented in Table 1 relates to governmental activities. The District does not have any business-type activities.

Table 1
Comparative Summary of Assets, Liabilities, and Net Position
At June 30, 2019 and 2018

	2019	2018	Difference
Current Assets	$6,352,551	$5,961,267	$391,284
Noncurrent Assets	28,204,104	29,111,322	(907,218)
Total Assets	$34,556,655	$35,072,589	($515,934)
Current Liabilities	$4,911,299	$4,854,436	$56,863
Noncurrent Liabilities	67,006,808	64,528,075	2,478,733
Total Liabilities	$71,918,107	$69,382,511	$2,535,596
Net Deferred (Inflow)/Outflow of Resources	$6,565,445	$4,227,629	$2,337,816
Net Investment in Capital Assets	($1,581,886)	($1,525,728)	($56,158)
Restricted	212,086	353,787	(141,701)
Unrestricted	(29,426,207)	(28,910,352)	(515,855)
Total Net Position	($30,796,007)	($30,082,293)	($713,714)

Total revenues reported on the Statement of Activities increased by $1,628,527. The Operating Grants and Contributions show an increase of $707,570. This increase was primarily due to change in deferred inflow for the 147c allocation.

Total General Revenues saw an increase of $912,870. This can be attributed to an increase in unrestricted state aid funding and a change in recording the special education millage collected by the Gratiot-Isabella RESD. The Gratiot-Isabella RESD levies 4.0345 mills county wide for special education services. Prior to 2018/2019 Shepherd Public Schools recorded the district's share of the special education millage net of any expenses incurred by RESD ancillary staff providing services to Shepherd Public Schools. Starting this year, 2018/2019, Shepherd Public Schools recorded the entire special education millage as revenue and then recorded the expenses incurred to employ RESD ancillary staff working at Shepherd Public Schools. This is the first year Shepherd has recorded the district's share of the special education millage on a gross rather than net basis.

Table 2
Comparative Summary of Program, General, and Total Revenues
At June 30, 2019 and 2018

	2019	2018	Difference
Charges for Services	$369,470	$361,383	$8,087
Operating Grants and Contributions	4,091,594	3,384,024	707,570
Total Program Revenues	$4,461,064	$3,745,407	$715,657
Property Taxes	$2,623,315	$2,474,674	$148,641
State Aid Not Restricted to Specific Purposes	12,909,942	12,487,779	422,163
Intermediate Sources	977,870	630,335	347,535
Other General Revenues	142,345	147,814	(5,469)
Total General Revenues	$16,653,472	$15,740,602	$912,870
Total Revenues	$21,114,536	$19,486,009	$1,628,527

Overall expenses increased $1,394,602 from the previous year. Increases in wages and benefits in the Instruction and Support Services area account for the majority of the increase. Per the chart below Instruction and Support Services show a much larger increase than the total of $1,394,602. This is because depreciation on fixed assets has been distributed to individual expense items and is no longer unallocated.

Table 3
Comparative Summary of Program Expenses by Function and Total Expenses
At June 30, 2019 and 2018

	2019	2018	Difference
Instruction	$11,931,136	$10,289,226	$1,641,910
Support Services	7,952,076	7,106,496	845,580
Food Service	893,233	869,110	24,123
Community Services	8,043	4,479	3,564
Building Improvement Services	237,749	160,738	77,011
Interest and Fees on Long-Term Debt	806,013	702,954	103,059
Depreciation - Unallocated		1,300,645	(1,300,645)
Total Expenses	$21,828,250	$20,433,648	$1,394,602

III. Analysis of the Overall Financial Position and Results of Operations for Governmental Activities

Governmental Activities

The net position and changes in net position are presented in table 4 below. Since the District does not have any business-type activities, this change is entirely comprised of governmental type activities.

Table 4
Comparative Summary of Net Position and Changes in Net Position
At June 30, 2019 and 2018

	2019	2018	Difference
Net Position - Beginning	($30,082,293)	($29,134,654)	($947,639)
Increase (Decrease) in Net Position	(713,714)	(947,639)	233,925
Net Position - Ending	($30,796,007)	($30,082,293)	($713,714)

The District normally operates under the philosophy that it should neither increase nor decrease fund balance from one year to the next based on the Fund Financial Statements (modified accrual). To increase fund balance is an indication that taxpayer money is not being fully utilized for the education of the children. To decrease fund balance is not sustainable for the long-term and would result in cuts to programs in the future. To operate at break-even allows the full utilization of resources to finance education in a sustainable fashion.

At year-end, the unassigned general fund balance was 13.7% of annual expenditures compared to 12.2% in the preceding year.

The change in Net Position is a function of the difference between the District-Wide Financial Statements and the Fund Financial Statements. The reconciliation between these two methods is presented on page 6. There are a number of differences between the two models including but not limited to the accounting for depreciation $1,338,837, the capitalization of fixed assets purchased during the year $431,619, the net impact of long term debt $974,314 the net impact of MPSERS plan activity $1,160,089, and Internal Service Fund activity of $176,298

Statement of Activities

The Statement of Activities on page 2 is significantly different from the Statement of Revenues, Expenditures, and Changes in Fund Balance. This statement is organized by program listing the expenses in the first column, charges for services in the second column, grants/contributions in the third column, and change in net position in the fourth column. This manner of presentation illustrates the expenses each program generates as well as the corresponding revenues. The change in net position indicates the portion of that program that must be financed with general revenues of the district.

To help the user better understand this statement, the significant program revenues have been identified as follows:

Instruction:

Basic Instruction	Tribal grants and State revenue restricted to qualifying expenses including MPSERS Cost Offset funding.
Added Needs	State Special Education funding, At-Risk grant, Vocational Education funding, Title IA grant, Title IIA grant, Title IVA grant, and the Substance Abuse & Mental Health Services Administration (SAMSHA) grant.

Support Services:

Athletics	Gate receipts and tournament fees.

Food Service:

Hot lunch sales, State Hot Lunch funds, and Federal Hot Lunch funds.

All other revenues are considered General Revenues and are listed at the bottom of the Statement of Activities.

IV. Significant Transactions and Changes in Individual Funds

The overall financial position of the General Fund increased from the previous year. The General Fund increased in fund equity due to an increase in state aid funding, an increase in federal funding and an increase in tribal grant revenue.

The Financial position of the Food Service Fund decreased from the previous year due to a decrease in overall revenue. The bulk of that decrease in revenue was federal revenue that is generated on a per meal basis. The fewer meals served, the less federal revenue received. During the 2018/2019 school year just under 20,000 fewer meals were served than the year before. This could be due to lower participation, but could also be a factor of the number of days of school missed due to inclement weather.

The financial position of the Debt Service Funds decreased. There was a balance in the debt funds at the end of the 2017/2018 fiscal year that was used during the 2018/2019 fiscal year to keep the amount borrowed from the school bond loan fund as low as possible.

A comparison of the change in fund balance to the revenues and other financing sources for each of the governmental funds is as follows:

	Revenues and Other Financing Sources	Net Change in Fund Balance from Prior Year	Percent Change in Fund Balance as a Percent of Revenues and Other Financing Sources
General	$18,546,061	$352,522	1.90%
Food Service	823,236	(19,921)	(2.42%)
Debt Service	1,657,900	(132,319)	(7.98%)

General Fund

Approximately 80% of the General Fund is spent on salaries and benefits. Since this represents such a large portion of the budget, every attempt is made to settle bargaining agreements that will result in no change to this percentage. If a larger portion of the budget is spent on salaries and benefits, then the fund balance will most likely be reduced because significant reductions to the remainder of the budget are difficult to make.
The Board of Education has committed a portion of the fund balance for specific purposes itemized on page 31. The Board allows certain unspent budget items to be carried over to the following year. It is Management's belief that if people are allowed to

carryover unspent portions of their budget, these people will spend this money more wisely than under the “use it or lose it” philosophy of some governmental units. The Board committed fund balance is equal to the amount of these funds carried over to the following year, as well as Board committed funds to be used for future maintenance projects that would be too large a burden on fund balance to complete without setting aside funds over a period of years.

Food Service Fund

The Food Service Fund for the District has not required any contribution from the General Fund in recent years. In fact, until last year the food service fund had shown a profit and had received notice from the State for three years in a row that the fund balance in the food service fund was in excess of the maximum allowable fund balance of three months’ worth of operating expenditures. In the 2017/2018 fiscal year the district began charging indirect costs to the food service program. A transfer of funds is made from the food service fund to the general fund to pay for indirect costs incurred by the general fund for the operation of the food service program. In the two years that indirect costs have been charged to the food service program the fund balance in the food service fund has decreased.

Debt Service Fund

The Debt Service Fund collected property taxes and received interest earnings on bank deposits to finance the payment of interest and principal on bonds issued to construct facilities throughout the District. The tax rate is set each year at a level to pay the current year principal and interest payments on the bond issue with a maximum levy of 7.0 mills. Since the maximum tax levy has not generated sufficient revenues to pay the principal and interest payment on the 2008 Bond Issue, the District has been participating in the School Bond Loan Fund and has been receiving loans from this fund to fill the shortfall in the revenues until the tax levy equals or exceeds the debt service requirements for a given year. During the 2016/2017 year the district sold bonds to refinance the 2008 Bond Issue and to pay down the balance of the school bond loan fund.

The final payment for the 2008 bond issue was made in May of 2018. Two debt retirement funds remain: the 2017 Refunding Bond Debt Series A Fund used to pay back the money borrowed to refinance the 2008 bond issue and the 2017 Taxable School Bond Debt Series B Fund used to pay back the money used to pay down the school bond loan fund debt. The District does anticipate the need to continue borrowing from the school bond loan fund until approximately 2023/2024. At that time the 7.0 debt mills should generate enough money to make the bond payments and begin paying back the money borrowed from the school bond loan fund plus interest.

Internal Service Fund

The Internal Service Fund was established during the 2016/2017 fiscal year for the purpose of accounting for self-funded medical, pharmacy, and dental claims. The Internal Service Fund charges the other funds a fee for health and dental coverage and uses those funds to pay the actual claims, and aggregate/specific stop loss coverage. This accounting method aides in budgeting for health and dental expenses in the general and food service funds. As the District continues with the self-funded model from year to year the goal is for the fee charged by the Internal Service Fund to be sufficient to cover all claims without building a significant balance in the Internal Service Fund.

V. Changes to Budget and Comparison to Actual Results

It is required by State law to adopt the original budget before the beginning of the fiscal year. For the fiscal year ended June 30, 2019 the original budget was adopted on June 19, 2018 and amended on October 16, 2018, February 19, 2019 and again on June 18, 2019. The original budget is adopted more than two months before school is in session and, therefore, many assumptions are made in constructing the budget for unknowns such as student enrollment for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. The significant variances for the fiscal year ended June 30, 2019 are as follows:

General Fund Budgetary Highlights

Changes from Original Budget to Final Budget

Local Sources – When the original budget was passed the district's operating millage had been rolled back to 16.6913 mills. In August of 2018 the taxpayers of Shepherd approved additional millage that allowed the district to levy a full 18 mills. In addition, the Shepherd Sports Boosters donated funds to pay for an athletic trainer.

Non-Educational Entity or Political Subdivision – The District received grant monies from the Saginaw Chippewa Indian Tribe during the year. The budget was also adjusted for grants received in prior years that were carried over to the current fiscal year to reflect the total amount of tribal grant revenues received and available for use.

State Sources – State revenues had a net increase due to prior period adjustments reflected on the state aid status report, a state police safety grant awarded during the year and increases to the UAAL Rate Stabilization and MPSERS cost offsets.

Federal Sources – Additional funding added to reflect the final allocation of Title funding to the District. There was also the addition of the Substance Abuse & Mental Health Services Administration (SAMSHA) grant. The additional funding was offset by an increase in expenditures.

Other Sources - The budget was adjusted to record the receipt of the special education millage from the RESD as a gross rather than net receipt. The change was made after the original budget was prepared to record both revenue and expense from the special education millage from the RESD. In previous years revenue only was recorded net of the expenses for the RESD ancillary staff working at Shepherd Public Schools.

Basic Programs – The budget was adjusted to reflect DCC curriculum money that had been set aside for future curriculum expenses. This DCC money was not spent in this current year and will be carried over to next year's budget.

Added Needs – The budget was adjusted to reflect an increase in paraprofessional wages for special education and Title I funded positions.

Pupil Services – The budget was adjusted to include psychology services and speech services provided by RESD employees. The change was made after the original budget was prepared to record both revenue and expense from the special education millage from the RESD. In previous years revenue only was recorded net of the expenses for the RESD ancillary staff working at Shepherd Public Schools.

Instructional Services – In the original budget the DCC curriculum money that is budgeted each year had not yet been assigned to individual buildings. When the final budget was prepared this DCC curriculum money had been allocated to basic programs.

Business Services – The budget was adjusted to reflect less than expected expenses for printing and copying.

Operations and Maintenance – The budget was adjust to include two tribal grants awarded in November of 2018 for door locks to enhance the safety and security of our school buildings.

Pupil Transportation – The budget was adjusted to reflect a decrease in compensation costs for mechanics and bus aides as well as a decrease in expenses for special education transportation contracted through the RESD.

Central Services ; The budget was adjusted to reflect the total amount to be spent on technology equipment and the purchase of an online application to make our website easier to access and use with a mobile device.

Athletics – The budget was adjusted to include an athletic trainer. The Shepherd Sports Boosters have generously donated the services of an athletic trainer. This increased expense is offset by an increase in local revenue provided by the sports boosters.

Facilities Acquisition – The budget was adjusted to reflect the actual cost of building improvement services this fiscal year with the remaining budget to be carried over to next year.

Variances between Final Budget and Actual Amounts

Local Sources – Delinquent taxes from Midland county were received in late June, after the final budget had been approved.

Non-Educational Entity or Political Subdivision – Revenues from Tribal grants received from the Saginaw Chippewa Indian Tribe were deferred because those monies were not spent by year end.

State Sources – The safety grant from the Michigan State Police was not received as the grant reimburses the district after the grant items are purchased and the work for the safety grant was not completed by year end.

Federal Sources – Title funds were deferred because those monies were not spent by year end. In addition funds budgeted for the Substance Abuse & Mental Health Services Administration (SAMSHA) grant were not received as the grant reimburses the district after expenses are incurred and all budgeted expenses were not incurred by year end.

Other Sources – Indirect costs received from the Food Service Fund were budgeted as a revenue in other sources rather than a transfer in.

Basic Programs – The amounts budgeted for Tribal grants related to basic programs were not spent by year-end. The unspent Tribal grant amounts will be carried over to the new fiscal year along with the unspent budget items reflected as committed fund balance.

Added Needs – Expenses for teacher aides in the special education program were not as much as budgeted.

Pupil Services – Funds budgeted for personnel and supplies for the Substance Abuse & Mental Health Services Administration (SAMSHA) grant were not spent by year end.

Instructional Staff – Funds budgeted for Tribal grants and professional development were not spent by year-end.

General Administration – Funds budgeted for legal, audit and membership fees were not spent by year end.

School Administration – Funds budgeted for wages and benefits of office personnel and temporary personnel were not spent.

Operation and Maintenance – The amounts budged for tribal grants and the safety grant from the Michigan State Police were not spend by year end.

Pupil Transportation – Fuel costs and vehicle repairs and maintenance were lower than anticipated for the year as compared to what was projected in the final budget. In addition the tribal grants awarded in May of 2019 included two transit vans for the transportation department. Neither of the vans were purchased before year end.

Building improvement services – Amounts budgeted for building improvements were not spent by year end. The unspent amount will be carried over to next year and is included in the year end committed fund equity.

Transfers in – Indirect costs recovered from the Food Service Fund were recorded here rather than other sources of revenue.

VI. Capital Assets and Long-Term Debt Activity during the Year

Capital Assets

A summary of the changes in the District's capital assets is presented on page 19. The significant additions are described as follows:

Buildings and Additions – Roof patch & repair at the middle school and high school building and duct work in the multipurpose gym at Winn.

Vehicles – The District purchased two school buses and a maintenance truck equipped to plow snow.

Furniture & Equipment – A HP ProLiand DL380 Gen10 Server, the primary server for the district that runs our VMware infrastructure was purchased as well as a portable sawmill used in the industrial arts classroom funded by a tribal grant.

Significant disposals are described as follows:

Furniture & Equipment – Two HP ProLiant Servers one in Winn and the proxy server, athletic equipment consisting of a pole vault pit and a wrestling mat, and 511 chromebooks and 16 chromebook carts. The district has been replacing chromebooks on an annual basis as the one to one initiate is continued. As new chromebooks are purchased they are not added to the capital asset list as the cost of each individual chromebook is less than the $5,000 threshold and once the chromebooks are purchased they are tracked, maintained and replaced on an individual basis.

Vehicles – The district sold a maintenance van and replaced it with the maintenance truck mentioned above.

Long-Term Debt

A summary of the changes in long-term debt is presented on page 21. At the end of this year the School District's General Obligation Bonds outstanding decreased $1,770,000 due to scheduled principal payments.

	2019	2018
2017 Refunding Bond Series A	$22,620,000	$23,620,000
2017 Refunding Bond Series B	5,205,000	5,975,000
	$27,825,000	$29,595,000

VII. Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations.

Our elected officials and administration consider many factors when setting the School District's fiscal year budget. The State of Michigan is the primary source of revenue and is dependent upon student enrollment. Looking forward to fiscal year 2019/2020, the District anticipates an increase in funding from the State even though a state budget has not yet been approved. State budgets proposed by the House, Senate and the Governor all indicate an increase in school funding. This will be helpful as based on early enrollment data at the start of the 2019/2020 school year, we anticipate that the Fall student count will be below the estimates used in developing the 2019/2020 budget.

Contracts have been settled with all bargaining units. The Board of Education agreed to a three year contract with the Shepherd Education Association (SEA) that includes step increases each of the three years and a 1.5% increase for 2019/2020, a 1% increase for 2020/2021 and a 1.5% increase for 2021/2022. Historically when the district has negotiated a multiyear contract with the SEA there has been a wage reopener each year. Having the wage piece settled with the SEA will be good for planning purposes, but may be a disadvantage to the district if state funding does not increase each year. Contracts with the custodial unit and the bus driver unit have been settled for one year.

Health insurance costs continue to be a concern for the District. The self-insured health and dental plan require the District to pay all expenses until the claims for an individual policy reach an insured stop loss limit. Claims came in lower this year than the preceding year and total claims exceeded the illustrated rate by a minimal amount. The District has been advised that when on a self-insured plan you should expect one bad year every five.

We were due for a good year as expenses in both 2016/2017 and 2017/2018 exceeded illustrated rates.

The district has experienced challenges in replacing staff members. Whether we need a full time position filled or a substitute to fill in temporarily, qualified teacher candidates and qualified bus drivers are in short supply. Just before school started this year we had teachers at Shepherd elementary who resigned their position to move to a different district. This left us with the need to replace teachers in a very short time period. To secure qualified candidates for these positions, it was deemed necessary to hire new teaching staff in with many years of experience. While the district was fortunate to hire experienced teachers, this does come at a cost to the district. The District is concerned that this problem is likely to get worse instead of better.

Shepherd Public Schools has invested in district technology by establishing a 1 to 1 initiative for all students in grades 2 through 12. While this initiative will require investments in technology on an ongoing yearly basis, the district is committed to providing all students with the tools necessary to succeed in the current technology environment.

Construction has started on an addition to the Odyssey building. The current portable that houses the Odyssey offices will be replaced with an addition to the existing building. This will help with security as all visitors will have to enter the school building through the offices. Funding for this building project will come from the general fund.

VIII. Contacting the District's Financial Management

This financial report is designed to provide a general overview of the finances for the Shepherd Public Schools for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Shepherd Public Schools Central Office, 258 W. Wright Ave., P.O. Box 219, Shepherd, MI 48883.

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Shepherd Public School District
Statement of Net Position
June 30, 2019

Assets	
Current assets	
Cash and cash equivalents	$ 2,978,202
Accounts receivable, net	57,398
Due from other governmental units	2,937,953
Inventory	90,443
Other current assets	288,555
Total current assets	6,352,551
Noncurrent assets	
Capital assets not being depreciated	182,750
Capital assets being depreciated, net	28,021,354
Total noncurrent assets	28,204,104
Total assets	34,556,655
Deferred outflows of resources	
Deferred outflow - related to pension	10,306,882
Deferred outflow - related to other post-employment benefits	1,583,797
Total deferred outflows of resources	11,890,679
Liabilities	
Current liabilities	
Accounts payable	227,740
Due to other governmental units	206,245
Accrued expenses	1,344,285
Unearned revenue	754,851
State aid loan payable	76,714
Accrued interest	212,328
Incurred but not reported - health claims	190,857
Compensated absences due within one year	63,669
Long-term obligations due within one year	1,820,000
Capital lease due within one year	14,610
Total current liabilities	4,911,299
Noncurrent liabilities	
Compensated absences due beyond one year	360,791
Long-term obligations due beyond one year	26,005,000
Capital lease due beyond one year	21,860
School loan revolving fund	986,454
Premium on bonds less accumulated amortization	938,066
Net pension liability	30,540,422
Net other post-employment benefit liability	8,154,215
Total noncurrent liabilities	67,006,808
Total liabilities	71,918,107
Deferred inflows of resources	
Deferred inflow - related to pension	2,357,412
Deferred inflow - related to other post-employment benefits	1,833,985
Deferred inflow - 147c allocation	1,133,837
Total deferred inflows of resources	5,325,234
Net position	
Net investment in capital assets	(1,581,886)
Restricted for Food Service	200,241
Restricted for Debt Service	11,845
Unrestricted	(29,426,207)
Total net position	$ (30,796,007)

Shepherd Public School District
Statement of Activities
For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Change in Net Position
Governmental activities:				
Instruction	$ 11,931,136	$ 20,547	$ 3,584,307	$ (8,326,282)
Support services	7,952,696	114,092	-	(7,838,604)
Food Service	893,233	234,831	507,287	(151,115)
Community services	7,423	-	-	(7,423)
Building improvement services	237,749	-	-	(237,749)
Interest and fees	806,013	-	-	(806,013)
Total governmental activities	$ 21,828,250	$ 369,470	$ 4,091,594	(17,367,186)
General revenues:				
Property taxes				2,623,315
State aid not restricted to specific purposes				12,909,942
Intermediate sources				977,870
Interest and investment earnings				9,002
Other revenues				133,343
Total general revenues				16,653,472
Change in net position				(713,714)
Net position - beginning				(30,082,293)
Net position - ending				$ (30,796,007)

The notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

Shepherd Public School District
Balance Sheet - Governmental Funds
June 30, 2019

	General	Total Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 2,691,351	$ 284,699	$ 2,976,050
Accounts receivable, net	56,448	950	57,398
Due from other funds	70,339	2,863	73,202
Due from internal service fund	43,914	-	43,914
Due from other governmental units	2,931,943	6,010	2,937,953
Inventory	56,675	33,768	90,443
Other current assets	288,555	-	288,555
Total assets	$ 6,139,225	$ 328,290	$ 6,467,515
Liabilities			
Accounts payable	$ 113,527	$ 692	$ 114,219
Due to other funds	2,863	70,339	73,202
Due to internal service fund	114,831	-	114,831
Due to other governmental units	206,245	-	206,245
Accrued expenses	1,343,251	1,034	1,344,285
Unearned revenue	744,480	10,371	754,851
State aid loan payable	76,714	-	76,714
Total liabilities	2,601,911	82,436	2,684,347
Fund balance			
Nonspendable	345,229	33,768	378,997
Restricted	-	212,086	212,086
Committed	686,678	-	686,678
Unassigned	2,505,407	-	2,505,407
Total fund balances	3,537,314	245,854	3,783,168
Total liabilities and fund balances	$ 6,139,225	$ 328,290	$ 6,467,515

Shepherd Public School District
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to the Net Position of Governmental Activities on the Statement of Net Position
June 30, 2019

Total fund balance - governmental funds		$ 3,783,168
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 therefore are not reported in the funds.		
Add:	Cost of capital assets	43,834,406
Deduct:	Accumulated depreciation	(15,630,302)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Deduct:	2017 Refunding Bond Series A	(22,620,000)
Deduct:	2017 Refunding Bond Series B	(5,205,000)
Deduct:	School Loan Revolving Fund	(986,454)
Deduct:	Premium on 2017 Refunding Bond Series A (net of amortization)	(930,451)
Deduct:	Premium on 2017 Refunding Bond Series B (net of amortization)	(7,615)
Deduct:	Capital lease	(36,470)
Internal service fund is used by management to charge the cost of self funded employee benefits to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		
Deduct:	Net position reported in the internal service fund	(231,309)
Other amounts reported in the statement of activities that do not require current financial resources consist of:		
Add:	Deferred outflow - related to pension	10,306,882
Add:	Deferred outflow - related to other post-employment benefits	1,583,797
Deduct:	Net pension liability	(30,540,422)
Deduct:	Net other post-employment benefit liability	(8,154,215)
Deduct:	Deferred inflow - related to pension	(2,357,412)
Deduct:	Deferred inflow - related to other post-employment benefits	(1,833,985)
Deduct:	Deferred inflow - 147c allocation	(1,133,837)
Deduct:	Compensated absences payable	(424,460)
Deduct:	Accrued interest on long-term liabilities	(212,328)
Total net position - governmental activities		$ (30,796,007)

Shepherd Public School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2019

	General	Total Nonmajor Funds	Total
Revenues			
Local sources	$ 1,238,020	$ 1,871,347	$ 3,109,367
Non-educational entity	362,416	-	362,416
State sources	15,573,895	102,502	15,676,397
Federal sources	366,668	507,287	873,955
Other sources	977,870	-	977,870
Total revenues	18,518,869	2,481,136	21,000,005
Expenditures			
Instruction			
Basic programs	8,120,185	-	8,120,185
Added needs	2,203,252	-	2,203,252
Total instruction	10,323,437	-	10,323,437
Support services			
Pupil services	1,344,039	-	1,344,039
Instructional staff	735,404	-	735,404
General administration	301,275	-	301,275
School administration	1,442,699	-	1,442,699
Business	385,016	-	385,016
Operation and maintenance	1,667,670	-	1,667,670
Pupil transportation	1,048,788	-	1,048,788
Central	289,467	1,912	291,379
Athletics	394,897	-	394,897
Total support services	7,609,255	1,912	7,611,167
Food service	-	817,253	817,253
Community services	7,041	-	7,041
Building improvement services	237,749	-	237,749
Debt service			
Principal	13,919	1,770,000	1,783,919
Interest, fees and other	2,138	869,488	871,626
Total expenditures	18,193,539	3,458,653	21,652,192
Revenues over (under) expenditures	325,330	(977,517)	(652,187)
Other financing sources (uses)			
Transfers in	23,992	398,644	422,636
Transfers out	-	(422,636)	(422,636)
Proceeds from sale of capital assets	3,200	-	3,200
Proceeds from School Loan Revolving Fund (SLRF)	-	849,269	849,269
Net change in fund balances	352,522	(152,240)	200,282
Fund balances - beginning	3,184,792	398,094	3,582,886
Fund balances - ending	$ 3,537,314	$ 245,854	$ 3,783,168

Shepherd Public School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds		$ 200,282
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Add:	Capital outlay	431,619
Deduct:	Depreciation expense	(1,338,837)
Long-term debt proceeds are reported as other financing sources in the governmental funds, thereby increasing fund balances. In the statement of net position, however, issuing long-term debt increases liabilities and has no effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Add:	Payment of 2017 Refunding Bond Series A	1,000,000
Add:	Payment of 2017 Refunding Bond Series B	770,000
Deduct:	Proceeds from School Loan Revolving Fund (SLRF)	(849,281)
Add:	Amortization of 2017 Refunding Bond Series A premium	51,691
Add:	Amortization of 2017 Refunding Bond Series B premium	1,904
Add:	Payment of capital lease	13,919
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Add:	Change in deferred outflow - related to pension	3,719,586
Add:	Change in deferred outflow - related to other post-employment benefits	967,505
Deduct:	Change in net pension liability	(4,332,822)
Add:	Change in net other post-employment benefit liability	834,917
Deduct:	Change in deferred inflow - related to pension	(930,531)
Deduct:	Change in deferred inflow - related to other post-employment benefits	(1,530,087)
Deduct:	Change in accrual for compensated absences	(23,238)
Add:	Change in interest on long-term debt	12,018
Revenue in support of pension contribution made subsequent to the measurement date.		
Add:	Change in deferred inflow - 147c allocation	111,343
Internal service fund is used by management to charge the cost of self funded employee benefits to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		
Add:	Net revenues and expenses	176,298
Net change in net position - governmental activities		$ (713,714)

Shepherd Public School District
Statement of Net Position
June 30, 2019

	Internal Service Fund
Assets	
Current assets	
Cash and cash equivalents	$ 2,152
Due from general fund	114,831
Total assets	116,983
Liabilities	
Current liabilities	
Accounts payable	113,521
Incurred but not reported claims (IBNR)	190,857
Due to general fund	43,914
Total liabilities	348,292
Net position	
Unrestricted	$ (231,309)

Shepherd Public School District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019

	Internal Service Fund
Operating revenues	
Employer health and dental premiums	$ 1,498,367
Total operating revenues	1,498,367
Operating expenses	
Medical and dental claims	1,189,981
Purchased services	15,104
Other	117,034
Total operating expenses	1,322,119
Operating income	176,248
Non operating revenues	
Interest income	50
Change in net position	176,298
Net position - beginning	(407,607)
Net position - ending	$ (231,309)

Shepherd Public School District
Statement of Cash Flows
For the Year Ended June 30, 2019

	Internal Service Fund
Cash flows from operating activities	
Employer health and dental premiums	$ 1,498,367
Payment of medical and dental claims	(1,197,194)
Payment of purchased services	(15,104)
Other payments	(117,034)
Net cash from operating activities	169,035
Cash flows from investing activities	
Interest received	50
Cash flows from non-capital financing activities	
Payments from other funds	(167,317)
Net change in cash and cash equivalents	1,768
Cash and cash equivalents - beginning	384
Cash and cash equivalents - ending	$ 2,152

Reconciliation of operating income to net cash provided by operating activities:

Operating Income	$ 176,248
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Accounts payable	15,426
Incurred but not reported claims (IBNR)	(22,639)
Net cash provided by operating activities	$ 169,035

Shepherd Public School District
Statement of Fiduciary Net Position
June 30, 2019

	Trust Fund		Agency Fund		Total	
Assets						
Cash and investments	$	13,574	$	316,668	$	330,242
Liabilities						
Due to student groups		-		316,668		316,668
Net position						
Restricted for endowments	$	13,574	$	-	$	13,574

The notes are an integral part of these financial statements.

Shepherd Public School District
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2019

	Trust Fund
Revenues	
Interest	$ 103
Change in net position	103
Net position - beginning	13,471
Net position - ending	$ 13,574

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Shepherd Public School District (the District) conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District. All amounts shown are in dollars.

Reporting Entity

The District is governed by Board of Education members which have the responsibility and control over all activities related to public school education within the District. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America.

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 District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds. Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following major governmental funds:

- The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The District reports the following non-major governmental funds:

- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service in the special revenue fund.

- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District accounts for its 2008 Bond, 2017 Series A and 2017 Series B activity in the debt service funds.

Additionally, the government reports the following fund types:

- Internal service fund is a propriety fund which is used to provide services to the other funds on a cost reimbursement basis. The services provided include self-funded medical and dental coverage for the employees of the District. The various governmental funds pay premiums to the internal service fund based upon the illustrative rates computed by the administrator of the plan. The internal service fund uses those funds to pay the actual cost of the claims and stop loss insurance premiums. The internal service fund is accounted for using the accrual basis of accounting.

- The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities). These funds are not reported in the District's government-wide financial statements.

- The private purpose trust funds account for funds entrusted to the District for scholarship awards and only interest may be spent. These funds are not reported in the District's government-wide financial statements.

Measurement Focus and Basis of Accounting
The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally 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 claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The agency fund has no measurement focus but utilizes the accrual basis in accounting for reporting its assets and liabilities. The private-purpose trust fund is reported using the economic resources measurements focus and the accrual basis of accounting.

Budgetary Basis of Accounting
Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:
- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal

year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.

- Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30. The District does not consider these amendments to be significant.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

<u>Cash and Cash Equivalents</u>
The District's cash and cash equivalents are considered to be demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

<u>Investments</u>
Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

<u>Inventory</u>
Inventory is valued at cost using the first-in/first-out (FIFO) method and consists of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

<u>Prepaid items</u>
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

<u>Due from/to other funds</u>
During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

<u>Capital Assets</u>
Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress if any are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land	Not Depreciated
Construction in process	Not Depreciated
Land improvements	10 - 20
Buildings and additions	10 - 50
Furniture and equipment	5 - 20
Vehicles	10

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a related expense is recognized in the current year.

Deferred Outflows
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has the following items that qualify for reporting in this category:

- Related to pension- A deferred outflow is recognized for pension related items. These amounts are expensed in the plan year in which they apply.
- Related to other post-employment benefits - A deferred outflow is recognized for other post-employment benefits related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows
In addition to liabilities, the statement of net 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Related to pension - Future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.
- Related to other post-employment benefits - Future resources yet to be recognized in relation to the OPEB actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the OPEB liability and the actual results. The amounts are amortized over a period determined by the actuary.
- 147c allocation - Restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

Compensated Absences
The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Unearned Revenue
Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the fund financial statements and Government-wide financial statements, and revenue is recognized.

Incurred but not Reported (IBNR) Liability
The amounts recorded in liabilities include amounts for medical, pharmacy and dental claims liability based on management's estimate. The District may not be billed for these until several months after the date of service. The actual cost may vary from the estimated amount for a variety of reasons. The methodology used in estimating

reserves considers factors such as historical data adjusted for payment patterns, cost trends, service and benefit mixes, seasonality, utilization of health care services, internal processing changes, the amount of time it took to pay claims from prior periods, changes in the past few months in the claims adjudication procedures, changes in benefits, events that would lead to excessive claims, large increases or decreases in membership, and other relevant factors.

Long-term Obligations
In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pension
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 School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

Postemployment Benefits Other Than Pensions
For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

Net Position and Fund Balances
Restricted net position shown in the Government-wide financial statements will generally be different from amounts reported as reserved/designated fund balances in the governmental fund financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the government-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

Net Position – Restrictions
Net position in the government-wide financial statements are reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Fund Balance
The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's Debt Service fund balance is considered restricted. The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.
- *Committed fund balance* - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be

used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

- *Assigned fund balance* - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- *Unassigned fund balance* - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Property Tax Revenue

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

The District levied the following amounts per $1,000 of assessed valuation. The District levied 18.00 mills for school general operations on the non-homestead taxable value. The District also levied an additional 7.00 mills on all property in the District for the purpose of debt service.

State Aid Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6.00 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

Use of Estimates

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

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30th, the carrying amount of the District's cash and cash equivalents were as follows:

Description	Amount
Petty Cash	1,050
Checking, Savings, & Money Market Accounts	2,977,152
Total	2,978,202

Interest rate risk: In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk: State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk: The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2019, $3,131,072 of the District's bank balance of $3,381,072 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The fiduciary fund balances are not included in the above balances.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Fair value measurement: The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.

- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Foreign currency risk: The District is not authorized to invest in investments which have this type of risk.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivable and payable shown on the fund financial statements as of June 30th, are as follows:

Description	Due from Other Funds	Due to Other Funds
General Fund	70,339	2,863
Food Service	2,863	70,339
Total	73,202	73,202

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS
As of June 30th, due from other governmental units is comprised of the following amounts:

Description	Amount
State aid	2,847,980
Federal grants and other pass-through agencies	89,973
Total	2,937,953

No allowance for doubtful accounts is considered necessary.

NOTE 5 - CAPITAL ASSETS
A summary of changes in the District's capital assets follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated					
Land	182,750	-	-	-	182,750
Construction in process	4,300	-	-	(4,300)	-
Total capital assets not being depr.	187,050	-	-	(4,300)	182,750
Capital assets being depreciated					
Land improvements	5,123,360	4,300	-	4,300	5,131,960
Buildings and additions	34,738,563	179,862	-	-	34,918,425
Furniture and equipment	1,388,346	36,184	(195,887)	-	1,228,643
Vehicles	2,180,333	211,273	(18,978)	-	2,372,628
Total capital assets being depr.	43,430,602	431,619	(214,865)	4,300	43,651,656
Accumulated depreciation					
Land improvements	(2,300,562)	(252,784)	-	-	(2,553,346)
Buildings and additions	(9,804,619)	(749,174)	-	-	(10,553,793)
Furniture and equipment	(1,025,425)	(137,223)	195,887	-	(966,761)
Vehicles	(1,375,724)	(199,656)	18,978	-	(1,556,402)
Total accumulated depreciation	(14,506,330)	(1,338,837)	214,865	-	(15,630,302)
Net capital assets being depreciated	28,924,272	(907,218)	-	4,300	28,021,354
Net capital assets	29,111,322	(907,218)	-	-	28,204,104

Depreciation for the year ended June 30, 2019th totaled $1,338,837 and was allocated as follows:

Governmental Activities	Amount
Instruction	906,291
Support services	390,358
Food services	42,188
Total depreciation	1,338,837

NOTE 6 - ACCRUED EXPENSES
Accrued expenses as of year-end include amounts due for accrued wages, retirement, FICA, employee benefit insurances, and termination benefits (if any). Accrued wages represent the remaining balance on teacher contracts to be paid during the summer and other salaries and wages earned as of June 30th.

NOTE 7 - DEBT

Short-term debt
On August 20, 2018, the District borrowed $600,000 in one note from the Michigan Finance Authority in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 1.75% and is payable on August 20, 2019. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. During the year, the District sets aside funds to pay the state aid note. The amount included in current liabilities on the Statement of Net Position is net of these set aside funds.

On August 20, 2019 (after the end of the fiscal year), the District borrowed $500,000 in one note from the Michigan Finance Authority in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 1.30% and is payable on August 20, 2020. This loan was acquired after the end of the fiscal year and, therefore, is not shown as a current liability.

	Beginning Balance	Additions	(Deletions)	Ending Balance
State Aid Note	121,106	600,000	(644,392)	76,714

Premiums and Discounts
Debt may be issued at par value, with a premium (applicable to debt issued in excess of par value) or at a discount (applicable to debt issued at amounts less than the par value). Premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

The changes in premium and discounts during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance
Premium on 2017 Refunding Bond Series A	982,142	-	(51,691)	930,451
Premium on 2017 Refunding Bond Series B	9,519	-	(1,904)	7,615
Total premium and discounts	991,661	-	(53,595)	938,066

Long-term debt

	Amount
General obligation bonds:	
2017 Refunding Bond Series A due in annual installments of $100,000 to $12,820,000 through May 1, 2037 with an interest rate from 3.00% to 3.25%	22,620,000
2017 Refunding Bond Series B due in annual installments of $770,000 to $2,615,000 through May 1, 2023 with an interest rate from 2.00% to 2.55%	5,205,000
Total general obligation bonds:	27,825,000
Direct borrowings and direct placements:	
Capital lease due in monthly installments of $1,157.46 through October 14, 2021 with an interest rate of 4.85%	30,583
Capital lease due in monthly installments of $180.70 through May 20, 2022 with an interest rate of 4.85%	5,887
School Loan Revolving Fund – repayment terms and current interest rate discussed in related note below. Balance due includes principal balance of $968,974 and accrued interest of $17,480.	986,454
Total direct borrowings and direct placements:	1,022,924

General obligation bonds
2017 Refunding Bond Series A - $23,620,000
During the fiscal year ended June 30, 2017, the District issued $23,620,000 of general obligation tax-exempt bonds for the purpose of a current refunding of $22,980,000 of the 2008 bonds outstanding.

2017 Refunding Bond Series B - $5,975,000
During the fiscal year ended June 30, 2017, the District issued $5,975,000 of general obligation taxable bonds for the purpose of a current refunding of $5,902,275 of the School Loan Revolving Fund outstanding.

Direct borrowings and direct placements
School Bond Loan Fund/School Loan Revolving Fund
Borrowing from the State of Michigan - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the District, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate at June 30th was 3.44%.

Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.0 mills. The school district is required to levy 7.0 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 7.0 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

Capital lease
The District entered into a lease agreement as lessee for financing the acquisition of printers valued at $71,163. The printers have a 5 year estimated useful life. No depreciation expense was taken on the printers as they do not meet the $5,000 threshold for capitalization. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

Summary of Long-Term Debt
The changes in long-term debt during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Long-term debt					
Compensated absences	401,222	83,421	(60,183)	424,460	63,669
General obligation bonds	29,595,000	-	(1,770,000)	27,825,000	1,820,000
Direct borrowings and direct placements	187,562	849,281	(13,919)	1,022,924	14,610
Total long-term debt	30,183,784	932,702	(1,844,102)	29,272,384	1,898,279

The requirements to pay principal and interest on the long-term debt outstanding at June 30, 2019, are shown below:

	General Obligation Bonds		Direct Borrowings and Direct Placements	
Year Ended June 30	Principal	Interest	Principal	Interest
2020	1,820,000	802,128	14,610	1,448
2021	1,860,000	755,728	15,335	723
2022	1,910,000	707,668	6,525	94
2023	15,435,000	656,282	-	-
2024	1,000,000	205,000	-	-
2025-2029	5,000,000	575,000	-	-
2030-2034	500,000	94,876	-	-
2035-2039	300,000	19,500	-	-
Total long-term debt	27,825,000	3,816,182	36,470	2,265

School Bond Loan Fund & School Loan Revolving Fund (included in direct borrowing and direct placement on the summary of long-term debt) are not subject to annual principal and interest payments and therefore are not included in the schedule above.

NOTE 8 - NET INVESTMENT IN CAPITAL ASSETS
As of June 30th, the composition of net investment in capital assets was comprised of the following:

Net investment in capital assets	Amount
Capital assets not being depreciated	182,750
Capital asset being depreciated, net	28,021,354
Capital related general obligation bonds	(27,825,000)
Capital lease	(36,470)
School loan revolving fund	(986,454)
Unamortized premium on bond refunding	(938,066)
Net investment in capital assets	(1,581,886)

NOTE 9 - OPERATING LEASES
The District has entered into an operating lease for the office space. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the financial statements. Lease expense for the fiscal year was approximately $8,994. The future minimum lease obligations as of:

Year Ending June 30	Amount
2020	9,075
2021	9,075
2022	9,075
2023	9,075
2024	1,513

NOTE 10 - RISK MANAGEMENT
The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District participates in the SET/SEG risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries (workers' compensation). Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There was no reduction in coverage obtained through commercial

insurance during the past year.

NOTE 11 - RETIREMENT BENEFITS

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

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018.

Benefit Structure	Member	District
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from the District were $2,766,375 for the year ended September 30, 2018.

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

At June 30, 2019, the District reported a liability of $30,540,422 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The Districts' proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the Districts' proportion was 0.10159211%, which was an increase of 0.00046011% from its proportion measured as of September 30, 2017.

For the year ending June 30, 2019, the District recognized pension expense of $4,214,762. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	141,713	221,932
Changes of assumptions	7,073,137	-
Net difference between projected and actual earnings on pension plan investments	-	2,088,189
Changes in proportion and differences between District contributions and proportionate share of contributions	661,649	47,291
District contributions subsequent to the measurement date	2,430,383	-
Total	10,306,882	2,357,412

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 ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2019	2,348,822
2020	1,673,392
2021	1,073,269
2022	423,604

Actuarial Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District 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 District 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, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	7.05%
- Pension Plus Plan:	7.00%
- Pension Plus Plan 2:	6.00%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
- Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active Members	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:
- *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5304*
- *Recognition period for assets in years: 5.0000*
- *Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0	9.2
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
Total	100.0%	
**Long-term rates of return are net of administrative expenses and 2.3% inflation.*		

Rate of Return
For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate
A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Hybrid Plan), as well as what District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.05% / 6.0% / 5.0%	Current Single Discount Rate Assumption 7.05% / 7.0% / 6.0%	1% Increase 8.05% / 8.0% / 7.0%
40,097,216	30,540,422	22,600,280
* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans. University employers provide only the Basic and MIP plans.		

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
At year end the District is current on all required pension plan payments. At June 30, 2019, the District reported a payable of $378,958 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019, consisting of pension contribution payable plus any other amounts owed to the pension plan including the UAAL payments for July and August 2019.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE)

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's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System. The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement.

Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2018.

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	6.44%
Personal Healthcare Fund (PHF)	0.00%	6.13%

Required contributions to the OPEB plan from the District were $665,858 for the year ended September 30, 2018.

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

At June 30, 2019, the District reported a liability of $8,154,215 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the district's proportion was 0.10258227%, which was an increase of 0.00107291% from its proportion measured as of October 1, 2017.

For the year ending June 30, 2019, the District recognized OPEB expense of $419,037. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	-	1,517,709
Changes of Assumptions	863,536	-
Net difference between projected and actual earnings on OPEB plan investments	-	313,386
Changes in proportion and differences between employer contributions and proportionate share of contributions	94,901	2,890
Employer contributions subsequent to the measurement date	625,360	-
Total	1,583,797	1,833,985

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2019	(217,952)
2020	(217,952)
2021	(217,952)
2022	(156,140)
2023	(65,552)

Actuarial Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long- term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	7.15%
Projected Salary Increases:	2.75 – 11.5%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.0% Year 12
Mortality:	
- Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP- 2017 from 2006.
Other Assumptions:	
- Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018 for non-university employers.*
- *Recognition period for assets in years: 5.0000*
- *Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at* www.michigan.gov/orsschools*.*

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

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0	9.2
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
Total	100.0%	
*Long-term rates of return are net of administrative expenses and 2.3% inflation.		

Rate of Return
For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate
A discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
9,788,969	8,154,215	6,779,187

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate
The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
6,706,752	8,154,215	9,814,751

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan
The District reported payables to the defined benefit OPEB plan in the amount of $67,807 as of June 30, 2019.

NOTE 13 - TRANSFERS
During the year the following transfers were made between funds:

- The transfer of $23,992 from the Food Service Fund to the General Fund was for the purpose of indirect costs.
- The transfer of $77,644 from the 2008 Bond Fund to the 2017 Series A Fund was for the purpose of bond payments.
- The transfer of $321,000 from 2017 Series A Fund to 2017 Series B Fund was for the purpose of bond payments.

NOTE 14 - SELF-INSURANCE LIABILITY
The District maintains a self-insurance program for employee medical, pharmacy and dental insurance claims. The District also maintains insurance coverage in these areas for claims in excess of the self-insured retentions. There were no significant changes in insurance coverage from coverage in the prior year. The District has a stop-loss agreement that limits its exposure to $35,000 per contract per year.

The District believes the estimated liabilities for all unsettled employee medical, pharmacy and dental insurance claims at June 30, 2019 are adequate to reflect all claims for events that have occurred through that date. The lag payout depends on the nature of the claim: medical – 1.5 months, pharmacy – 0.5 months, administrative fee – 2.0 months and stop loss fee – 3.0 months; therefore, all of the June 30, 2019 balance of $190,857 is expected to be paid the following year.

NOTE 15 - TAX ABATEMENTS
The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Amount
Coe Township	4,239

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

NOTE 16. FUND BALANCE – NON SPENDABLE, COMMITTED, AND RESTRICTED
Non-spendable fund balance for the General Fund and Food Service Fund is for inventory. Fund balance in the Food Service Fund (other than non-spendable) is restricted for food service activities. Fund Balance for the Debt Service Fund is restricted for debt service. Fund balance in the Trust Funds is non-spendable for the corpus and restricted for the earnings that have not been spent.

Fund balance in the General Fund has been committed by the Board of Education for the following items at June 30th.

Description	Amount
Instructional Supplies, Text Books, and Capital Outlay	166,798
Curriculum	278,098
Media Center	2,245
Technology	21,909
Capital Projects	217,628
Total Committed Fund Balance	686,678

NOTE 17 – CONTINGENT LIABILITIES
Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability for the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 18 – ECONOMIC DEPENDENCE
The District receives over 80% of its General Fund revenues from the Michigan Department of Education. Due to the significance of this revenue source, the District is considered to be economically dependent.

NOTE 19 - UPCOMING ACCOUNTING PRONOUNCEMENTS
GASB Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for the District's 2019-2020 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

GASB Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for the District's 2020-2021 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

Shepherd Public School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance with final budget
Revenues				
Local sources	$ 1,062,154	$ 1,217,047	$ 1,238,020	$ 20,973
Non-educational entity	670,555	1,093,187	362,416	(730,771)
State sources	15,413,964	15,627,171	15,573,895	(53,276)
Federal sources	269,079	435,843	366,668	(69,175)
Other sources	692,121	1,004,280	977,870	(26,410)
Total revenues	18,107,873	19,377,528	18,518,869	(858,659)
Expenditures				
Instruction				
Basic programs	8,937,849	8,802,674	8,120,185	682,489
Added needs	2,015,887	2,238,291	2,203,252	35,039
Total instruction	10,953,736	11,040,965	10,323,437	717,528
Support services				
Pupil services	969,432	1,376,013	1,344,039	31,974
Instructional staff	971,394	913,321	735,404	177,917
General administration	310,150	316,366	301,275	15,091
School administration	1,469,865	1,462,517	1,442,699	19,818
Business	406,043	389,547	385,016	4,531
Operation and maintenance	1,700,149	1,840,441	1,667,670	172,771
Pupil transportation	1,156,180	1,131,810	1,048,788	83,022
Central	269,617	298,315	289,467	8,848
Athletics	375,914	400,127	394,897	5,230
Total support services	7,628,744	8,128,457	7,609,255	519,202
Community Services	2,100	9,188	7,041	2,147
Building improvement services	450,000	361,000	237,749	123,251
Debt service	16,058	16,058	16,057	1
Total expenditures	19,050,638	19,555,668	18,193,539	1,362,129
Other financing sources (uses)				
Transfers in (out)	-	-	23,992	(23,992)
Proceeds from sale of capital assets	-	-	3,200	(3,200)
Revenues over (under) expenditures	(942,765)	(178,140)	352,522	530,662
Fund balance - beginning	3,184,792	3,184,792	3,184,792	-
Fund balance - ending	$ 2,242,027	$ 3,006,652	$ 3,537,314	$ 530,662

Shepherd Public School District
Required Supplemental Information
Michigan Public School Employees Retirement Plan
Prospective 10-year trend information - Pension

Schedule of the District's Proportionate Share of the Net Pension Liability	**Plan year Sept 30, 2018**	**Plan year Sept 30, 2017**	**Plan year Sept 30, 2016**	**Plan year Sept 30, 2015**	**Plan year Sept 30, 2014**
District's proportion of net pension liability (%)	0.10159211%	0.10113200%	0.10023100%	0.09626991%	0.0936836%
District's proportionate share of net pension liability	$ 30,540,422	$ 26,207,600	$ 25,006,814	$ 23,513,951	$ 20,635,221
District's covered employee payroll	$ 8,737,303	$ 8,457,927	$ 8,651,090	$ 8,049,542	$ 7,964,513
District's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	352.81%	309.86%	289.06%	292.12%	259.09%
Plan fiduciary net position as a percentage of total pension liability	62.36%	63.27%	63.01%	62.92%	66.20%

Note: Amounts were determined as of 9/30 of each fiscal year.

Schedule of the District's Pension Contributions	**Fiscal year June 30, 2019**	**Fiscal year June 30, 2018**	**Fiscal year June 30, 2017**	**Fiscal year June 30, 2016**	**Fiscal year June 30, 2015**
Statutorily required pension contributions	$ 2,642,125	$ 2,728,730	$ 2,379,743	$ 2,248,149	$ 1,761,175
Contributions in relation to statutorily required pension contributions	2,642,125	2,728,730	2,379,743	2,248,149	1,761,175
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District’s covered-employee payroll	$ 8,732,302	$ 8,693,145	$ 8,413,324	$ 8,267,922	$ 8,039,307
Contributions as a percentage of covered-employee payroll	30.26%	31.39%	28.29%	27.19%	21.91%

Note: Amounts were determined as of 6/30 of each year.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms
Changes of assumptions: There were no changes of benefit assumptions

Schedule of the District's Proportionate Share of the Net OPEB Liability	**Plan year Sept 30, 2018**	**Plan year Sept 30, 2017**
District's proportion of net OPEB liability (%)	0.10258227%	0.10150936%
District's proportionate share of net OPEB liability	$ 8,154,215	$ 8,989,132
District's covered employee payroll	$ 8,737,303	$ 8,448,976
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll (%)	93.33%	106.39%
Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%

Note: Amounts were determined as of 9/30 of each fiscal year.

Schedule of the District's OPEB Contributions	**Fiscal year June 30, 2019**	**Fiscal year June 30, 2018**
Statutorily required OPEB contributions	$ 719,700	$ 689,364
Contributions in relation to statutorily required OPEB contributions	719,700	689,364
Contribution deficiency (excess)	$ -	$ -
District’s covered-employee payroll	$ 8,732,302	$ 8,697,062
Contributions as a percentage of covered-employee payroll	8.24%	7.93%

Note: Amounts were determined as of 6/30 of each year.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms
Changes of assumptions: There were no changes of benefit assumptions

OTHER SUPPLEMENTARY INFORMATION

Shepherd Public School District
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019

	Food Service	Debt Service Funds 2008 Bonds	Debt Service Funds 2017 Series A	Debt Service Funds 2017 Series B	Total Nonmajor Funds
Assets					
Cash and cash equivalents	$ 273,804	$ -	$ 7,075	$ 3,820	$ 284,699
Accounts receivable, net	-	-	705	245	950
Due from other funds	2,863	-	-	-	2,863
Due from other governmental units	6,010	-	-	-	6,010
Inventory	33,768	-	-	-	33,768
Total assets	$ 316,445	$ -	$ 7,780	$ 4,065	$ 328,290
Liabilities					
Accounts payable	$ 692	$ -	$ -	$ -	$ 692
Due to other funds	70,339	-	-	-	70,339
Accrued expenditures	1,034	-	-	-	1,034
Unearned revenue	10,371	-	-	-	10,371
Total liabilities	82,436	-	-	-	82,436
Fund balance					
Nonspendable	33,768	-	-	-	33,768
Restricted	200,241	-	7,780	4,065	212,086
Total fund balances	234,009	-	7,780	4,065	245,854
Total liabilities and fund balances	$ 316,445	$ -	$ 7,780	$ 4,065	$ 328,290

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

		Debt Service Funds			Total Nonmajor Funds
	Food Service	2008 Bonds	2017 Series A	2017 Series B	
Revenues					
Local sources	$ 236,022	$ 27	$ 1,067,919	$ 567,379	$ 1,871,347
State sources	79,927	-	22,575	-	102,502
Federal sources	507,287	-	-	-	507,287
Total revenues	823,236	27	1,090,494	567,379	2,481,136
Expenditures					
Support services					
Central	1,912	-	-	-	1,912
Total support services	1,912	-	-	-	1,912
Food service	817,253	-	-	-	817,253
Debt service					
Principal	-	-	1,000,000	770,000	1,770,000
Interest, fees and other	-	-	730,692	138,796	869,488
Total expenditures	819,165	-	1,730,692	908,796	3,458,653
Revenues over (under) expenditures	4,071	27	(640,198)	(341,417)	(977,517)
Other financing sources (uses)					
Transfers in	-	-	77,644	321,000	398,644
Transfers out	(23,992)	(77,644)	(321,000)	-	(422,636)
Proceeds from SLRF	-	-	849,269	-	849,269
Net change in fund balance	(19,921)	(77,617)	(34,285)	(20,417)	(152,240)
Fund balances - beginning	253,930	77,617	42,065	24,482	398,094
Fund balances - ending	$ 234,009	$ -	$ 7,780	$ 4,065	$ 245,854