Shepherd Public School District
Shepherd, Michigan

Financial Statements
With Supplementary Information
June 30, 2018

RPC
Roslund Prestage & Company
Certified Public Accountants

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Shepherd Public School District
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June 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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, 2018, 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.

Change in Accounting Principle
As discussed in the notes to the financial statements, the District adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of this Statement, the financial statements have been changed to reflect the new presentation required by GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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 18, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

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

September 18, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Shepherd Public Schools
Management Discussion and Analysis
For the Year Ended June 30, 2018

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, 2018. 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 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 were significant.

Current assets saw a decrease of $814,567 over last year. The biggest reason for the decrease in assets is the refunding of the 2008 bond issue which occurred during the 2016/2017 fiscal year. At the end of the 2016/2017 fiscal year a portion of the proceeds from the refunding were sitting in the debt fund cash accounts to be used to make interest payments on our long term debt in November of 2017. By the end of the 2017/2018 fiscal year that cash was no longer on account.

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 $183,595 however, current year net depreciation was $1,080,844 resulting in a net decrease in capital assets of $897,249.

The current liabilities increased significantly from the previous year by $584,961. Due primarily to an increase in long term obligations due within one year.

Noncurrent liabilities increased by $8,261,596 due to the recognition of post employment pension and health care obligations causing the net position for governmental activities to decrease by $9,674,459.

As of the year ended, June 30, 2015, the District implemented GASB 68, Accounting and Financial Reporting for Pensions. This pronouncement 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. Note 11, Retirement and Post Retirement Benefits, beginning on page 22, provides detailed information regarding the implementation and financial impact of GASB 68 on the District's financial statements

For the current year end, June 30, 2018 the District is implementing GASB 75, Accounting and Financial Reporting for Other Post Employment Benefits (Retiree Health Care). Note 12, Other Post Employment Benefits (Retiree Health Care) beginning on page 26, provides detailed information regarding the implementation and financial impact of GASB 75 on the District's financial statements. . The reporting of the districts share of the pension liability and the addition of the health care liability contributed significantly to the districts decrease in net position.

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, 2018 and 2017

	2018	2017	Difference
Current Assets	$5,961,267	$6.775,834	($814,567)
Noncurrent Assets	29,111,322	30,008,571	(897,249)
Total Assets	$35,072,589	$36,784,405	($1,711,816)
Current Liabilities	$4,854,436	$4,269,475	$584,961
Noncurrent Liabilities	64,528,075	56,266,479	8,261,596
Total Liabilities	$69,382,511	$60,535,954	$8,846,557
Net Deferred (Inflow)/Outflow of Resources	$4,227,629	$3,343,715	$883,914
Net Investment in Capital Assets	($1,525,728)	($1,936,404)	$410,676
Restricted	353,787	382,291	(28,504)
Unrestricted	(28,910,352)	(18,853,721)	($10,056,631)
Total Net Position	($30,082,293)	($20,407,834)	(9,674,459)

Total revenues reported on the Statement of Activities increased by $337,280. The Operating Grants and Contributions show an increase of $296,493. A major portion of that increase can be attributed to an increase in restricted State Aid.

Total General Revenues saw an increase of $43,942. That can be attributed to an increase in taxable values. Even though the District was only able to levy 16.6913 mills of operating tax.

Table 2
Comparative Summary of Program, General, and Total Revenues
At June 30, 2018 and 2017

	2018	2017	Difference
Charges for Services	$361,383	$364,538	($3,155)
Operating Grants and Contributions	3,384,024	3,087,531	296,493
Total Program Revenues	$3,745,407	$3,452,069	$293,338
Property Taxes	$2,474,674	$2,411,327	$63,347
State Aid Not Restricted to Specific Purposes	12,487,779	12,492,430	(4,651)
Intermediate Sources	630,335	626,910	3,425
Other General Revenues	147,814	165,993	(18,179)
Total General Revenues	$15,740,602	$15,696,660	$43,942
Total Revenues	$19,486,009	$19,148,729	$337,280

Overall expenses decreased $854,500 from the previous year. This can be attributed to the decrease in the Interest and Fees on Long-Term Debt due to the refinancing of the 2008 bond issue and the paying down of the School Bond Loan Fund during the 2016/2017 fiscal year. This activity did not occur for the year ending June 30, 2018. While overall expenses saw a decrease it should be noted that instructional expenses and support services expenses saw a significant increase. This is partially due to an increase in wage and benefit expenses.

Table 3
Comparative Summary of Program Expenses by Function and Total Expenses
At June 30, 2018 and 2017

	2018	2017	Difference
Instruction	$10,289,226	$9,740,862	$548,364
Support Services	7,106,496	6,861,790	244,706
Food Service	869,110	828,025	41,085
Community Services	4,479	1,061	3,418
Building Improvement Services	160,738	133,635	27,103
Interest and Fees on Long-Term Debt	702,954	2,458,498	(1,755,544)
Depreciation - Unallocated	1,300,645	1,261,977	38,668
Loss on Sale of Capital Assets		2,300	(2,300)
Total Expenses	$20,433,648	$21,288,148	($854,500)

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, 2018 and 2017

	2018	2017	Difference
Net Position - Beginning (restated for net other post-employment benefit liability)	($29,134,654)	($18,268,415)	($10,866,239)
Increase (Decrease) in Net Position	(947,639)	(2,139,419)	1,191,780
Net Position - Ending	($30,082,293)	($20,407,834)	($9,674,459)

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 12.2% of annual expenditures compared to 13.4% 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 $1,300,645, the capitalization of fixed assets purchased during the year $403,396, the net impact of MPSERS plan activity $579,184, and Internal Service Fund activity of $173,694

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 net expense/revenue in the fourth column. This manner of presentation illustrates the expenses each program generates as well as the corresponding revenues. The net expense/revenue 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, and Title IVA 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 and the Food Service Fund decreased from the previous year. The General Fund decreased in fund equity due mainly to an increase in wages and benefits. The Food Service Fund decrease was designed to accommodate the state's request to not have an excess of three months of operating expenses in the Food Service Fund.

The financial position of the Debt Service Funds decreased as the cash that was sitting in the fund after the refinancing of the 2008 bond issue at the end of the 2016/2017 year was utilized to make the required bond payments in November of 2017 and May of 2018.

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	$17,491,449	($205,933)	(1.17%)
Food Service	833,169	(36,487)	(4.38%)
Debt Service	1,755,049	(351,577)	(20.03%)

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 pages 30 & 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 because it has been operating at a profit. The District regularly builds fund equity in the Food Service Fund to set aside funds necessary to replace large equipment and food service delivery vehicles. In fact, the district has received notice from the State for three years in a row that our fund balance was in excess of the maximum allowable fund balance of three months' worth of operating expenditures. The District made a conscious effort to decrease the balance in the Food Service Fund to accommodate the State's excess fund balance requirement.

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, 2018 the original budget was adopted on June 20, 2017 and amended on January 16, 2018 and again on June 19, 2018. 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, 2018 are as follows:

General Fund

Changes from Original Budget to Final Budget

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 an increase in the At risk funding, Early Literacy Targeted Instruction grant, and the increase in the UAAL Rate Stabilization and MPSERS cost offsets.

Federal Sources – Additional funding added to reflect the final allocation of Title funding to the District. The additional funding was offset by an increase in expenditures.

Basic Programs – The budget was adjusted to reflect the increase in UAAL expenses and the Kids Read Now program purchased for the Summer of 2018 using at risk funds.

Added Needs – The budget was adjusted to reflect an increase in paraprofessional wages for special education and educational assistant positions funded by the literacy grant money received from the State. Tuition to Mt. Pleasant schools for vocational education expenses was also increased.

Pupil Services – The budget was adjusted to include a new counseling position in the high school and the Special Education Teachers who were co-teaching with a regular education teacher were moved to this function per guidance from the State. The State has changed that guidance again for the 2018/2019 fiscal year.

Instruction Staff – The budget was adjusted to include the high school media center position, technology equipment, and an increase in improvement of instruction inservice and conference expenses utilizing Title II funds.

General Administration – The budget was adjusted to include the payouts of compensated absences for the retiring Superintendent and the retiring secretary to the Superintendent.

School Administration – The budget was adjusted to reflect the increase in UAAL expenses.

Business Services – The budget was adjusted to reflect the cost of one more new copier in the elementary building and taxes abated and written off.

Pupil Transportation – The budget was adjusted to reflect an increase in compensation costs for bus drivers and office staff. In addition to increases in gasoline and fleet insurance.

Central Services ; The budget was adjusted to reflect the total amount to be spent on technology equipment by year end. The technology equipment money is carried over from year to year. Any unspent amount is included in the original budget.

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

Non-Educational Entity or Political Subdivision – Revenues from the previously mentioned Tribal grants were deferred because those monies were not spent by year end.

State Sources – At risk funds were deferred because those monies were not spent by year end.

Federal Sources – Title funds were deferred because those monies were not spent by year end.

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 – The amounts budgeted for Tribal grants for the Summer school program were not spent by year end. The unspent Tribal grant amounts will be carried over to the new fiscal year.

Pupil Services – Funds budgeted for at risk counseling personnel and building aides were not spent by year end.

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

Business – Funds budgeted for copy paper purchased at year end were not expensed. Inventory was increased over the prior year.

Operation and Maintenance – Actual expenses exceeded final budget. Custodial wages and benefits were the reason, in particular substitute custodial wages. Director of Business and Finance did not realize that Maintenance supervisor utilizes substitutes after school is out for the summer to help with cleaning and maintenance.

Pupil Transportation – Fuel costs were lower than anticipated for the year as compared to what was projected in the final budget.

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.

Food Service Fund

Changes from Original Budget to Final Budget

Local Sources – This line item was adjusted to reflect a decrease in the projected revenue from the sale of student lunches.

State Sources – This line time was adjust to reflect an increase in the projected revenue from the State for both operating costs and for UAAL retirement payments.

Food Service Activities – The budget was adjusted to reflect an increase in food service activity due to the purchase of a new food service delivery vehicle.

Variances between Final Budget and Actual Amounts

Federal Sources – Revenues from meal reimbursements were more than expected in the final months of school.

Food Service Activities – Actual expenses were less than the final budget due to food costs coming in much lower than budgeted.

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:

Land Improvements - Concrete bunkers and sidewalks at the athletic complex.
Buildings and Additions – The temperature control system was updated. Also LED lighting was installed in the elementary building
Furniture & Equipment – The district purchased one additional copier for the elementary building, a new phone system at Odyssey and a combination oven for the food service program.
Vehicles – The District purchased two school buses, a ten passenger van, a new driver's training car and a new box truck for the food service program.

Significant disposals are described as follows:

Furniture & Equipment – One copier and a combination oven, both replaced with new.
Vehicles – Three school buses, an eight passenger van, and the old driver's training car.

Long-Term Debt

A summary of the changes in long-term debt is presented on page 21. Detailed schedules of outstanding long-term debts are on pages 38 – 39.

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 2018/2019, the District anticipates an increase in per-pupil funding from the State. This will be helpful as the District projects only a small increase in student numbers.

Contracts have been settled with all bargaining units except the bus driver group. The Board of Education agreed to steps and a 2% increase on the salary scale with the Shepherd Education Association.

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 high this year exceeding the illustrated rate, the Blue Cross/Blue Shield expected rate and the claims from last year. Any way you look at it, it was not a good year. The District has been advised that when on a self-insured plan you should expect one bad year every five. We have now experienced two bad years in a row.

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. 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.

In August of 2018 Shepherd voters approved a four mill headlee override millage. This will allow the district to levy a full 18 mills for operating expenses in the coming year. The Board of Education and Shepherd administration are appreciative of the communities support.

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, 2018

Assets	
Current assets	
Cash and cash equivalents	$ 2,746,540
Accounts receivable, net	93,457
Due from other governmental units	2,777,228
Inventory	98,278
Other current assets	245,764
Total current assets	5,961,267
Noncurrent assets	
Capital assets not being depreciated	187,050
Capital assets being depreciated, net	28,924,272
Total noncurrent assets	29,111,322
Total assets	35,072,589
Deferred outflows of resources	
Deferred outflow - related to pension	6,587,296
Deferred outflow - related to other post-employment benefits	616,292
Total deferred outflows of resources	7,203,588
Liabilities	
Current liabilities	
Accounts payable	265,475
Due to other governmental units	189,219
Accrued expenses	1,314,690
Unearned revenue	682,002
State aid loan payable	121,106
Accrued interest	224,346
Incurred but not reported - health claims	213,496
Compensated absences due within one year	60,183
Long-term obligations due within one year	1,770,000
Capital lease due within one year	13,919
Total current liabilities	4,854,436
Noncurrent liabilities	
Compensated absences due beyond one year	341,039
Long-term obligations due beyond one year	27,825,000
Capital lease due beyond one year	36,470
School loan revolving fund	137,173
Premium on bonds less accumulated amortization	991,661
Net pension liability	26,207,600
Net other post-employment benefit liability	8,989,132
Total noncurrent liabilities	64,528,075
Total liabilities	69,382,511
Deferred inflows of resources	
Deferred inflow - related to pension	1,426,881
Deferred inflow - related to other post-employment benefits	303,898
Deferred inflow - 147c allocation	1,245,180
Total deferred inflows of resources	2,975,959
Net position	
Net investment in capital assets	(1,525,728)
Restricted for Food Service	209,623
Restricted for Debt Service	144,164
Unrestricted	(28,910,352)
Total net position	$ (30,082,293)

The notes are an integral part of these financial statements.

Shepherd Public School District
Statement of Activities
For the Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Change in Net Position
Governmental activities:				
Instruction	$ 10,289,226	$ 24,431	$ 2,839,522	$ (7,425,273)
Support services	7,106,496	101,917	-	(7,004,579)
Food Service	869,110	235,035	544,502	(89,573)
Community services	4,479	-	-	(4,479)
Building improvement services	160,738	-	-	(160,738)
Interest and fees	702,954	-	-	(702,954)
Depreciation - unallocated	1,300,645	-	-	(1,300,645)
Total governmental activities	$ 20,433,648	$ 361,383	$ 3,384,024	(16,688,241)
General revenues:				
Property taxes				2,474,674
State aid not restricted to specific purposes				12,487,779
Intermediate sources				630,335
Interest and investment earnings				8,689
Other revenues				139,125
Total general revenues				15,740,602
Change in net position				(947,639)
Net position - beginning, as restated for net other post-employment benefit liability				(29,134,654)
Net position - ending				$ (30,082,293)

FUND FINANCIAL STATEMENTS

Shepherd Public School District
Balance Sheet - Governmental Funds
June 30, 2018

	General	Total Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 2,295,891	$ 450,265	$ 2,746,156
Accounts receivable, net	92,948	509	93,457
Due from other funds	71,706	8,896	80,602
Due from internal service fund	198,239	-	198,239
Due from other governmental units	2,771,444	5,784	2,777,228
Inventory	53,971	44,307	98,278
Other current assets	245,764	-	245,764
Total assets	$ 5,729,963	$ 509,761	$ 6,239,724
Liabilities			
Accounts payable	$ 137,759	$ 29,621	$ 167,380
Due to other funds	8,896	71,706	80,602
Due to internal service fund	101,839	-	101,839
Due to other governmental units	189,219	-	189,219
Accrued expenses	1,314,690	-	1,314,690
Unearned revenue	671,662	10,340	682,002
State aid loan payable	121,106	-	121,106
Total liabilities	2,545,171	111,667	2,656,838
Fund balance			
Nonspendable	299,735	44,307	344,042
Restricted	-	353,787	353,787
Committed	721,282	-	721,282
Unassigned	2,163,775	-	2,163,775
Total fund balances	3,184,792	398,094	3,582,886
Total liabilities and fund balances	$ 5,729,963	$ 509,761	$ 6,239,724

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, 2018

Total fund balance - governmental funds		$ 3,582,886
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	43,617,652
Deduct:	Accumulated depreciation	(14,506,330)
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:	2008 Bonds issue	-
Deduct:	2017 Refunding Bond Series A	(23,620,000)
Deduct:	2017 Refunding Bond Series B	(5,975,000)
Deduct:	School Loan Revolving Fund	(137,173)
Deduct:	Premium on 2008 bonds (net of amortization)	-
Deduct:	Premium on 2017 Refunding Bond Series A (net of amortization)	(982,142)
Deduct:	Premium on 2017 Refunding Bond Series B (net of amortization)	(9,519)
Deduct:	Capital lease	(50,389)
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	(407,607)
Other amounts reported in the statement of activities that do not require current financial resources consist of:		
Add:	Deferred outflow - related to pension	6,587,296
Add:	Deferred outflow - related to other post-employment benefits	616,292
Deduct:	Net pension liability	(26,207,600)
Deduct:	Net other post-employment benefit liability	(8,989,132)
Deduct:	Deferred inflow - related to pension	(1,426,881)
Deduct:	Deferred inflow - related to other post-employment benefits	(303,898)
Deduct:	Deferred inflow - 147c allocation	(1,245,180)
Deduct:	Compensated absences payable	(401,222)
Deduct:	Accrued interest on long-term liabilities	(224,346)
Total net position - governmental activities		$ (30,082,293)

Shepherd Public School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

	General	Total Nonmajor Funds	Total
Revenues			
Local sources	$ 1,109,259	$ 1,832,395	$ 2,941,654
Non-educational entity	296,134	-	296,134
State sources	15,135,064	94,179	15,229,243
Federal sources	280,875	544,502	825,377
Other sources	630,335	-	630,335
Total revenues	17,451,667	2,471,076	19,922,743
Expenditures			
Instruction			
Basic programs	8,069,843	-	8,069,843
Added needs	2,046,652	-	2,046,652
Total instruction	10,116,495	-	10,116,495
Support services			
Pupil services	965,911	-	965,911
Instructional staff	851,702	-	851,702
General administration	338,882	-	338,882
School administration	1,379,014	-	1,379,014
Business	374,271	-	374,271
Operation and maintenance	1,706,635	-	1,706,635
Pupil transportation	1,164,481	-	1,164,481
Central	260,172	4,020	264,192
Athletics	362,184	-	362,184
Total support services	7,403,252	4,020	7,407,272
Food service	-	865,636	865,636
Community services	837	-	837
Building improvement services	160,738	-	160,738
Debt service			
Principal	13,261	1,025,000	1,038,261
Interest, fees and other	2,799	1,081,626	1,084,425
Total expenditures	17,697,382	2,976,282	20,673,664
Revenues over (under) expenditures	(245,715)	(505,206)	(750,921)
Other financing sources (uses)			
Transfers in	24,532	199,553	224,085
Transfers out	-	(224,085)	(224,085)
Proceeds from sale of capital assets	15,250	5,000	20,250
Proceeds from School Loan Revolving Fund (SLRF)	-	136,674	136,674
Net change in fund balances	(205,933)	(388,064)	(593,997)
Fund balances - beginning	3,390,725	786,158	4,176,883
Fund balances - ending	$ 3,184,792	$ 398,094	$ 3,582,886

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, 2018

Net change in fund balances - total governmental funds		$ (593,997)
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	403,396
Deduct:	Depreciation expense	(1,300,645)
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 2008 bond issue	1,025,000
Deduct:	Payment of 2017 Refunding Bond Series A	-
Deduct:	Payment of 2017 Refunding Bond Series B	-
Deduct:	Proceeds from School Loan Revolving Fund (SLRF)	(136,674)
Add:	Amortization of 2008 bond premium	216,069
Add:	Amortization of 2017 Refunding Bond Series A premium	51,692
Add:	Amortization of 2017 Refunding Bond Series B premium	1,903
Add:	Capital lease payment	13,261
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	2,333,453
Deduct:	Change in deferred outflow - related to other post-employment benefits	(138,431)
Deduct:	Change in net pension liability	(1,200,786)
Add:	Change in net other post-employment benefit liability	492,411
Deduct:	Change in deferred inflow - related to pension	(1,304,948)
Deduct:	Change in deferred inflow - related to other post-employment benefits	(303,898)
Add:	Change in accrual for compensated absences	13,427
Add:	Change in interest on long-term debt	111,807
Revenue in support of pension contribution made subsequent to the measurement date.		
Deduct:	Change in deferred inflow - 147c allocation	(456,985)
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.		
Deduct:	Net revenues and expenses	(173,694)
Net change in net position - governmental activities		$ (947,639)

Shepherd Public School District
Statement of Net Position
June 30, 2018

	Internal Service Fund
Assets	
Current assets	
Cash and cash equivalents	$ 384
Due from general fund	101,839
Total assets	102,223
Liabilities	
Current liabilities	
Accounts payable	98,095
Incurred but not reported claims (IBNR)	213,496
Due to general fund	198,239
Total liabilities	509,830
Net position	
Unrestricted	$ (407,607)

Shepherd Public School District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	Internal Service Fund
Operating revenues	
Employer health and dental premiums	$ 1,285,993
Total operating revenues	1,285,993
Operating expenses	
Medical and dental claims	1,330,156
Purchased services	10,095
Other	119,538
Total operating expenses	1,459,789
Operating income	(173,796)
Non operating revenues	
Interest income	102
Change in net position	(173,694)
Net position - beginning	(233,913)
Net position - ending	$ (407,607)

Shepherd Public School District
Statement of Cash Flows
For the Year Ended June 30, 2018

		Internal Service Fund
Cash flows from operating activities		
Employer health and dental premiums	$	1,285,993
Payment of medical and dental claims		(1,368,751)
Payment of purchased services		(10,095)
Other payments		(119,538)
Net cash from operating activities		(212,391)
Cash flows from investing activities		
Interest received		102
Cash flows from non-capital financing activities		
Payments from other funds		25,032
Net change in cash and cash equivalents		(187,257)
Cash and cash equivalents - beginning		187,641
Cash and cash equivalents - ending	$	384

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

Operating Income	$	(173,796)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Accounts payable		98,095
Incurred but not reported claims (IBNR)		(136,690)
Net cash provided by operating activities	$	(212,391)

Shepherd Public School District
Statement of Fiduciary Net Position
June 30, 2018

	Trust Fund	Agency Fund	Total
Assets			
Cash and investments	$ 13,471	$ 290,408	$ 303,879
Liabilities			
Due to student groups	-	290,408	290,408
Net position			
Restricted for endowments	$ 13,471	$ -	$ 13,471

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, 2018

	Trust Fund
Revenues	
Interest	$ 87
Change in net position	87
Net position - beginning	13,384
Net position - ending	$ 13,471

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 funds.

- The *debt service funds (2008 Bond, 2017 Series A and 2017 Series B)* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental 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

Cash and Cash Equivalents
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.

Investments
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.

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

Prepaid items
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.

Due from/to other funds
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.

Capital Assets
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 & additions	10 - 50
Furniture & equipment	5 - 20
Vehicles	10

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 qualifies 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 originally levied 18.00 mills for school general operations on the non-homestead taxable value however due to Headlee rollbacks, the District was limited to 16.6913 mills. 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 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	2,745,490
Total	2,746,540

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, 2018, $2,710,137 of the District's bank balance of $2,960,137 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:

Receivable fund	Amount	Payable fund	Amount
General Fund	71,706	General Fund	8,896
Food Service	8,896	Food Service	71,706
Total	80,602	Total	80,602

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	2,736,477
Federal grants and other pass-through agencies	40,751
Total	2,777,228

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	Ending Balance
Capital assets not being depreciated				
Land	182,750	-	-	182,750
Construction in process	-	4,300	-	4,300
Total capital assets not being depreciated	182,750	4,300	-	187,050
Capital assets being depreciated				
Land improvements	5,109,487	13,873	-	5,123,360
Buildings & additions	34,646,321	92,242	-	34,738,563
Furniture & equipment	1,371,021	34,659	(17,334)	1,388,346
Vehicles	2,124,478	258,322	(202,467)	2,180,333
Total capital assets being depreciated	43,251,307	399,096	(219,801)	43,430,602
Accumulated depreciation				
Land improvements	(2,048,801)	(251,761)	-	(2,300,562)
Buildings & additions	(9,071,360)	(733,259)	-	(9,804,619)
Furniture & equipment	(911,505)	(131,254)	17,334	(1,025,425)
Vehicles	(1,393,820)	(184,371)	202,467	(1,375,724)
Total accumulated depreciation	(13,425,486)	(1,300,645)	219,801	(14,506,330)
Net capital assets being depreciated	29,825,821	(901,549)	-	28,924,272
Net capital assets	30,008,571	(897,249)	-	29,111,322

Depreciation for the year ended June 30, 2018 totaled $1,300,645. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

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 21, 2017, the District borrowed $900,000 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 1.27% and is payable on July 20, 2018. 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, 2018 (after the end of the fiscal year), 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. This loan was acquired after the end of the fiscal year and, therefore, is not shown as a current liability.

Long-term debt
2008 School Building and Site Refunding Bonds
During 2008, the District issued $31,895,000 of general obligation bonds. Bonds in the amount of $28,905,000 will be used for the purpose of erecting, furnishing, and equipping additions to and remodeling, refurnishing and re-equipping school buildings; acquiring and installing educational technology improvements; and developing and improving playgrounds, athletic fields and facilities and sites. The remaining $2,990,000, together with other available funds of the District, were used to pay the remaining principal of and interest on the 1998 Refunding Bonds, dated April 15, 1998 and to pay the remaining portion of the cost of issuing the bonds.

This 2008 bond was refunded during fiscal year 2017 with the proceeds from the 2017 Refunding Bond Series A. The District was obligated to make one additional payment for the 2008 bonds in the amount of $1,025,000 on May 1, 2018.

School Loan Revolving Fund
The District has periodically approved the borrowing from the State Of Michigan's School Loan Revolving Fund for the purpose of paying debt service. The interest rates are variable. Repayment of the loans will begin when excess funds are available from the taxes collected for payment of the bond issue.

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.

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.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30th, were as follows:

Year Ending June 30	Amount
2019	16,058
2020	16,058
2021	16,058
2022	6,618
Total minimum lease payments	54,792
Less: amount representing interest	4,403
Present value of minimum lease payments	50,389

Summary of Debt Transactions
The changes in debt during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Short-term debt	130,426	900,000	(909,320)	121,106	121,106
Long-term debt					
Compensated abs	414,649	63,877	(77,304)	401,222	60,183
Capital lease	63,650		(13,261)	50,389	13,919
2008 Bonds	1,025,000		(1,025,000)	-	-
2017 Series A	23,620,000		-	23,620,000	1,000,000
2017 Series B	5,975,000		-	5,975,000	770,000
School Loan Rev. Fund	499	136,674	-	137,173	-
Total long-term debt	31,098,798	200,551	(1,115,565)	30,183,784	1,844,102

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2018, are shown in the *Schedule of Long-term Debt*.

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	187,050
Capital asset being depreciated, net	28,924,272
Capital related general obligation bonds	(29,595,000)
Capital lease	(50,389)
Unamortized premium on bond refunding	(991,661)
Net investment in capital assets	(1,525,728)

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 $8,589. The future minimum lease obligations as of:

Year Ending June 30	Amount
2019	8,994
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
Districts 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.

District contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for the plan's fiscal year 2017.

Benefit Structure	Member	District
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the District were $2,372,082 for the year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2018, the District reported a liability of $26,207,600 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net pension liability was determined by dividing each District's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable Districts during the measurement period. At September 30, 2017, the District's proportion was 0.0010113200%, which was an increase of 0.00090100% from its proportion measured as of September 30, 2016.

For the year ending June 30, 2018, the District recognized pension expense of $3,082,437. At June 30, 2018, 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	227,762	128,595
Changes of Assumptions	2,871,251	-
Net difference between projected and actual earnings on pension plan investments	-	1,252,896
Changes in proportion and differences between District contributions and proportionate share of contributions	968,957	45,390
District contributions subsequent to the measurement date	2,519,326	-
Total	6,587,296	1,426,881

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2018	843,425
2019	1,247,316
2020	574,205
2021	(23,857)

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, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid):	7.5%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- *Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.5188 for non-university employers or 1.1222 for university employers]*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2017 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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
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, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. 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 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that District 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 7.5% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
34,139,786	26,207,600	19,529,205
* The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.		

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, 2018, the District reported a payable of $308,933 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018, consisting of pension contribution payable plus any other amounts owed to the pension plan including the UAAL payments for July and August 2018.

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

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 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, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for plan's fiscal year 2017.

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

Required contributions to the OPEB plan from the District were $790,293 for the year ended September 30, 2017.

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

At June 30, 2018, the District reported a liability of $8,989,132 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the District's proportion was 0.0010150936%, which was the same percentage as its proportion measured as of October 1, 2016.

For the year ending June 30, 2018, the District recognized OPEB expense of $601,261. At June 30, 2018, 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	-	95,708
Changes of Assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	208,190
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,302	-
Employer contributions subsequent to the measurement date	597,990	-
Total	616,292	303,898

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, 2019. 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)	
2018	(69,348)
2019	(69,348)
2020	(69,348)
2021	(69,348)
2022	(8,204)

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, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.
Other 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 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.4744 for non-university employers or 1.4186 for university employers]*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2017 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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
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, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. 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 7.5% 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 7.5%. 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 7.5%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
10,528,872	8,989,132	7,682,375

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	1% Increase
7,612,586	8,989,132	10,552,104

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan
At year end the District is current on all required OPEB plan payments. At June 30, 2018, the District reported a payable of $99,979 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018, consisting of OPEB contribution payable plus any other amounts owed to the OPEB plan including the

UAAL payments for July and August 2018.

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

- The transfer of $24,532 from the Food Service Fund to the General Fund was for the purpose of indirect costs.
- The transfer of $103,020 from the 2008 Bond Fund to the 2017 Series A Fund was for the purpose of bond payments.
- The transfer of $96,533 from 2008 Bond 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, 2018 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 – 1.0 months, pharmacy – 0.5 months, dental claims – 0.5 months, administrative fee – 2.0 months and stop loss fee – 3.0 months; therefore, all of the June 30, 2018 balance of $213,496 is expected to be paid the following year.

NOTE 15 - TAX ABATEMENTS
Effective for the year ended June 30, 2018 the District is required to disclose significant tax abatements as required by GASB statement 77 (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	4,207

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	150,280
Curriculum	293,207
Media Center	1,918
Technology	9,285
Capital Projects	266,592
Total Committed Fund Balance	721,282

NOTE 17 – RESTATEMENT OF NET POSITION
As of June 30, 2018, the beginning net position was restated as follows:

Description of Restatement	Beginning Balance Previously Reported	Restatement	Beginning Balance As Restated
Net Position	(20,407,834)	(8,726,820)	(29,134,654)

The beginning net position was restated to reflect the implementation of GASB 75. Net position was restated by $(8,726,820) which is the cumulative difference (as of June 30, 2017) between the net OPEB liability of $(9,481,543) and the deferred outflow – related to OPEB of $754,723. NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE) contains additional information regarding the implementation of GASB 75.

NOTE 18 - 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, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with final budget
Revenues				
Local sources	$ 991,727	$ 1,109,194	$ 1,109,259	$ 65
Non-educational entity	590,401	702,695	296,134	(406,561)
State sources	14,561,092	15,150,383	15,135,064	(15,319)
Federal sources	238,689	325,906	280,875	(45,031)
Other sources	670,493	629,244	630,335	1,091
Total revenues	17,052,402	17,917,422	17,451,667	(465,755)
Expenditures				
Instruction				
Basic programs	8,441,801	8,498,462	8,069,843	428,619
Added needs	1,985,465	2,058,245	2,046,652	11,593
Total instruction	10,427,266	10,556,707	10,116,495	440,212
Support services				
Pupil services	814,321	982,193	965,911	16,282
Instructional staff	865,810	982,673	851,702	130,971
General administration	319,757	349,974	338,882	11,092
School administration	1,376,409	1,396,566	1,379,014	17,552
Business	331,781	395,956	374,271	21,685
Operation and maintenance	1,696,763	1,697,717	1,706,635	(8,918)
Pupil transportation	1,122,428	1,181,614	1,164,481	17,133
Central	333,624	271,018	260,172	10,846
Athletics	350,708	371,996	362,184	9,812
Total support services	7,211,601	7,629,707	7,403,252	226,455
Community Services	1,299	2,100	837	1,263
Building improvement services	306,200	185,000	160,738	24,262
Debt service	16,058	16,058	16,060	(2)
Total expenditures	17,962,424	18,389,572	17,697,382	692,190
Other financing sources (uses)				
Transfers in (out)	-	-	24,532	(24,532)
Proceeds from sale of capital assets	-	11,250	15,250	(4,000)
Revenues over (under) expenditures	(910,022)	(460,900)	(205,933)	254,967
Fund balance - beginning	3,390,725	3,390,725	3,390,725	-
Fund balance - ending	$ 2,480,703	$ 2,929,825	$ 3,184,792	$ 254,967

Shepherd Public School District
Budgetary Comparison Schedule for the Food Service Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	final budget
Revenues				
Local sources	$ 261,105	$ 240,765	$ 235,986	$ (4,779)
State sources	59,200	71,564	72,213	649
Federal sources	507,746	514,000	544,502	30,502
Total revenues	828,051	826,329	852,701	26,372
Expenditures				
Central	2,500	4,000	4,020	(20)
Food service	890,914	906,939	865,636	41,303
Total expenditures	893,414	910,939	869,656	41,283
Other financing sources (uses)				
Transfers in (out)	-	-	(24,532)	24,532
Proceeds from sale of capital assets	-	5,000	5,000	-
Revenues over (under) expenditures	(65,363)	(79,610)	(36,487)	9,621
Fund balance - beginning	290,417	290,417	290,417	-
Fund balance - ending	$ 225,054	$ 210,807	$ 253,930	$ 43,123

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, 2017**	**Plan year Sept 30, 2016**	**Plan year Sept 30, 2015**	**Plan year Sept 30, 2014**
District's proportion of net pension liability (%)	0.10113200%	0.10023100%	0.09626991%	0.0936836%
District's proportionate share of net pension liability	$ 26,207,600	$ 25,006,814	$ 23,513,951	$ 20,635,221
District's covered employee payroll	$ 8,448,976	$ 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 (%)	310.19%	289.06%	292.12%	259.09%
Plan fiduciary net position as a percentage of total pension liability	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, 2018**	**Fiscal year June 30, 2017**	**Fiscal year June 30, 2016**	**Fiscal year June 30, 2015**
Statutorily required pension contributions	$ 2,728,730	$ 2,379,743	$ 2,248,149	$ 1,761,175
Contributions in relation to statutorily required pension contributions	2,728,730	2,379,743	2,248,149	1,761,175
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 8,697,062	$ 8,413,324	$ 8,267,922	$ 8,039,307
Contributions as a percentage of covered-employee payroll	31.38%	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

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

Schedule of the District's Proportionate Share of the Net OPEB Liability	**Plan year Sept 30, 2017**
District's proportion of net OPEB liability (%)	0.10150936%
District's proportionate share of net OPEB liability	$ 8,989,132
District's covered employee payroll	$ 8,448,976
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll (%)	106.39%
Plan fiduciary net position as a percentage of total OPEB liability	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, 2018**
Statutorily required OPEB contributions	$ 689,364
Contributions in relation to statutorily required OPEB contributions	689,364
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 8,697,062
Contributions as a percentage of covered-employee payroll	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, 2018

	Food Service	2008 Bonds	2017 Series A	2017 Series B	Total Nonmajor Funds
Assets					
Cash and cash equivalents	$ 306,101	$ 77,617	$ 42,065	$ 24,482	$ 450,265
Accounts receivable, net	509	-	-	-	509
Due from other funds	8,896	-	-	-	8,896
Due from other governmental units	5,784	-	-	-	5,784
Inventory	44,307	-	-	-	44,307
Total assets	$ 365,597	$ 77,617	$ 42,065	$ 24,482	$ 509,761
Liabilities					
Accounts payable	$ 29,621	$ -	$ -	$ -	$ 29,621
Due to other funds	71,706	-	-	-	71,706
Unearned revenue	10,340	-	-	-	10,340
Total liabilities	111,667	-	-	-	111,667
Fund balance					
Nonspendable	44,307	-	-	-	44,307
Restricted	209,623	77,617	42,065	24,482	353,787
Total fund balances	253,930	77,617	42,065	24,482	398,094
Total liabilities and fund balances	$ 365,597	$ 77,617	$ 42,065	$ 24,482	$ 509,761

Shepherd Public School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Food Service	2008 Bonds	2017 Series A	2017 Series B	Total Nonmajor Funds
Revenues					
Local sources	$ 235,986	$ 1,105,832	$ 397,131	$ 93,446	$ 1,832,395
State sources	72,213	21,966	-	-	94,179
Federal sources	544,502	-	-	-	544,502
Total revenues	852,701	1,127,798	397,131	93,446	2,471,076
Expenditures					
Support services					
Central	4,020	-	-	-	4,020
Total support services	4,020	-	-	-	4,020
Food service	865,636	-	-	-	865,636
Debt service					
Principal	-	1,025,000	-	-	1,025,000
Interest, fees and other	-	54,176	859,904	167,546	1,081,626
Total expenditures	869,656	1,079,176	859,904	167,546	2,976,282
Revenues over (under) expenditures	(16,955)	48,622	(462,773)	(74,100)	(505,206)
Other financing sources (uses)					
Transfers in	-	-	103,020	96,533	199,553
Transfers out	(24,532)	(199,553)	-	-	(224,085)
Proceeds from sale of capital assets	5,000	-	-	-	5,000
Proceeds from SLRF	-	136,674	-	-	136,674
Net change in fund balance	(36,487)	(14,257)	(359,753)	22,433	(388,064)
Fund balances - beginning	290,417	91,874	401,818	2,049	786,158
Fund balances - ending	$ 253,930	$ 77,617	$ 42,065	$ 24,482	$ 398,094

Shepherd Public School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2018

Fiscal Year	Interest Rate (%)	Principal Due	Interest Due November	Interest Due May	Total
2017 Refunding Bond Series A - $23,620,000					
2019	3.00%	$ 1,000,000	$ 354,800	$ 354,800	$ 1,709,600
2020	3.00%	1,000,000	339,800	339,800	1,679,600
2021	3.00%	1,000,000	324,800	324,800	1,649,600
2022	3.00%	1,000,000	309,800	309,800	1,619,600
2023	3.00%	12,820,000	294,800	294,800	13,409,600
2024	3.00%	1,000,000	102,500	102,500	1,205,000
2025	3.00%	1,000,000	87,500	87,500	1,175,000
2026	3.00%	1,000,000	72,500	72,500	1,145,000
2027	3.00%	1,000,000	57,500	57,500	1,115,000
2028	3.00%	1,000,000	42,500	42,500	1,085,000
2029	3.00%	1,000,000	27,500	27,500	1,055,000
2030	3.00%	100,000	12,500	12,500	125,000
2031	3.00%	100,000	11,000	11,000	122,000
2032	3.00%	100,000	9,500	9,500	119,000
2033	3.13%	100,000	8,000	8,000	116,000
2034	3.13%	100,000	6,438	6,438	112,876
2035	3.25%	100,000	4,875	4,875	109,750
2036	3.25%	100,000	3,250	3,250	106,500
2037	3.25%	100,000	1,625	1,625	103,250
Total		23,620,000	2,071,188	2,071,188	27,762,376
2017 Refunding Bond Series B - $5,975,000					
2019	2.00%	770,000	68,964	68,964	907,928
2020	2.00%	820,000	61,264	61,264	942,528
2021	2.10%	860,000	53,064	53,064	966,128
2022	2.35%	910,000	44,034	44,034	998,068
2023	2.55%	2,615,000	33,341	33,341	2,681,682
Total		5,975,000	260,667	260,667	6,496,334
Summary by year					
Year 1		$ 1,770,000	$ 423,764	$ 423,764	$ 2,617,528
Year 2		1,820,000	401,064	401,064	2,622,128
Year 3		1,860,000	377,864	377,864	2,615,728
Year 4		1,910,000	353,834	353,834	2,617,668
Year 5		15,435,000	328,141	328,141	16,091,282
Year 6-10		5,000,000	362,500	362,500	5,725,000
Year 11-15		1,400,000	68,500	68,500	1,537,000
Year 16-20		400,000	16,188	16,188	432,376
		29,595,000	2,331,855	2,331,855	34,258,710

Shepherd Public School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2018

Year	Loan Proceeds	Accrued Interest	Balance Due
School Loan Revolving Fund			
June 30, 2010	$ 262,790	$ 8,628	$ 271,418
June 30, 2011	524,726	24,360	549,086
June 30, 2012	766,197	38,706	804,903
June 30, 2013	824,933	66,444	891,377
June 30, 2014	798,445	105,079	903,524
June 30, 2015	781,269	133,289	914,558
June 30, 2016	745,215	162,230	907,445
June 30, 2017*	(4,703,082)	(538,730)	(5,241,812)
June 30, 2018	133,775	2,899	136,674
Total	134,268	2,905	137,173

* - During fiscal year 2017, the District issued the 2017 Refunding Bonds, Series B and used the proceeds to pay down the balance due in the School Loan Revolving Fund.

On February 15, 2017, two payments were made to the School Loan Revolving Fund: 1) a $4,703,082 principal payment and 2) a $648,645 accrued interest payment. The $538,730 accrued interest amount noted above is net of $109,915 in interest accrued during fiscal year 2017.