

**Shepherd Public School District**  
Shepherd, Michigan

Financial Statements  
With Supplementary Information  
June 30, 2024



Shepherd Public School District  
Table of Contents  
June 30, 2024

---

	<b>Page Number</b>
<b>Independent Auditor's Report</b>	
<b>Management's Discussion and Analysis</b> .....	I - XIII
<b>Basic Financial Statements</b>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position .....	1
Statement of Activities .....	2
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds.....	3
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position .....	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	6
<i>Internal Service Fund:</i>	
Statement of Net Position .....	7
Statement of Revenues, Expenses, and Changes in Net Position .....	8
Statement of Cash Flows .....	9
<i>Fiduciary Fund:</i>	
Statement of Fiduciary Net Position .....	10
Statement of Changes in Fiduciary Net Position .....	11
<b>Notes to the Financial Statements</b> .....	12-34
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule .....	35
Prospective 10-year trend information - Pension.....	36-37
Prospective 10-year trend information - OPEB.....	38-39
<b>Other Supplementary Information</b>	
Combining Balance Sheet - Nonmajor Governmental Funds.....	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds .....	41
<b>Communication with Those Charged with Governance at the Conclusion of the Audit</b> .....	42 - 43
<b>Federal Awards Supplementary Information</b> .....	Issued Under Separate Cover



To the Members of the Board  
Shepherd Public School District  
Shepherd, Michigan

### ***Opinions***

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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

#### ***Supplementary 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 accompanying additional supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain 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 additional supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2024, 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 solely 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 the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Sincerely,

*Roslund, Prestage & Company, P.C.*

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

October 23, 2024

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



Shepherd Public Schools  
Management Discussion and Analysis  
For the Year Ended June 30, 2024

---

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, 2024. 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 using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The Statement of Net Position includes all governmental funds and combines current financial resources with capital assets and long-term obligations, regardless if they are currently available or not. The Statement of Activities reports all of the current year’s revenues and expenses regardless of when cash is received or paid. 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.

Custodial Funds

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

The custodial funds are held by the district for the benefit of other individuals and/or entities. Generally, student organizations will deposit money into the agency fund and

Shepherd Public Schools  
Management Discussion and Analysis  
For the Year Ended June 30, 2024

---

request that the district forward those funds to a non-profit organization. The agency fund also holds a small amount of funds donated by the School Board Members to make a memorial contribution when staff or family members of staff pass away.

**II. Condensed Government-Wide Financial Information**

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

Current assets increased \$2,079,586 over last year. This was primarily due to an increase in the amounts due from other governmental units. At year end, reimbursement for federal grants was requested but not received.

The increase in capital assets net of depreciation was due to a policy change as to what is being capitalized. For 2023-2024, technology purchases that totaled above \$5,000 were included in the capital asset list. In previous years, they were not included due to individual items being less than \$5,000. There were \$1,296,487 more additions than total disposals in FY 2024. However, net depreciation for the year also increased to \$994,153. This resulted in a net increase in capital assets of \$302,334.

The current liabilities increased from the previous year by \$1,160,025. This is primarily due to Unearned Revenue increase of \$882,774. Accounts Payable also increased by \$438,880 at year end.

Noncurrent liabilities decreased by \$7,545,368 due to decreases in net pension liability and other post-employment benefit liability.

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

Shepherd Public Schools  
Management Discussion and Analysis  
For the Year Ended June 30, 2024

---

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, 2024 and 2023

	<u>2023</u>	<u>2024</u>	<u>Difference</u>
Current Assets	\$9,042,748	\$11,122,334	\$2,079,586
Noncurrent Assets	25,557,667	26,444,184	\$886,517
Total Assets	<u>\$34,600,415</u>	<u>\$37,566,518</u>	<u>\$2,966,103</u>
Current Liabilities	\$4,223,331	\$5,383,356	\$1,160,025
Noncurrent Liabilities	62,344,201	54,798,833	(\$7,545,368)
Total Liabilities	<u>\$66,567,532</u>	<u>\$60,182,189</u>	<u>(\$6,385,343)</u>
Net Deferred (Inflow)/Outflow of Resources	\$5,771,122.	\$1,970,810.	(\$3,800,312)
Net Investment in Capital Assets	\$18,033,983	\$19,388,009	\$1,354,026
Restricted	80,366	691,302	\$610,936
Unrestricted	-44,310,344	-40,724,172	\$3,586,172
Total Net Position	<u>(\$26,195,995)</u>	<u>(\$20,644,861)</u>	<u>\$ 5,551,134</u>

Shepherd Public Schools  
Management Discussion and Analysis  
For the Year Ended June 30, 2024

---

Total program revenues reported on the Statement of Activities increased by \$3,446,298. This is due to an increase in State revenue as related to multiple new State of Michigan Categorical funding. These categorical funds are for specific purposes. Several of these state funding sources expire in 2024-2025.

Total General Revenues saw an increase of \$1,176,680. This can be attributed to the increase in unrestricted state aid.

Table 2  
Comparative Summary of Program, General, and Total Revenues  
At June 30, 2023 and 2024

	<u>2023</u>	<u>2024</u>	<u>Difference</u>
Charges for Services	\$440,147	\$257,342	(\$182,805)
Operating Grants and Contributions	5,954,101	9,583,204	3,629,103
Total Program Revenues	<u>\$6,394,248</u>	<u>\$9,840,546</u>	<u>\$3,446,298</u>
Property Taxes	\$3,480,929	\$3,621,211	\$140,282
State Aid Not Restricted to Specific Purposes	14,772,952	15,629,302	856,350
Intermediate Sources	1,037,246	1,179,666	142,420
Other General Revenues	373,016	410,644	37,628
Total General Revenues	<u>\$19,664,143</u>	<u>\$20,840,823</u>	<u>\$1,176,680</u>
Total Revenues	<u>\$26,058,391</u>	<u>\$30,681,369</u>	<u>\$4,622,978</u>

Shepherd Public Schools  
Management Discussion and Analysis  
For the Year Ended June 30, 2024

---

Overall expenses increased \$418,031 from the previous year. The primary increase comes from instructional costs and support services. Operational costs for payroll and payroll benefits is what primarily determines the cost in these function areas of the district budget. Building Improvement Services decreased. Building adaptations and remodel costs were completed at Winn Elementary School. These costs returned to normal in 2023-2024.

Table 3  
Comparative Summary of Program Expenses by Function and Total Expenses  
At June 30, 2023 and 2024

	<u>2023</u>	<u>2024</u>	<u>Difference</u>
Instruction	\$12,572,877	\$12,792,927	\$220,050
Support Services	9,533,732	9,807,769	274,037
Food Service	889,642	1,086,065	196,423
Student Activities	498,334	444,520	(53,814)
Community Services	7,871	6,785	(1,086)
Payments to Other Govts.	9,600	0	(9,600)
Building Improvement Services	458,350	104,315	(354,035)
Interest and Fees on Long-Term Debt	741,798	887,854	146,056
Total Expenses	<u><u>\$24,712,204</u></u>	<u><u>\$25,130,235</u></u>	<u><u>\$418,031</u></u>

Shepherd Public Schools  
Management Discussion and Analysis  
For the Year Ended June 30, 2024

---

**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, 2023 and 2024

	<u>2023</u>	<u>2024</u>	<u>Difference</u>
Net Position - Beginning	(\$27,542,182)	(\$26,195,995)	\$1,346,187
Increase (Decrease) in Net Position	1,346,187	5,551,134	\$4,204,947
Prior Period Adjustment			
Net Position - Ending	<u>(\$26,195,995)</u>	<u>(\$20,644,861)</u>	<u>\$5,551,134</u>

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 the district is financially healthy. At this point, the district administrative team would review and assess the district operation, instructional programs and supports to ensure a robust and highly effective program of instruction is being provided to our students. To decrease fund balance is not sustainable for the long-term and would result in cuts to programs in the future.

At year-end, the unassigned general fund balance was 20.8% of annual expenditures compared to 18.7% in the preceding year.

Shepherd Public Schools  
Management Discussion and Analysis  
For the Year Ended June 30, 2024

---

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, the capitalization of fixed assets purchased during the year, the net impact of long-term debt, the net impact of MPERS plan activity, and Internal Service Fund activity.

**IV. Significant Transactions and Changes in Individual Funds**

The overall financial position of the General Fund increased by \$783,290 from the previous year. There were two accounting entries that attributed approximately \$300,000 to this increase. The first was 2022-2023 revenue that was required to be recognized in 2023-2024 and not the previous fiscal year. These dollars were requested but were not received within sixty days from year end. Accounting procedure dictates that these revenue dollars must be recognized in the next fiscal year. The second issue involved the accrual of section 147 retirement costs. Typically, the accrual from the previous year must be reversed while the current year accrual is to be recorded. The net difference will impact fund balance. With funding for section 147 being reduced a great deal from 22-23 to the current year, the difference in this accrual added to fund balance. The remainder of the increase in fund balance can be attributed to the efficient use of the multiple state funding sources and federal funds. The district also had seen an increase in the unrestricted state aid revenue.

The Financial position of the Food Service Fund decreased by \$64,927 from the previous year. The district has implemented a spend down plan for the high fund balance. Food service equipment was purchased as well as additional labor costs. Even though the spend down plan is working, the fund balance still exceeds the state requirements. The spend down plan will be amended and continued upgrades to our food service department will continue in 2024-2025.

The financial position of the Debt Service Funds increased by \$26,753. The district has entered repayment phase of the School Bond Loan Fund process. Generally, property taxes are collected before the May payment is due. The district will make the May debt service payment, calculate the amount necessary for the November payment and send the balance of tax collections each spring to the School Bond Loan Fund for repayment of the district's outstanding loan.

The financial position of the Student Activity Fund increased by \$65,683. Student activity groups were very active with fundraising for various causes. Student Activities are operating as they did pre-pandemic. They compared to more normal levels of revenues and expenses.

Shepherd Public Schools  
Management Discussion and Analysis  
For the Year Ended June 30, 2024

---

**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. With proper planning and constant evaluation of instructional programs, district funds will continue to be spent in an efficient and fiscally responsible manner.

**Food Service Fund**

The Food Service Fund for the District has not required any contribution from the General Fund for many years. In fact, for a few years the food service fund had shown a profit and had received notice from the State that the fund balance in the food service fund was in excess of the maximum allowable fund balance of three months' worth of operating expenditures. A transfer of funds is made from the food service fund to the general fund to pay for indirect costs incurred by the general fund for the operation of the food service program. As of June 30, 2024, the Food Service Fund was in excess of the maximum allowable fund balance, and, as such, will develop and revise the current spenddown plan.

**Student Activity Fund**

Due to the implementation of GASB 84 the student activity fund is now reported as a nonmajor fund of the district. While the revenues and expenses in the student activity fund have always been tracked and recorded, the net position had not been reported prior to the 2019-2020 fiscal year. We would expect that the student activity fund would not experience a significant change in fund balance as normally student clubs will raise money for a particular function as needed and not accumulate a big reserve in their club account. This year, as the students and activities continue to regain some normalcy with the activities of student organizations.

**Debt Service Fund**

The Debt Service Fund collects property taxes 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. With the balance of the district's outstanding bonds now at a level where our locally collected taxes can meet our obligations for the May and November principal and interest payments, the district has entered the

Shepherd Public Schools  
Management Discussion and Analysis  
For the Year Ended June 30, 2024

---

repayment made with the School Bond Loan Fund. Each spring, the payments required for May and November are calculated. The balance of collected tax collections, are then sent to the School Bond Loan Fund to pay down the district's outstanding loan. Previously, the maximum 7.0 mill tax levy had not generated sufficient revenues to pay the principal and interest payment on the 2017 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. The District has paid off the debt for the 2008 Bond issue. Currently, the district has only the 2017 bonds.

**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, 2024 the original budget was adopted in June of 2023 and amended in April of 2024 and again in June of 2024. 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. A schedule showing the school district's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements. The significant variances for the fiscal year ended June 30, 2024 are as follows:

Shepherd Public Schools  
Management Discussion and Analysis  
For the Year Ended June 30, 2024

---

**General Fund Budgetary Highlights**

*Changes from Original Budget to Final Budget*

Budgeted revenues increased \$1,898,087 in total. While all revenue sources saw an increase, State and Federal sources were increased most significantly. This was a result of increases to state aid funds and planned use of Education Stabilization Funds.

Budgeted expenses increased \$1,741,454 in total which is a 6.74% increase compared to the original budget. The net increase was primarily due to state aid funds and ESSER expenses being added to the budget.

*Variations between Final Budget and Actual Amounts*

Actual revenues were (\$1,356,761) less than the final budget which is a (5.02%) decrease over the final budgeted amount. The primary source of the difference comes from tribal grant revenue. The district revenue realized was significantly lower than budgeted as many tribal grants were not expensed and the revenue not realized. Many of the state categoricals and ESSER federal grants included 100% of the grant but 100% was not expended.

Actual expenses were (\$2,589,053) less than the final budgeted amounts, which is a (9.4%) decrease over the final budgeted amount. There were many items/projects/positions budgeted that did not end up happening before June 30, 2024. There were also a number of tribal grants that were carried over to the 2024/2025 fiscal year.

**Excess of Expenditures over appropriations**

There were no expenditures that exceeded appropriations at the function level.

**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 22. The significant additions are described as follows:

Land – Track Resurfacing

Shepherd Public Schools  
 Management Discussion and Analysis  
 For the Year Ended June 30, 2024

---

Buildings and Additions – Winn Elem Flooring, Data Cabling, Wireless Access Points, Gym Floor Refinish, Lighting in HS Gym

Vehicles – Three new school buses.

Machinery & Equipment – Chromebooks in all buildings, HS and ES Cafeteria Tables, Flat Panels

Significant disposals are described as follows:

Furniture & Equipment – No significant disposals of furniture & equipment.

Vehicles – Four buses were disposed of in January 2024.

**Long-Term Debt**

A summary of the changes in long-term debt is presented on page 23. At the end of this year the School District’s General Obligation Bonds outstanding decreased \$1,000,000 due to scheduled principal payments. This leaves the outstanding bond debt as follows:

	<u>2023</u>	<u>2024</u>
2017 Refunding Bond Series A	\$6,800,000	\$5,800,000
2017 Refunding Bond Series B	0	0
	\$6,800,000	\$5,800,000

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

Our elected officials and administration consider many factors when setting the School District’s fiscal year budget. The State of Michigan is the primary source of revenue and the amount of revenue received by the School District is dependent upon the State per pupil foundation allowance and student enrollment.

The School State Aid budget has been passed for 2024/25 by the legislature and signed by the Governor. The foundation allowance remains at \$9,608 per student. This will be

Shepherd Public Schools  
Management Discussion and Analysis  
For the Year Ended June 30, 2024

---

a \$0 per student increase. The state is instead working on a reduction of the MPSERS retirement rates of over 5% to equate to a foundation allowance increase. The difficulty with that is that an increase in the foundation is or shows a cumulative effect. It remains to be seen what impact this will have on the district long term.

The district has received an abundance of Federal funding through the Elementary and Secondary School Emergency Relief Fund (ESSER). The Elementary & Secondary School Emergency Relief funds are focused on getting students back on track and helping to make up for the learning loss that has occurred over the course of the pandemic.

The district continues to self-insure both health and dental benefits. 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 of \$45,000. Claims came in higher this year than the preceding year and total claims were higher than the illustrated rate. Fortunately, the district had built up a bit of a balance in the Internal Service Fund helping to fund the excessive claims this year. The District has been advised that when on a self-insured plan you should expect one bad year every five. For the fiscal years 2018/2019 and 2019/2020 actual claims were less than illustrated rates and while the claims in 2020/2021 and 2022/2023 exceeded the illustrated rate it was not a significant amount. For 2023/2024, expenses did exceed the illustrated rate. The district will add this negative balance to the illustrated rate amounts in 2024-2025 for the transfer into the internal service fund.

District staffing needs are being met however, filling open positions remains difficult, especially in the support staff areas. 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. To secure qualified candidates for key positions, it has become necessary to hire teaching staff with many years of experience. The District continues to struggle with staffing issues.

Shepherd Public Schools has invested in district technology by establishing a 1 to 1 initiative for all students in grades K through 12. Federal funds were utilized to expand the initiative to all grades. 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.

### **VIII. Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the finances for 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

Shepherd Public Schools  
Management Discussion and Analysis  
For the Year Ended June 30, 2024

---

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, 2024

**Assets**

Cash and investments	\$ 5,270,876
Accounts receivable	7,084
Due from other governmental units	5,803,930
Inventory	21,020
Prepaid expenses	19,424
Noncurrent assets	
Net other post-employment benefit asset	584,183
Capital assets not being depreciated	230,310
Capital assets being depreciated, net	25,629,691
Total assets	37,566,518

**Deferred outflows of resources**

Related to pension	10,120,796
Related to other post-employment benefits	2,340,368
Total deferred outflows of resources	12,461,164

**Liabilities**

Checks issued in excess of deposits	47,758
Accounts payable	526,005
Due to other governmental units	151,981
Accrued expenses	1,331,999
Unearned revenue	1,993,152
Accrued interest	28,533
Incurred but not reported - health claims	246,893
Compensated absences due within one year	57,035
General obligations due within one year	1,000,000
Noncurrent liabilities	
Compensated absences due beyond one year	323,198
General obligations due beyond one year	4,800,000
Direct borrowing due beyond one year	16,528,082
Premium on bonds less accumulated amortization	671,992
Net pension liability	32,475,561
Total liabilities	60,182,189

**Deferred inflows of resources**

Related to pension	3,692,331
Related to other post-employment benefits	4,754,321
Related to 147c allocation	2,043,702
Total deferred inflows of resources	10,490,354

**Net position**

Net investment in capital assets	19,388,009
Restricted for debt service	107,119
Restricted for net other post-employment benefits asset	584,183
Unrestricted	(40,724,172)
Total net position	\$ (20,644,861)

Shepherd Public School District  
Statement of Activities  
For the Year Ended June 30, 2024

Functions / Programs	Expenses	Program Revenues		Change in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction	\$ 12,792,927	\$ 29,085	\$ 7,331,282	\$ (5,432,560)
Support services	9,807,769	136,961	573,160	(9,097,648)
Food service	1,086,065	91,296	1,168,559	173,790
Student activities	444,520	-	510,203	65,683
Community services	6,785	-	-	(6,785)
Building improvement services	104,315	-	-	(104,315)
Interest and fees	887,854	-	-	(887,854)
Total governmental activities	<u>\$ 25,130,235</u>	<u>\$ 257,342</u>	<u>\$ 9,583,204</u>	<u>(15,289,689)</u>
<b>General revenues:</b>				
Property taxes				3,621,211
State aid not restricted to specific purposes				15,629,302
Intermediate sources				1,179,666
Interest and investment earnings				199,965
Other revenues				210,679
Total general revenues				<u>20,840,823</u>
<b>Change in net position</b>				5,551,134
<b>Net position - beginning</b>				<u>(26,195,995)</u>
<b>Net position - ending</b>				<u>\$ (20,644,861)</u>

## FUND FINANCIAL STATEMENTS



Shepherd Public School District  
Balance Sheet - Governmental Funds  
June 30, 2024

	Major Funds		Total Nonmajor Funds	Total Governmental Funds
	General	2017 Series A		
<b>Assets</b>				
Cash and investments	\$ 4,110,191	\$ 105,125	\$ 1,055,560	\$ 5,270,876
Accounts receivable	7,084	-	-	7,084
Due from other governmental units	5,803,930	-	-	5,803,930
Due from other funds	38,483	-	36,513	74,996
Inventory	-	-	21,020	21,020
Prepaid expenditures	19,424	-	-	19,424
<b>Total assets</b>	<b>\$ 9,979,112</b>	<b>\$ 105,125</b>	<b>\$ 1,113,093</b>	<b>\$ 11,197,330</b>
<b>Liabilities</b>				
Accounts payable	\$ 458,803	\$ -	\$ 67,202	\$ 526,005
Due to other governmental units	151,981	-	-	151,981
Due to other funds	36,513	-	38,483	74,996
Accrued expenditures	1,331,999	-	-	1,331,999
Unearned revenue	1,982,763	-	10,389	1,993,152
<b>Total liabilities</b>	<b>3,962,059</b>	<b>-</b>	<b>116,074</b>	<b>4,078,133</b>
<b>Deferred Inflows of Resources</b>				
Related to unavailable revenues	262,981	-	-	262,981
<b>Total deferred inflows of resources</b>	<b>262,981</b>	<b>-</b>	<b>-</b>	<b>262,981</b>
<b>Fund balance</b>				
Nonspendable	19,424	-	21,020	40,444
Restricted	527,805	105,125	975,999	1,608,929
Unassigned	5,206,843	-	-	5,206,843
<b>Total fund balances</b>	<b>5,754,072</b>	<b>105,125</b>	<b>997,019</b>	<b>6,856,216</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,979,112</b>	<b>\$ 105,125</b>	<b>\$ 1,113,093</b>	<b>\$ 10,934,349</b>

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, 2024

---

Total fund balance - governmental funds \$ 6,856,216

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	46,460,896
Deduct:	Accumulated depreciation	(20,600,895)

Governmental funds do not report revenues unless collected or collectible within 60 days of year-end. However, in the statement of activities, revenues are recorded when earned, regardless of the timing of cash flows.

Add:	Deferred inflows related to unavailable revenues	262,981
------	--	---------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Deduct:	2017 Refunding Bond - Series A	(5,800,000)
Deduct:	School loan revolving fund	(16,528,082)
Deduct:	Premium on 2017 Refunding Bond - Series A (net of amortization)	(671,992)

The 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	(294,651)
---------	--	-----------

Other amounts reported in the statement of activities that do not require current financial resources consist of:

Add:	Deferred outflow - related to pension	10,120,796
Add:	Deferred outflow - related to other post-employment benefits	2,340,368
Deduct:	Net pension liability	(32,475,561)
Add:	Net other post-employment benefit asset	584,183
Deduct:	Deferred inflow - related to pension	(3,692,331)
Deduct:	Deferred inflow - related to other post-employment benefits	(4,754,321)
Deduct:	Deferred inflow - 147c allocation	(2,043,702)
Deduct:	Compensated absences payable	(380,233)
Deduct:	Accrued interest on long-term liabilities	(28,533)

Total net position - governmental activities	<u>\$ (20,644,861)</u>
--	------------------------

Shepherd Public School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2024

	Major Funds		Total Nonmajor Funds	Total
	General	2017 Series A		
<b>Revenues</b>				
Local sources	\$ 1,857,687	\$ 2,302,156	\$ 601,499	\$ 4,761,342
Non-educational entity	573,160	-	-	573,160
State sources	20,156,941	-	295,354	20,452,295
Federal sources	1,917,924	-	873,204	2,791,128
Other sources	1,179,666	-	-	1,179,666
<b>Total revenues</b>	<b>25,685,378</b>	<b>2,302,156</b>	<b>1,770,057</b>	<b>29,757,591</b>
<b>Expenditures</b>				
Instruction				
Basic programs	10,765,488	-	-	10,765,488
Added needs	3,012,987	-	-	3,012,987
<b>Total instruction</b>	<b>13,778,475</b>	<b>-</b>	<b>-</b>	<b>13,778,475</b>
Support services				
Pupil services	2,315,449	-	-	2,315,449
Instructional staff	1,123,103	-	-	1,123,103
General administration	403,321	-	-	403,321
School administration	1,662,820	-	-	1,662,820
Business	384,054	-	-	384,054
Operation and maintenance	2,235,049	-	-	2,235,049
Pupil transportation	1,486,568	-	-	1,486,568
Central	675,202	-	326	675,528
Athletics and other	485,911	-	-	485,911
<b>Total support services</b>	<b>10,771,477</b>	<b>-</b>	<b>326</b>	<b>10,771,803</b>
Food service	-	-	1,299,455	1,299,455
Student activities	-	-	444,520	444,520
Community services	7,709	-	-	7,709
Building improvement services	407,485	-	-	407,485
Debt service				
Principal	-	2,069,872	-	2,069,872
Interest, fees and other	-	944,437	-	944,437
<b>Total expenditures</b>	<b>24,965,146</b>	<b>3,014,309</b>	<b>1,744,301</b>	<b>29,723,756</b>
<b>Revenues over (under) expenditures</b>	<b>720,232</b>	<b>(712,153)</b>	<b>25,756</b>	<b>33,835</b>
<b>Other financing sources (uses)</b>				
Transfers in	25,000	-	-	25,000
Transfers out	-	-	(25,000)	(25,000)
Gain on sale of assets	38,058	-	-	38,058
Proceeds from School Loan Revolving Fund	-	738,906	-	738,906
<b>Net change in fund balances</b>	<b>783,290</b>	<b>26,753</b>	<b>756</b>	<b>810,799</b>
<b>Fund balances - beginning</b>	<b>4,970,782</b>	<b>78,372</b>	<b>996,263</b>	<b>6,045,417</b>
<b>Fund balances - ending</b>	<b>\$ 5,754,072</b>	<b>\$ 105,125</b>	<b>\$ 997,019</b>	<b>\$ 6,856,216</b>

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, 2024

Net change in fund balances - total governmental funds	\$	810,799
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		1,585,730
Deduct: Depreciation expense		(1,283,396)
Governmental funds do not report revenues unless collected or collectible within 60 days of year-end. However, in the statement of activities, revenues are recorded when earned, regardless of the timing of cash flows.		
Add: Recognize revenues reported as unavailable on the governmental fund statements		262,981
Long-term debt proceeds are reported as other financing sources in the governmental funds, thereby increasing fund balances. In the statement of net position, however, issuing long-term debt increases liabilities and has no effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Add: Payment of 2017 Refunding Bond - Series A		1,000,000
Add: Payment of school loan revolving fund		1,069,872
Deduct: Proceeds from school loan revolving fund		(738,906)
Add: Amortization of 2017 Refunding Bond Series A premium		51,692
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.		
Deduct: Change in deferred outflow - related to pension		(804,282)
Deduct: Change in deferred outflow - related to other post-employment benefits		(416,223)
Add: Change in net pension liability		4,079,614
Add: Change in net other post-employment benefit asset		2,654,662
Deduct: Change in deferred inflow - related to pension		(2,912,739)
Deduct: Change in deferred inflow - related to other post-employment benefits		(289,806)
Add: Change in accrual for compensated absences		14,843
Add: Change in accrued interest on long-term liabilities		4,891
Revenue in support of pension contribution made subsequent to the measurement date.		
Add: Change in deferred inflow - 147c allocation		622,738
Internal service fund is used by management to charge the cost of self funded employee benefits to individual funds. The net revenue of the internal service fund is reported with governmental activities.		
Deduct: Net revenues and expenses		<u>(161,336)</u>
Net change in net position - governmental activities	\$	<u><u>5,551,134</u></u>

**INTERNAL SERVICE FUND**



Shepherd Public School District  
Statement of Net Position  
June 30, 2024

---

	<u>Internal Service Fund</u>
<b>Liabilities</b>	
Current liabilities	
Checks in excess of deposits	\$ 47,758
Incurred but not reported - health claims	246,893
Total liabilities	<u>294,651</u>
 <b>Net position</b>	
Unrestricted	<u><u>\$ (294,651)</u></u>

Shepherd Public School District  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2024

---

	Internal Service Fund
<b>Operating revenues</b>	
Health and dental premiums	\$ 1,646,857
Total operating revenues	1,646,857
<b>Operating expenses</b>	
Medical and dental claims	1,649,323
Other	158,870
Total operating expenses	1,808,193
<b>Change in net position</b>	(161,336)
<b>Net position - beginning</b>	(133,315)
<b>Net position - ending</b>	\$ (294,651)

Shepherd Public School District  
Statement of Cash Flows  
For the Year Ended June 30, 2024

---

	Internal Service Fund
<b>Cash flows from operating activities</b>	
Employer health and dental premiums	\$ 1,646,857
Payment of medical and dental claims	(1,641,254)
Other payments	(158,870)
Net cash from operating activities	(153,267)
<b>Cash and cash equivalents - beginning</b>	105,509
<b>Cash and cash equivalents - ending</b>	\$ (47,758)
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Change in net position	\$ (161,336)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Incurred but not reported - health claims	8,069
<b>Net cash provided by operating activities</b>	\$ (153,267)

**FIDUCIARY FUND**



Shepherd Public School District  
Statement of Fiduciary Net Position  
June 30, 2024

---

	<u>Custodial Fund</u>
<b>Assets</b>	
Cash and investments	<u>\$          212</u>
<b>Net position</b>	
Restricted	<u><u>\$          212</u></u>

Shepherd Public School District  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2024

---

	Custodial Fund
<b>Revenues</b>	
Other revenues	\$ -
Total revenues	-
<b>Expenses</b>	
Community services	100
Total expenses	100
<b>Change in net position</b>	(100)
<b>Net position - beginning</b>	312
<b>Net position - ending</b>	\$ 212

**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. 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. 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. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

**Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities, if any, are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

**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. 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 debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District accounts for its 2017 Series A activity in the debt service 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 and student activities in the special revenue fund.
  
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District accounts for its 2017 Series B activity in the debt service fund.

Additionally, the government reports the following fund types:

- The 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

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

---

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 custodial funds do not present results of operations or have a measurement focus. Custodial 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 a custodial capacity. These funds are not reported in the District's government-wide financial statements.

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. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the 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 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 custodial fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

### **Budgetary Information**

#### **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. 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.

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

- 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 below as well as 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. Although the district does consider these amendments to be significant, they were deemed necessary due to considerable uncertainty at the time the original budget was adopted.

**Excess of Expenditures Over Appropriations**

For the year ended June 30<sup>th</sup>, expenditures exceeded appropriations in the general fund as follows:

Function	Original Budget	Final Budget	Actual	Variance
Added needs	2,539,019	2,916,024	3,012,987	(96,963)
General administration	386,895	381,790	403,321	(21,531)
Business	377,661	377,439	384,054	(6,615)
Pupil transportation	1,352,312	1,409,978	1,486,568	(76,590)
Central	529,832	638,379	675,202	(36,823)
Community services	6,456	6,456	7,709	(1,253)
Transfers out	24,000	24,000	25,000	(1,000)

**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**

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- 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 United States government or federal agency obligations repurchase agreements.
- Bankers' acceptances of United States banks.

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

---

- Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Accounts Receivable/Payable

Accounts receivable/payable in all funds report amounts that have arisen in the ordinary course of business. Accounts receivable are stated net of allowances for uncollectible amounts, if any.

Due from/Due to Other Governmental Units

Due from/due to other governmental units consist primarily of amounts due from/to grantors and the State of Michigan.

Inventory

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

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.

Capital Assets

Capital assets, as detailed in the table below, are reported in the government-wide financial statements. Capital assets are tangible and intangible assets 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible capital assets in the appropriate capital asset class.

The costs of normal maintenance and repairs that do not increase the asset's capacity or efficiency 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 tangible and intangible property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	3 - 20
Buildings and additions	5 - 50
Furniture and equipment	3 - 35
Vehicles	5 - 10

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

Accrued Expenses

Accrued expenses relate to salaries and wages earned prior to year-end but not paid until after year-end.

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

---

Checks issued in Excess of Deposits

Checks issued in excess of deposits represent payments made in excess of the District's cash balance in the Internal Service Fund. As rates charged to the other funds increase over time, cash in this fund will be replenished.

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.

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.

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.

Defined Benefit Plans

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

Deferred Outflows of Resources

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 assets 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 two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reported in the government-wide statement of net position. The deferred amounts related to pension and other postemployment benefits relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and other postemployment benefit related changes. These amounts are recognized in the plan year in which they apply.

Deferred Inflows of Resources

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 assets 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 three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and other postemployment benefit related changes. These amounts are recognized in the plan year in which they apply.

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

---

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.

Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- *Nonspendable* fund balance represents amounts that are either not in spendable form or are either legally or contractually required to be maintained intact.
- *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- *Committed* fund balance represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Education prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board of Education adopts another ordinance to remove or revise the limitation.
- *Assigned* fund balance represents amounts that are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

---

authorized the finance director to assign fund balance. The Board of Education may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

- *Unassigned* fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

## Revenues

### Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

### 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 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 date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. The District does not levy taxes in the summer.

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

### State Aid Revenue

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

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

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

---

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.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges to other funds for medical and dental premiums. Operating expenses for the internal service fund include medical and dental claims, purchase services, and other operating expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**NOTE 2 – CASH AND INVESTMENTS**

It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District, and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital), liquidity, and yield.

The District utilizes a pooled cash and investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

As of year-end, the District had deposits and investments subject to the following risks:

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 year-end, \$4,823,511 of the District's bank balance of \$5,073,511 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.

The following summarizes the categorization of these amounts as of year-end:

Description	Amount
Petty cash	2,250
Cash and cash equivalents	4,713,486
Investments	555,140
Total cash and investments	5,270,876

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.

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.

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

Investment Type	Amortized Cost	Weighted Average Maturity
MILAF External Investment pool-Cash Management Class	555,140	N/A
Total	555,140	
One day maturity equals 0.0027, one year equals 1		

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. Obligations of the U.S government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Type	Amortized Cost	Rating	Rating Agency
MILAF External Investment pool-Cash Management Class	555,140	AAAm	Standard & Poor's
Total	555,140		

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

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.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX class) fund requires notification of redemption prior to 14 days to avoid penalties. These funds are not subject to fair value disclosures.

Investment Type	Amortized Cost
MILAF External Investment pool-Cash Management Class	555,140
Total	555,140

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

---

**NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES**

The detail of interfund balances as of June 30<sup>th</sup>, are as follows:

Description	Due from Other Funds	Due to Other Funds
General fund	38,483	36,513
Food service fund	30,808	38,483
Student activities fund	5,705	-
Total	74,996	74,996

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

**NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS**

As of June 30<sup>th</sup>, due from other governmental units is comprised of the following amounts:

Description	Amount
Federal grants	1,405,417
State aid	4,319,852
Other	258,661
Total	5,803,930

No allowance for doubtful accounts is considered necessary based on previous experience.

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

**NOTE 5 - CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depr/amort					
Land	230,310	-	-	-	230,310
Construction in process	35,052	-		(35,052)	-
Total capital assets not being depr./amort	265,362	-	-	(35,052)	230,310
Capital assets being depr/amort					
Land improvements	5,054,128	209,770	-		5,263,898
Buildings and additions	36,163,926	402,898	-	35,052	36,601,876
Furniture and equipment	1,544,232	580,877	-	-	2,125,109
Vehicles	2,136,761	392,185	(289,243)	-	2,239,703
Total capital assets being depr/amort	44,899,047	1,585,730	(289,243)	35,052	46,230,586
Accumulated depr/amort					
Land improvements	(3,450,886)	(235,418)	-	-	(3,686,304)
Buildings and additions	(13,576,642)	(742,829)	-	-	(14,319,471)
Furniture and equipment	(1,032,379)	(106,466)	-	-	(1,138,845)
Vehicles	(1,546,835)	(198,683)	289,243	-	(1,456,275)
Total accumulated depr/amort	(19,606,742)	(1,283,396)	289,243	-	(20,600,895)
Net capital assets being depr/amort	25,292,305	302,334	-	35,052	25,629,691
Net capital assets	25,557,667	302,334	-	-	25,860,001

Depreciation/amortization expense for the year ended June 30<sup>th</sup> was charged to the functions of the District's activities as follows:

Governmental Activities	Amount
Instruction	817,194
Support services	390,832
Food services	13,805
Building improvement services	61,565
Total depreciation	1,283,396

**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 30<sup>th</sup>.

**NOTE 7 - DEBT**

Short-term debt

On December 14, 2023, the District borrowed \$2,000,000 in one note from Mercantile Bank in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 8.5% and was payable on March 11, 2024. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. During the year, the District sets aside funds to pay the state aid note.

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

	Beginning Balance	Additions	(Deletions)	Ending Balance
Short-term debt	-	2,000,000	(2,000,000)	-

Premiums and Discounts

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

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

	Beginning Balance	Additions	(Deletions)	Ending Balance
Premium on 2017 Refunding Bond Series A	723,684	-	(51,692)	671,992

Long-term debt

	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-end
General obligations				
2017 Refunding Bond Series A	23,620,000	3.00% - 3.25%	2037	5,800,000
Total general obligations				5,800,000
Direct borrowings				
School loan revolving fund	N/A	4.56%	N/A	16,528,082
Total direct borrowings				16,528,082

Direct borrowings

School Loan Revolving Fund

Borrowing from the State of Michigan - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the District, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate at June 30th was 4.56%.

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

**Summary of Long-Term Debt**

The changes in long-term debt during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Compensated absences	395,076	44,418	(59,261)	380,233	57,035
General obligation bonds	6,800,000	-	(1,000,000)	5,800,000	1,000,000
Direct borrowings	16,859,048	738,906	(1,069,872)	16,528,082	-
Total long-term debt	24,054,124	783,324	(2,129,133)	22,708,315	1,057,035

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

The requirements to pay principal and interest on the long-term debt outstanding at June 30<sup>th</sup>, are shown below:

Year Ended June 30	General Obligation Bonds	
	Principal	Interest
2025	1,000,000	175,000
2026	1,000,000	145,000
2027	1,000,000	115,000
2028	1,000,000	85,000
2029	1,000,000	55,000
2030-2034	500,000	94,876
2035-2039	300,000	19,500
Total long-term debt	5,800,000	689,376

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

**NOTE 8 - 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 and a fiduciary component unit of 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 Michigan.gov/ORSSchools.

**Benefits Provided**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

**Contributions**

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

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the Sept. 30, 2022 valuation will be amortized over an 16-year period beginning Oct. 1, 2022 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for plan year ended Sept. 30, 2023.

<b>Pension Contribution Rates</b>		
<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>
Basic	0.0 - 4.0%	20.16%
Member Investment Plan	3.0 - 7.0%	20.16%
Pension Plus	3.0 - 6.4%	17.24%
Pension Plus 2	6.2%	19.95%
Defined Contribution	0.0%	13.75%

Required contributions to the pension plan from the District were \$3,616,304 for the year ended Sept. 30, 2023.

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

At September 30, 2023, the District reported a liability of \$32,475,561 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of Sept. 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At Sept. 30, 2023, the District's proportion was 0.10033830%, which was an increase of 0.00313963 % from its proportion measured as of Sept. 30, 2022.

For the plan year ending September 30, 2023, the District recognized pension expense of \$3,985,165. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	4,400,586	2,537,278
Net difference between projected and actual earnings on pension plan investments	-	664,555
Differences between actual and expected experience	1,025,154	49,747
Changes in proportion and differences between employer contributions and proportionate share of contributions	750,290	440,751
Employer contributions subsequent to the measurement date	3,944,766	-
<b>Total</b>	<b>10,120,796</b>	<b>3,692,331</b>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

Deferred (Inflow) and Deferred Outflow of Resources by Plan Year (To Be Recognized in Future Pension Expenses)	
2024	679,153
2025	580,223
2026	1,603,525
2027	(379,202)

**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:	Sept. 30, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.00% net of investment expenses
- Pension Plus Plan:	6.00% net of investment expenses
- Pension Plus 2 Plan:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality (Retirees):	PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Mortality (Active):	PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

**Notes:**

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, 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: 4.4406
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

**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 Sept. 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.8%
Private Equity Pools	16.0%	9.6%
International Equity	15.0%	6.8%
Fixed Income Pools	13.0%	1.3%
Real Estate and Infrastructure Pools	10.0%	6.4%
Absolute Return Pools	9.0%	4.8%
Real Return/Opportunistic Pools	10.0%	7.3%
Short-Term Investment Pools	2.0%	0.3%
Total	100.0%	

\*Long-term rates of return are net of administrative expenses and 2.7% inflation.

**Rate of Return**

For the plan year ended September 30, 2023, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 8.29%. 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 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
43,874,387	32,475,561	22,985,625

**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 ACFR, available on the ORS website at Michigan.gov/ORSSchools.

**Payables to the Michigan Public School Employees' Retirement System (MPSERS)**

The District reported payables to the defined benefit pension plan in the amount of \$588,937 as of June 30, 2024.

## **NOTE 9 – 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 and a fiduciary component unit of 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 [Michigan.gov/ORSSchools](http://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 Jan. 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 Sept. 3, 2012 or were on an approved professional services or military leave of absence on Sept. 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 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

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the Sept. 30, 2022 valuation will be amortized over an 16-year period beginning Oct. 1, 2022 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year ended Sept. 30, 2023.

<b>OPEB Contribution Rates</b>		
<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>
Premium Subsidy	3.00%	8.07%
Personal Healthcare Fund (PHF)	0.00%	7.21%

Required contributions to the OPEB plan from the District were \$804,450 for the year ended September 30, 2023.

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

At September 30, 2023, the District reported an asset of (\$584,183) for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of Sept. 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 30, 2022. The District's proportion of the net OPEB asset 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 Sept. 30, 2023, the District's proportion was 0.10326756%, which was an increase of 0.00551413% from its proportion measured as of Sept. 30, 2022.

For the plan year ending September 30, 2023, the District recognized OPEB expense of (\$1,034,938). At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	1,300,493	156,604
Net difference between projected and actual earnings on OPEB plan investments	1,781	-
Differences between actual and expected experience	-	4,414,386
Changes in proportion and differences between employer contributions and proportionate share of contributions	245,155	183,331
Employer contributions subsequent to the measurement date	792,939	-
<b>Total</b>	<b>2,340,368</b>	<b>4,754,321</b>

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

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 (asset)/liability in the year ended June 30, 2025. 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 Plan Year (To Be Recognized in Future OPEB Expenses)	
2024	(1,087,076)
2025	(997,362)
2026	(400,254)
2027	(340,674)
2028	(252,280)
Thereafter	(129,246)

**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:	Sept. 30, 2022
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15
Mortality (Retirees):	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Mortality (Active):	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other Assumptions (Opt-Out Assumption):	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.
Other Assumptions (Survivor Coverage):	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Other Assumptions (Coverage Election at Retirement):	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

**Notes:**

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual valuations beginning with the Sept. 30, 2023 valuation. The total OPEB liability as of Sept. 30, 2023, is based on the results of an actuarial valuation date of Sept. 30, 2022, 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: 6.5099
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2023 MPERS Annual Comprehensive Financial Report found on the ORS website at [Michigan.gov/ORSSchools](http://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 Sept. 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.8%
Private Equity Pools	16.0%	9.6%
International Equity	15.0%	6.8%
Fixed Income Pools	13.0%	1.3%
Real Estate and Infrastructure Pools	10.0%	6.4%
Absolute Return Pools	9.0%	4.8%
Real Return/Opportunistic Pools	10.0%	7.3%
Short-Term Investment Pools	2.0%	0.3%
Total	100.0%	

\*Long-term rates of return are net of administrative expenses and 2.7% inflation.

**Rate of Return**

For the plan year ended Sept. 30, 2023, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 7.94%. 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 6.00% 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 6.00%. 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.

Shepherd Public School District  
Notes to the Financial Statements  
June 30, 2024

**Sensitivity of the District's proportionate share of the net OPEB (asset)/liability to changes in the discount rate**

The following presents the District's proportionate share of the net OPEB (asset)/liability calculated using the discount rate of 6.00%, as well as what the District's proportionate share of the net OPEB (asset)/liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
605,622	(584,183)	(1,606,704)

**Sensitivity of the District's proportionate share of the net OPEB (asset)/liability to Healthcare Cost Trend Rate**

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
(1,609,253)	(584,183)	525,279

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2023 MPSERS ACFR, available on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

**Payables to the OPEB Plan**

The District reported payables to the defined benefit OPEB plan in the amount of \$68,212 as of June 30, 2024.

**NOTE 10 - NET INVESTMENT IN CAPITAL ASSETS**

As of June 30<sup>th</sup>, the composition of net investment in capital assets was comprised of the following:

Net investment in capital assets	Amount
Capital assets not being depreciated	230,310
Capital assets being depreciated, net	25,629,691
General obligation bonds related to capital assets	(5,800,000)
Unamortized premium on bond refunding	(671,992)
Net investment in capital assets	19,388,009

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District 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 12 - TRANSFERS**

During the year the following transfers were made between funds:

- The transfer of \$25,000 from the Food Service Fund to the General Fund was for the purpose of partially reimbursing the General Fund for indirect cost expenses.

**NOTE 13 - 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 \$45,000 per contract per year.

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

The change in the claims liability is as follows:

Fiscal Year	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2022	196,657	2,780,885	(1,436,322)	1,541,220
2023	1,541,220	248,905	(1,551,301)	238,824
2024	238,824	1,657,394	(1,649,323)	246,895

**NOTE 14 – CONTINGENT LIABILITIES**

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

**NOTE 15 – ECONOMIC DEPENDENCE**

The District receives over 75% of its General Fund revenues from the Michigan Department of Education. Due to the significance of this revenue source, the District is considered to be economically dependent.

**NOTE 16 – DEFICIT FUND EQUITY**

As of year-end, the Internal Service Fund, a fiduciary fund, reported a deficit fund balance of (\$294,651). The rates charged for these services are based on a projected cost. Because costs are projected rather than actual, the Internal Service Fund will incur a deficit in some years and other years a surplus. Over time, the Internal Service Fund is expected to breakeven.

**NOTE 17 - TAX ABATEMENTS**

The District is required to disclose significant tax abatements as required by GASB Statement No. 77 (Tax Abatements). For the year ended June 30, 2024, the District did not receive reduced property tax revenues as a result of tax abatements from taxing authorities within its district boundaries. Additionally, there are no abatements made by the District.

**NOTE 18 - FUND BALANCE – NON SPENDABLE, COMMITTED, AND RESTRICTED**

Non-spendable fund balance for the General Fund and Food Service Fund is for prepaid expenditures and inventory, respectively. 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.

## **NOTE 19 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 101, Compensated Absences, was issued by the GASB in June 2022 and will be effective for fiscal year 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

GASB Statement No. 102, Certain Risk Disclosures, was issued by the GASB in December of 2023 and will be effective for fiscal year 2025. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact.

GASB Statement No. 103, Financial Reporting Model Improvements, was issued by the GASB in April of 2024 and will be effective for fiscal year 2026. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
  - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
    - 1) Overview of the Financial Statements,
    - 2) Financial Summary,
    - 3) Detailed Analyses,
    - 4) Significant Capital Asset and Long-Term Financing Activity,
    - 5) Currently Known Facts, Decisions, or Conditions;
  - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
  - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
  - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
  - ii. Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

**REQUIRED SUPPLEMENTARY INFORMATION**



Shepherd Public School District  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with final budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 1,749,748	\$ 1,877,748	\$ 1,857,687	\$ (20,061)
Non-educational entity	680,237	969,069	573,160	(395,909)
State sources	19,604,174	20,772,870	20,156,941	(615,929)
Federal sources	1,985,148	2,234,630	1,917,924	(316,706)
Other sources	1,124,745	1,187,822	1,179,666	(8,156)
<b>Total revenues</b>	<b>25,144,052</b>	<b>27,042,139</b>	<b>25,685,378</b>	<b>(1,356,761)</b>
<b>Expenditures</b>				
Instruction				
Basic programs	11,021,416	11,542,362	10,765,488	776,874
Added needs	2,539,019	2,916,024	3,012,987	(96,963)
<b>Total instruction</b>	<b>13,560,435</b>	<b>14,458,386</b>	<b>13,778,475</b>	<b>679,911</b>
Support services				
Pupil services	2,602,013	3,052,673	2,315,449	737,224
Instructional staff	1,589,492	1,600,902	1,123,103	477,799
General administration	386,895	381,790	403,321	(21,531)
School administration	1,678,364	1,717,710	1,662,820	54,890
Business	377,661	377,439	384,054	(6,615)
Operation and maintenance	2,362,606	2,439,581	2,235,049	204,532
Pupil transportation	1,352,312	1,409,978	1,486,568	(76,590)
Central	529,832	638,379	675,202	(36,823)
Athletics and other	940,585	978,133	485,911	492,222
<b>Total support services</b>	<b>11,819,760</b>	<b>12,596,585</b>	<b>10,771,477</b>	<b>1,825,108</b>
Community services	6,456	6,456	7,709	(1,253)
Payments to other governments	1,094	-	-	-
Building improvement services	425,000	492,772	407,485	85,287
<b>Total expenditures</b>	<b>25,812,745</b>	<b>27,554,199</b>	<b>24,965,146</b>	<b>2,589,053</b>
<b>Other financing sources (uses)</b>				
Transfers in (out)	24,000	24,000	25,000	(1,000)
Proceeds from sale of capital assets	5,000	38,058	38,058	-
<b>Revenues over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>783,290</b>	<b>-</b>
<b>Fund balance - beginning</b>	<b>4,970,782</b>	<b>4,970,782</b>	<b>4,970,782</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 4,331,089</b>	<b>\$ 4,520,780</b>	<b>\$ 5,754,072</b>	<b>\$ 1,233,292</b>

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

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

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

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

*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: Morality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

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

<b>Schedule of the District's Proportionate Share of the Net Pension Liability</b>	<b>Plan year Sept 30, 2019</b>	<b>Plan year Sept 30, 2020</b>	<b>Plan year Sept 30, 2021</b>	<b>Plan year Sept 30, 2022</b>	<b>Plan year Sept 30, 2023</b>
District's proportion of net pension liability (%)	0.10120200%	0.10043911%	0.09816223%	0.09719867%	0.10033830%
District's proportionate share of net pension liability	\$ 33,514,706	\$ 34,501,927	\$ 23,240,313	\$ 36,555,175	\$ 32,475,561
District's covered employee payroll	\$ 8,803,374	\$ 8,991,481	\$ 8,806,318	\$ 9,365,234	\$ 10,186,708
District's proportionate share of NPL as a percentage of its covered employee payroll (%)	378.65%	387.25%	261.68%	390.33%	318.80%
Plan fiduciary net position as a percentage of total pension liability	60.31%	59.72%	72.60%	60.77%	65.91%

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

<b>Schedule of the District's Pension Contributions</b>	<b>Fiscal year June 30, 2020</b>	<b>Fiscal year June 30, 2021</b>	<b>Fiscal year June 30, 2022</b>	<b>Fiscal year June 30, 2023</b>	<b>Fiscal year June 30, 2024</b>
Statutorily required pension contributions	\$ 2,733,842	\$ 2,878,898	\$ 3,264,971	\$ 4,437,440	\$ 4,236,686
Contributions in relation to statutorily required pension contributions	2,733,842	2,878,898	3,264,971	4,437,440	4,236,686
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,018,659	\$ 8,628,257	\$ 9,390,191	\$ 10,232,043	\$ 11,073,130
Contributions as a percentage of covered-employee payroll	30.31%	33.37%	34.77%	43.37%	38.26%

*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: Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

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

<b>Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability</b>	<b>Plan year Sept 30, 2017</b>	<b>Plan year Sept 30, 2018</b>	<b>Plan year Sept 30, 2019</b>	<b>Plan year Sept 30, 2020</b>	<b>Plan year Sept 30, 2021</b>
District's proportion of net OPEB (asset)/liability (%)	0.10150936%	0.10258227%	0.10073980%	0.10142639%	0.09736407%
District's proportionate share of net OPEB (asset)/liability	\$ 8,989,132	\$ 8,154,215	\$ 7,230,846	\$ 5,433,682	\$ 1,486,144
District's covered employee payroll	\$ 8,448,976	\$ 8,737,303	\$ 8,803,374	\$ 8,991,481	\$ 8,806,318
District's proportionate share of net OPEB (asset)/liability as a percentage of its covered employee payroll (%)	106.39%	93.33%	82.07%	60.39%	16.87%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%	42.95%	48.46%	59.44%	87.33%

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

<b>Schedule of the District's OPEB Contributions</b>	<b>Fiscal year June 30, 2018</b>	<b>Fiscal year June 30, 2019</b>	<b>Fiscal year June 30, 2020</b>	<b>Fiscal year June 30, 2021</b>	<b>Fiscal year June 30, 2022</b>
Statutorily required OPEB contributions	\$ 689,364	\$ 719,700	\$ 768,292	\$ 742,940	\$ 770,782
Contributions in relation to statutorily required OPEB contributions	689,364	719,700	768,292	742,940	770,782
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 8,697,062	\$ 8,732,302	\$ 9,018,659	\$ 8,628,257	\$ 9,390,191
Contributions as a percentage of covered-employee payroll	7.93%	8.24%	8.52%	8.61%	8.21%

*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: The Healthcare cost trend rate pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen. The Healthcare cost trend rate post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen. Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

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

<b>Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability</b>	<b>Plan year Sept 30, 2022</b>	<b>Plan year Sept 30, 2023</b>
District's proportion of net OPEB (asset)/liability (%)	0.09775343%	0.10326756%
District's proportionate share of net OPEB (asset)/liability	\$ 2,070,479	\$ (584,183)
District's covered employee payroll	\$ 9,365,234	\$ 10,186,708
District's proportionate share of net OPEB (asset)/liability as a percentage of its covered employee payroll (%)	22.11%	-5.73%
Plan fiduciary net position as a percentage of total OPEB liability	83.09%	105.04%

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

<b>Schedule of the District's OPEB Contributions</b>	<b>Fiscal year June 30, 2023</b>	<b>Fiscal year June 30, 2024</b>
Statutorily required OPEB contributions	\$ 784,709	\$ 903,444
Contributions in relation to statutorily required OPEB contributions	784,709	903,444
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 10,232,043	\$ 11,073,130
Contributions as a percentage of covered-employee payroll	7.67%	8.16%

*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: The Healthcare cost trend rate pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen. The Healthcare cost trend rate post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen. Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

**OTHER SUPPLEMENTARY INFORMATION**



Shepherd Public School District  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2024

	Special Revenue Funds		Debt Service Fund	Total Nonmajor Funds
	Food Service	Student Activities	2017 Series B	
<b>Assets</b>				
Cash and investments	\$ 555,340	\$ 498,226	\$ 1,994	\$ 1,055,560
Due from other funds	30,808	5,705	-	36,513
Inventory	21,020	-	-	21,020
<b>Total assets</b>	<b>\$ 607,168</b>	<b>\$ 503,931</b>	<b>\$ 1,994</b>	<b>\$ 1,113,093</b>
<b>Liabilities</b>				
Accounts payable	\$ 65,264	\$ 1,938	\$ -	\$ 67,202
Due to other funds	38,483	-	-	38,483
Unearned revenue	10,389	-	-	10,389
<b>Total liabilities</b>	<b>114,136</b>	<b>1,938</b>	<b>-</b>	<b>116,074</b>
<b>Fund balance</b>				
Nonspendable	21,020	-	-	21,020
Restricted	472,012	501,993	1,994	975,999
<b>Total fund balances</b>	<b>493,032</b>	<b>501,993</b>	<b>1,994</b>	<b>997,019</b>
<b>Total liabilities and fund balances</b>	<b>\$ 607,168</b>	<b>\$ 503,931</b>	<b>\$ 1,994</b>	<b>\$ 1,113,093</b>

Shepherd Public School District  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds  
 For the Year Ended June 30, 2024

	Special Revenue Funds		Debt Service Fund	Total Nonmajor Funds
	Food Service	Student Activities	2017 Series B	
<b>Revenues</b>				
Local sources	\$ 91,296	\$ 510,203	\$ -	\$ 601,499
State sources	295,354	-	-	295,354
Federal sources	873,204	-	-	873,204
Total revenues	1,259,854	510,203	-	1,770,057
<b>Expenditures</b>				
Support services				
Central	326	-	-	326
Total support services	326	-	-	326
Food service	1,299,455	-	-	1,299,455
Student activities	-	444,520	-	444,520
Total expenditures	1,299,781	444,520	-	1,744,301
<b>Revenues over (under) expenditures</b>	(39,927)	65,683	-	25,756
<b>Other financing sources (uses)</b>				
Transfers out	(25,000)	-	-	(25,000)
<b>Net change in fund balance</b>	(64,927)	65,683	-	756
<b>Fund balances - beginning</b>	557,959	436,310	1,994	996,263
<b>Fund balances - ending</b>	\$ 493,032	\$ 501,993	\$ 1,994	\$ 997,019



## Communication with Those Charged with Governance at the Conclusion of the Audit

To the Members of the Board  
Shepherd Public School District  
Shepherd, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shepherd Public School District (the District) for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during planning. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the payout of employee compensated absences is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's allocation of current and noncurrent compensated absences is based on an estimate of the percentage of employee's use of compensated absences.

Management's estimated lives of capital assets are based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

The assumptions used in the actuarial valuations of the pension and other postemployment benefit plans are based on historical trends and industry standards. We evaluated the key factors and assumptions used to develop the information used in the financial statements in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements were detected as a result of audit procedures: Interest and proceeds from the school loan revolving fund, which are accounted for in the 2017 Series A fund, were understated by \$713,778. 147c expenditures and 147c accruals were overstated in the general fund and the food service fund by a net \$117,384.37. Due from governmental units and deferred inflows of resources were understated in the general fund by \$252,231.14. Journal entries were subsequently posted by management to correct these misstatements.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The school district is required to limit its net cash resources to an amount that does not exceed 3 months of its average expenditures of the non-profit food service fund per 7 CFR Part 210.14(b). As of year-end, the district's food service fund balance exceeded the 3 months operating expenses by approximately \$101,238.

### Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison schedules and the prospective 10-year trend information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI. We were engaged to report on the combining statements which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### Restriction on Use

This information is intended solely for the information and use of the Board and management of District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



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