

SHELBY PUBLIC SCHOOLS



FINANCIAL STATEMENTS

**YEAR ENDED
JUNE 30, 2017**



Drake

Certified
Public
Accountants

SHELBY PUBLIC SCHOOLS

LIST OF PRINCIPAL INDIVIDUALS

JUNE 30, 2017

Board of Education

Ruth Myers	President
Karen Rice	Vice President
Julie Springstead-Waltz	Secretary
Steve Vinke	Treasurer
Leon Kay	Board Member
Jeremy Horton	Board Member
Jason Fleming	Board Member

Management

Dan Bauer	Superintendent
Laura Jacobs	Business Manager



SHELBY PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

Board of Education
Shelby Public Schools
Shelby, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Shelby Public School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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



Other Matters

Accounting Changes

As described in Note 19 to the financial statements, the District adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures. Our opinions are not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, the Schedule of Reporting Unit's Proportionate Share of Net Pension Liability, and the Schedule of Reporting Unit's Contributions on pages 3-9 and 36-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Shelby Public School's basic financial statements. The other supplemental information and schedule of expenditures of federal awards (as required by Office of Management and Budget Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information and schedule of expenditures of federal awards (as required by Office of Management and Budget Uniform Guidance) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information and schedule of expenditures of federal awards (as required by Office of Management and Budget Uniform Guidance) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Karl Z. Deube

Drake Certified Public Accountants

September 18, 2017



SHELBY PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Shelby Public Schools' annual financial report presents discussion and analysis of the School District's financial performance during the year ended June 30, 2017. It is best read in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Shelby Public Schools financially as a whole. The District-wide Financial Statements provide information about the activities of the entire School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and Food Service Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

Basic Financial Statements

District-Wide Financial Statements *Fund Financial Statements*

Notes to the Basic Financial Statements

Schedules for Net Pension Liability
Budgetary Information for the General Fund and Food Service Fund
(Required Supplemental Information)

Other Supplemental Information

Federal Financial Assistance

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

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



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

These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

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

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

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

Governmental Funds

All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing money inflow and outflow and the balances remaining at year end which are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation.

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

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



SHELBY PUBLIC SCHOOLS

Management's Discussion and Analysis

The School District as a Whole

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

TABLE 1	Governmental Activities (In Millions)	
	2017	2016
ASSETS		
Current and other assets	\$ 4.3	\$ 4.6
Capital assets - net of accumulated depreciation	12.6	13.1
TOTAL ASSETS	16.9	17.7
DEFERRED OUTFLOWS OF RESOURCES	3.8	2.6
LIABILITIES		
Current liabilities	2.2	2.3
Long-term liabilities	25.2	25.1
TOTAL LIABILITIES	27.4	27.4
DEFERRED INFLOWS OF RESOURCES	0.8	2.0
NET POSITION		
Net Investment in capital assets	9.6	9.2
Restricted	1.0	1.1
Unrestricted	(18.1)	(17.5)
TOTAL NET POSITION	\$ (7.5)	\$ (7.2)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$-7.5 million at June 30, 2017. Net Investment in capital assets totaling \$9.6 million compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. The remaining amount of Net Position (\$-18.1 million) was unrestricted.

The \$-18.1 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund and the change in the net pension liability will have a significant impact on the change in unrestricted net position from year to year.



Management's Discussion and Analysis

The School District as a Whole (Continued)

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

TABLE 2

	Governmental Activities	
	(In Millions)	
	2017	2016
REVENUE		
Program Revenue		
Charges for Services	\$ 0.1	\$ 0.1
Grants and Categoricals	5.4	5.1
General Revenue		
Property Taxes	3.8	3.8
State Aid	6.4	6.7
Other	0.1	0.2
TOTAL REVENUE	15.8	15.9
FUNCTION/PROGRAM EXPENSES		
Instruction	8.3	8.1
Support Services	5.4	5.0
Food Services	1.2	1.1
Athletics	0.4	0.3
Community Services	0.2	0.3
Interest on Long-Term Debt	0.1	0.1
Depreciation (Unallocated)	0.5	0.5
Loss of Disposal of Capital Assets	-	-
TOTAL FUNCTION/PROGRAM EXPENSES	16.1	15.4
INCREASE (DECREASE) IN NET POSITION	\$ (0.3)	\$ 0.5

As reported in the statement of activities, the cost of all of the governmental activities this year was \$16.1 million. Certain activities were partially funded from those who benefited from the programs (\$0.1 million) or by other governments and organizations that subsidized certain programs with grants and categorical (\$5.4 million). The remaining "public benefit" portion of the governmental activities was paid with \$3.8 million in taxes, \$6.4 million in State Foundation Allowance, and with other revenue, such as interest and general entitlements.

The School District experienced a decrease in net position of \$0.3 million. The key reason for the decrease in net position was the change in the net pension liability. The increase in net position differs from the change in fund balance and a reconciliation appears on page 15.



The School District as a Whole (Continued)

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

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$2.9 million, which is a decrease of \$0.2 million from last year. The primary reason for the decrease was a state aid adjustment. The General Fund, the principal operating fund, saw the fund balance decrease \$114,408 to \$1,928,004, which is less than the budgeted decrease of \$517,427.

- The Special Revenue Funds (Food Service) decreased over the prior year, showing a net decrease of approximately \$22,487.
- Combined, the Debt Service Funds showed a fund balance decrease of approximately \$83,534. Debt Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

General Budgetary Highlights

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

- Budgeted revenue increased by \$2,166,725 due to increased Federal Grants and Categoricals, monies received from the West Shore Educational Service District, increased At Risk funding and changes in local tax revenue.
- Budgeted expenditures increased by \$1,861,914 to cover increased costs of: Elementary, Middle School and High School Expenses, Compensatory Education, Technology upgrades, Pupil Transportation, Care of Children (Head Start) and Community Services. These budgetary changes were necessary to match expenditures with the increased federal revenue.



Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Asset

At June 30, 2017, the School District had \$12.6 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of approximately \$511,698 or 4 percent, from last year.

	2017	2016
Land	\$ 231,991	\$ 231,991
Buildings	20,547,618	20,538,418
Buses and Other Vehicles	1,574,407	1,574,407
Furniture and Equipment	2,747,801	2,722,913
Total Capital Assets	25,101,817	25,067,729
Less Accumulated Depreciation	(12,502,225)	(11,956,439)
Net Capital Assets	\$ 12,599,592	\$ 13,111,290

The additions this year included equipment. No debt was issued for these additions.

Debt

At the end of this year, the School District had \$3.0 million in bonds outstanding versus \$3.9 million in the previous year - a decrease of 23 percent. Those bonds consisted of the following:

	2017	2016
General Obligation Bonds	\$ 2,998,486	\$ 3,876,567

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$3.0 million is significantly below the statutorily imposed limit.

Other obligations include employee-compensated absences and severance pay. More detailed information about long-term liabilities is presented in the notes to the financial statements.



SHELBY PUBLIC SCHOOLS

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

The elected officials and administration considered many factors when setting the School District's 2017-18 fiscal year budget. Two of the most important factors affecting the budget are student count and fund balance. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2017-18 fiscal year is 90 percent of the upcoming October 2017 student count and 10 percent of the prior February 2017 student count. The 2017-18 fiscal year budget was adopted in June 2017, based on an estimate of students that will be enrolled in October 2017. Shelby Public Schools has been a declining enrollment district for several years and we do not expect to see that change.

Based on early enrollment data at the start of the 2017-2018 school year, no increase is anticipated in the fall 2017 student count over the February 2017 count. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Due to legislative insurance caps, the health insurance cost increase will be limited. The cost of retirement will increase from a range of 36.64% to 38.79% to a range of 36.53% to 38.63% on October 1, 2017. This is due to the decision of the Office of Retirement Services' plan to flow through each district a UAAL stabilization of 11.32% of the prior year's payroll. Which in turn, artificially increases both the district's state revenue and pension expenditures. Increased fuel and utility costs are also anticipated. These factors, along with a minimal \$120 per student increase for the 2017-18 school year will make this a challenging year financially.

Because the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to school districts. The State periodically holds a revenue consensus conference to estimate revenue.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors and creditors of the Shelby Public School with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager, 525 N. State Street, Shelby, Michigan 49455.



BASIC FINANCIAL STATEMENTS



SHELBY PUBLIC SCHOOLS

District-Wide Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 1,925,785
Due From Other Governmental Units	2,283,122
Accounts Receivable	3,178
Inventories	13,909
Prepaid Expenditures	42,252
TOTAL CURRENT ASSETS	<u>4,268,246</u>
NON-CURRENT ASSETS	
Capital Assets	25,101,817
Less: Accumulated Depreciation	(12,502,225)
TOTAL NON-CURRENT ASSETS	<u>12,599,592</u>
TOTAL ASSETS	<u>16,867,838</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	3,834,524
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 20,702,362</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 60,112
Accrued Salaries and Expenses	1,248,498
Accrued Interest	17,258
Unavailable Revenue	24,665
Bonds and Loans Payable, Due within One Year	863,081
TOTAL CURRENT LIABILITIES	<u>2,213,614</u>
NON-CURRENT LIABILITIES	
Bonds and Loans Payable	2,135,405
Compensated Absences and Severance Pay	1,334,091
Net Pension Liability	21,723,028
TOTAL NON-CURRENT LIABILITIES	<u>25,192,524</u>
TOTAL LIABILITIES	<u>27,406,138</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	785,659
NET POSITION	
Net Investment in Capital Assets	9,601,106
Restricted for Debt Service	509,657
Restricted for Food Service	21,430
Restricted for Capital Project	475,880
Unrestricted	(18,097,508)
TOTAL NET POSITION	<u>(7,489,435)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 20,702,362</u></u>

See Accompanying Notes to Financial Statements



District-Wide Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenue		Governmental
		Charges For Services	Operating Grants	Activities Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
Governmental Activities				
Instruction	\$ 8,359,739	\$ -	\$ 3,987,509	\$ (4,372,230)
Support Services	5,227,370	12,227	31,692	(5,183,451)
Food Services	1,206,448	32,504	1,125,309	(48,635)
Athletics	355,394	40,801	-	(314,593)
Community Services	212,199	-	300,332	88,133
Payments to Other Public Schools	126,792	-	-	(126,792)
Interest on Long-Term Debt	132,613	-	-	(132,613)
Depreciation (Unallocated)	545,786	-	-	(545,786)
Total Governmental Activities	<u>16,166,341</u>	<u>85,532</u>	<u>5,444,842</u>	<u>(10,635,967)</u>
General Revenue				
Taxes				
Property Taxes, Levied for General Operations				2,900,188
Property Taxes, Levied for Debt Service				908,174
State of Michigan Aid, Unrestricted				6,365,076
Interest Earnings				12,010
Other				110,803
Total General Revenue				<u>10,296,251</u>
CHANGE IN NET POSITION				<u>(339,716)</u>
NET POSITION - BEGINNING OF YEAR				<u>(7,149,719)</u>
NET POSITION - END OF YEAR				<u>\$ (7,489,435)</u>



SHELBY PUBLIC SCHOOLS

Governmental Funds

BALANCE SHEET

JUNE 30, 2017

	General	Food Service	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 901,194	\$ 40,088	\$ 984,503	\$ 1,925,785
Accounts Receivable	2,144	-	1,034	3,178
Due from Other Governmental Units	2,271,627	11,495	-	2,283,122
Due from Other Funds	38,050	-	1,200	39,250
Inventories	-	13,909	-	13,909
Prepaid Expenditures	42,227	25	-	42,252
TOTAL ASSETS	\$ 3,255,242	\$ 65,517	\$ 986,737	\$ 4,307,496
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 60,112	\$ -	\$ -	\$ 60,112
Accrued Salaries and Withholdings	1,242,461	6,037	-	1,248,498
Accrued Expenses	-	-	-	-
Due to Other Funds	-	38,050	1,200	39,250
TOTAL LIABILITIES	1,302,573	44,087	1,200	1,347,860
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	24,665	-	-	24,665
FUND BALANCES				
Non-spendable	42,227	13,934	-	56,161
Restricted for Debt Service	-	-	509,657	509,657
Restricted for Capital Project	-	-	475,880	475,880
Restricted for Food Service	-	7,496	-	7,496
Committed	138,486	-	-	138,486
Assigned	80,870	-	-	80,870
Unrestricted	1,666,421	-	-	1,666,421
TOTAL FUND BALANCES	1,928,004	21,430	985,537	2,934,971
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,255,242	\$ 65,517	\$ 986,737	\$ 4,307,496
TOTAL GOVERNMENTAL FUND BALANCES				\$ 2,934,971
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:				
Cost of the Capital Assets				25,101,817
Accumulated Depreciation				(12,502,225)
				<u>12,599,592</u>
Long-term liabilities are not due and payable in the current period and are not reported in the fund:				
Bonds and Notes Payable				(2,998,486)
Compensated Absences				(1,334,091)
Net Pension Liability				(21,723,028)
Accrued interest is not included as a liability in governmental funds				(17,258)
Deferred Outflows of Resources Pensions are not included in governmental funds				3,834,524
Deferred Inflows of Resources Pensions are not included in governmental funds				(785,659)
NET POSITION OF GOVERNMENTAL ACTIVITIES				<u><u>\$ (7,489,435)</u></u>

See Accompanying Notes to Financial Statements



STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2017

	General	Food Service	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUE				
Local Sources	\$ 3,053,988	\$ 53,849	\$ 908,870	\$ 4,016,707
Inter-District Sources	557,721	-	-	557,721
State Sources	8,547,323	25,049	-	8,572,372
Federal Sources	1,579,565	1,100,260	-	2,679,825
Other Sources	-	-	-	-
TOTAL REVENUE	13,738,597	1,179,158	908,870	15,826,625
EXPENDITURES				
Instruction	8,359,739	-	-	8,359,739
Supporting Services	5,100,791	1,206,448	-	6,307,239
Community Services	212,199	-	-	212,199
Payments to Other Public Schools	126,792	-	-	126,792
Debt Service	23,081	-	992,404	1,015,485
Capital Outlay	34,088	4,437	-	38,525
TOTAL EXPENDITURES	13,856,690	1,210,885	992,404	16,059,979
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(118,093)	(31,727)	(83,534)	(233,354)
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	-	-	-
Transfers In (Out)	3,685	9,240	(12,925)	-
TOTAL OTHER FINANCING SOURCES (USES)	3,685	9,240	(12,925)	-
NET CHANGE IN FUND BALANCES	(114,408)	(22,487)	(96,459)	(233,354)
FUND BALANCES - BEGINNING OF YEAR	2,042,412	43,917	1,081,996	3,168,325
FUND BALANCES - END OF YEAR	\$ 1,928,004	\$ 21,430	\$ 985,537	\$ 2,934,971



SHELBY PUBLIC SCHOOLS

Governmental Funds

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

YEAR ENDED JUNE 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ (233,354)
Amounts reported for governmental activities in the statement of activities are different because:		
- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.		
Depreciation Expense	(545,786)	
Capital Outlay	<u>34,088</u>	
		(511,698)
- Bonds and loan proceeds are recorded as an other financing source in governmental funds. These are recorded as a liability and not included in the statement of activities.		
		-
- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.		
		3,445
- Deferred outflows of resources are recorded in the statement of net position but not in the governmental funds.		
		1,222,972
- Deferred inflows of resources are recorded in the statement of net position but not in the governmental funds.		
		(717,138)
- Repayment of note and bond principal are an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).		
		878,081
- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds.		
		54,008
- Net pension liability is recorded in the statement of net position but not in the governmental funds.		
		<u>(1,036,032)</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (339,716)</u>

See Accompanying Notes to Financial Statements



STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS	
Cash and Cash Equivalents	\$ 197,150
Accounts Receivable	-
TOTAL ASSETS	\$ 197,150
LIABILITIES	
Due to Others	\$ 16,538
Due to Student Groups	180,612
TOTAL LIABILITIES	\$ 197,150
NET POSITION	\$ -



SHELBY PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

Shelby Public School District is located in Oceana County, Michigan. The School District is a K through 12 system. The School District is governed by a School Board consisting of seven Board members, all of whom are elected by School District residents.

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

B. BASIS OF PRESENTATION

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

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

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

District-Wide Statements

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



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

District-Wide Statements (Continued)

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

Fund Based Statements

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

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

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

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

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

Debt Service Funds

These funds are used to account for the accumulation of resources for, and for the payment of, general long-term debt principal, interest, and related costs. Debt Service Funds maintained by the School District are to retire outstanding 2009 and 2013 bonded indebtedness.

Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

Fund Based Statements (Continued)

FIDUCIARY FUNDS

Agency Fund

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

C. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

D. PROPERTY TAXES

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

E. INVENTORIES

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

F. CASH EQUIVALENTS

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

G. FINANCIAL INSTRUMENTS

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



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

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

I. EQUITY

Net Position

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

Fund Balance

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

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

J. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized. The School District does not have infrastructure type assets.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. CAPITAL ASSETS (CONTINUED)

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

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

K. LONG-TERM OBLIGATIONS

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

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

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

L. ESTIMATES

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

M. STATE CATEGORICAL REVENUE

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as unearned revenue.

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until then.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (CONTINUED)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

O. NET PENSION LIABILITY

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

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

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

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

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

The School District maintains all of its cash deposits in three financial institutions. At June 30, 2017, the book value of the School District's deposits was \$2,122,935 and the bank balance was \$2,446,499. Of the bank balance, \$736,362 was covered by federal depository insurance and \$1,710,137 was uninsured and uncollateralized.



SHELBY PUBLIC SCHOOLS

Notes to Financial Statements

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS (CONTINUED)

There is \$252,177 in the Michigan Liquid Asset Fund Plus Account. The MILAF account is an external pooled fund and is stated at Net Asset Value. See footnote Fair Value Measurement for further details.

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

Petty Cash	\$	700
Deposits with Financial Institutions		1,870,058
Deposits with MILAF Account		252,177
	\$	<u>2,122,935</u>

Custodial Credit Risk of Investments

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

Interest Rate Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

NOTE 3 - BUDGETARY ACCOUNTING

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

NOTE 4 - COMPONENTS OF FUND BALANCE

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



NOTE 4 - COMPONENTS OF FUND BALANCE (CONTINUED)

- A. \$42,227 of fund balance in the General Fund is non-spendable. This amount represents prepaid expenses and inventory supplies on hand at year-end and is not available for current appropriations and expenditures.
- B. \$13,934 of fund balance in the Special Revenue - Food Service Fund is non-spendable. This amount represents inventory supplies and USDA commodity inventories on hand at year-end and is not available for current appropriations and expenditures of the Food Service Fund.
- C. \$138,486 of fund balance in the General Fund has been committed for repayment of QZAB Bonds.
- D. \$80,870 of fund balance in the General Fund has been assigned for a deficit in the 2017-18 budget.
- E. The balance of the Unrestricted Fund Balance is unassigned and is available to fund future School operations. The June 30, 2017, Unassigned General Fund Balance of \$1,666,421 compares to June 30, 2016, Unassigned General Fund Balance of \$1,814,321.

NOTE 5 - INVENTORY

There is \$13,909 of inventory in the Special Revenue Fund - Food Service.

NOTE 6 - INVESTMENTS

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

External Investment Pools	\$ 252,177
---------------------------	------------

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

Interest and Dividends	\$ 10,368
Net Realized and Unrealized Gain (Loss)	-
Total	\$ 10,368

NOTE 7 - FAIR VALUE MEASUREMENTS

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

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

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
External Investment Pools	\$ 252,177	\$ -	Daily	1 Day



SHELBY PUBLIC SCHOOLS

Notes to Financial Statements

NOTE 7 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

NOTE 8 - DUE FROM OTHER GOVERNMENTAL UNITS

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

<u>General Fund</u>	
State of Michigan	
State Aid	\$ 1,148,342
At Risk	114,221
Title I	167,818
21st Century	158,897
Title II-A	36,068
Title 3	14,282
Title 6	1,239
MPSERS Cost Offset	19,120
MPSERS UAAL Stabilization	169,435
Special Education	64,294
Other	10,934
West Shore ESD	
CTE Visit	47,544
GSRP	43,539
Special Education	146,810
Other	16,360
Muskegon Area ISD - Head Start	99,840
White Lake Community Ed - Adult Ed Costs	8
Village of Shelby - Other	12,876
<u>Total General Fund</u>	<u>2,271,627</u>
<u>Food Service Fund</u>	
State of Michigan	
Section 31	5,245
Summer Food	4,382
Other	1,868
<u>Total Food Service Fund</u>	<u>11,495</u>
	<u>\$ 2,283,122</u>



Notes to Financial Statements

NOTE 9 - CAPITAL ASSETS

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

	July 1, 2016	Additions	Disposals and Adjustments	June 30, 2017
Assets not being depreciated:				
Land	\$ 231,991	\$ -	\$ -	\$ 231,991
Capital assets being depreciated:				
Building and Building Improvements	20,538,418	9,200	-	20,547,618
Buses and Other Vehicles	1,574,407	-	-	1,574,407
Furniture and Equipment	2,722,913	24,888	-	2,747,801
Subtotal	24,835,738	34,088	-	24,869,826
Accumulated depreciation:				
Building and Building Improvements	8,764,438	382,631	-	9,147,069
Buses and Other Vehicles	1,009,368	76,327	-	1,085,695
Furniture and Equipment	2,182,633	86,828	-	2,269,461
Subtotal	11,956,439	545,786	-	12,502,225
Net Capital Assets Being Depreciated	12,879,299	(511,698)	-	12,367,601
Net Capital Assets	\$ 13,111,290	\$ (511,698)	\$ -	\$ 12,599,592

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

NOTE 10 - DUE TO/FROM OTHER FUNDS

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

Due To:		Due From:	
General Fund	\$ 38,050	Food Service Fund	\$ 38,050
2009 Debt Fund	1,200	2013 Debt Fund	1,200
	\$ 39,250		\$ 39,250



SHELBY PUBLIC SCHOOLS

Notes to Financial Statements

NOTE 11 - SHORT-TERM BORROWING

On October 18, 2016, the District borrowed \$1,300,000 for cash flow purposes on a State Aid Note from Shelby State Bank. This note called for interest of 0.694%. The entire loan balance plus interest was paid in full on June 22, 2017.

NOTE 12 - LONG TERM DEBT

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

Bond Issue	July 1, 2016	Additional Debt	2016-2017 Payments	June 30, 2017
2009 Refunding Debt	\$ 3,485,000	\$ -	\$ 740,000	\$ 2,745,000
2008 QZAB Bonds	161,567	-	23,081	138,486
2013 School Bus Bonds	230,000	-	115,000	115,000
	<u>3,876,567</u>	<u>-</u>	<u>878,081</u>	<u>2,998,486</u>
Compensated Absences	639,173	104,871	-	744,044
Severance Pay	748,926	-	158,879	590,047
	<u>\$ 5,264,666</u>	<u>\$ 104,871</u>	<u>\$ 1,036,960</u>	<u>\$ 4,332,577</u>

Future minimum payments are as follows:

Year Ending June 30,	2009 Refunding Debt	2008 QZAB Bonds	2013 School Bus Loans	Total
2018	\$ 725,000	\$ 23,081	\$ 115,000	\$ 863,081
2019	700,000	23,081	-	723,081
2020	665,000	23,081	-	688,081
2021	655,000	23,081	-	678,081
2022	-	23,081	-	23,081
Thereafter	-	23,081	-	23,081
	<u>\$ 2,745,000</u>	<u>\$ 138,486</u>	<u>\$ 115,000</u>	<u>\$ 2,998,486</u>



NOTE 12 - LONG TERM DEBT (CONTINUED)

A. QZAB BONDS

The District issued \$345,000 Qualified Zone Academy Bonds (QZAB) dated November 21, 2008. Principal payments are due November 21, beginning in 2009 through 2023. Interest is at 0%. The balance at June 30, 2017, was \$138,486.

B. SHELBY REFUNDING BOND ISSUE 2009

The District issued \$8,765,000 of refunding bonds dated February 24, 2009. Principal payments are due May 1, beginning in 2010 through 2021. Interest rates range from 2.5% to 4.0%. The balance at June 30, 2017, was \$2,745,000.

C. 2013 SCHOOL BOND ISSUE

The District issued \$560,000 of general obligation bonds dated June 12, 2013. Principal payments are due May 1, beginning in 2014 through 2018. Interest rates range from 0.5% to 1.50%. The balance at June 30, 2017, was \$115,000.

D. COMPENSATED ABSENCES

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused sick leave amounts and severance pay. Once a teacher, secretary, or administrator reaches the twelfth step on the salary schedule, the accumulated compensable leave to the employee's credit is a cash surrender value of 45%. Custodians must attain fifteen years of service to be vested. Upon retirement, the accumulated days (maximum 115 days) are payable at 45% of rate of pay at the time of retirement. Therefore, a liability of \$744,044 exists at June 30, 2017.

E. SEVERANCE PAY

Any teacher who has taught twelve years in the Shelby Public School system and hired prior to June 30, 2004, who is on the twelfth step, upon retirement is eligible to receive severance pay. Severance pay is a range between 10% and 50% of current salary levels. The liability at June 30, 2017, was \$590,047.

NOTE 13 - ACCRUED SALARIES AND FRINGE BENEFITS

Salaries payable at June 30, 2017, of \$632,182 represents the unpaid portion of teacher contracts for the 2016-17 school year. On these salaries, there are also fringe benefits payable at year-end totaling \$616,316.

NOTE 14 - DEFERRED INFLOWS OF RESOURCES

At June 30, 2017, various monies had been received for specific programs, but the programs had not yet incurred the expenditures related to this revenue. This revenue is then recorded as unearned.



SHELBY PUBLIC SCHOOLS

Notes to Financial Statements

NOTE 14 - DEFERRED INFLOWS OF RESOURCES (CONTINUED)

At June 30, 2017, unavailable revenue consisted of the following:

At Risk	\$	10,719
Technology Infrastructure		9,972
Early Literacy		2,476
Lowe's Grant		51
Community League Grant		71
Football Helmets		1,376
	\$	<u>24,665</u>

NOTE 15 - LEASES

The School District leases a dishwashing machine on a 48-month lease which began in December 2014. Monthly payments are \$230. Total lease expense for the year ended June 30, 2017, was \$2,760.

The School District leases a copy machine on a 60-month lease which began in September 2016. Monthly payments are \$2,430. Total lease expense for the year ended June 30, 2017, was \$24,300.

Future minimum payments are as follows:

Year Ending June 30,	
2018	\$ 31,920
2019	30,540
2020	29,160
2021	29,160
2022	4,860
	<u>\$ 125,640</u>

NOTE 16 - RISK MANAGEMENT AND LITIGATION

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



NOTE 17 - NET PENSION LIABILITY

PLAN DESCRIPTION

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

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

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

BENEFITS PROVIDED

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

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

CONTRIBUTIONS AND FUNDING STATUS

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

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



NOTE 17 - NET PENSION LIABILITY (CONTINUED)

CONTRIBUTIONS AND FUNDING STATUS (CONTINUED)

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

Required contributions to the pension plan from the School District were \$1,855,182 for the year ended September 30, 2016.

LONG-TERM EXPECTED RETURN ON PLAN ASSETS

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

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

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



NOTE 17 - NET PENSION LIABILITY (CONTINUED)

DISCOUNT RATE

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

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN DISCOUNT RATE

The following presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	Current Single Discount	
1% Decrease (Non-Hybrid/Hybrid)	Rate Assumption (Non-Hybrid/Hybrid)	1% Increase (Non-Hybrid/Hybrid)
7.0%/6.0%	8.0%/7.0%	9.0%/8.0%
\$ 27,973,972	\$ 21,723,028	\$ 16,453,033

ACTUARIAL VALUATIONS AND ASSUMPTIONS

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



NOTE 17 - NET PENSION LIABILITY (CONTINUED)

ACTUARIAL VALUATIONS AND ASSUMPTIONS (CONTINUED)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

NOTES:

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

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

Recognition period for assets in years is 5.0000.

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

At June 30, 2016, the School District reported a liability of \$21,723,028 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2015. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016, the School District's proportion was 0.08707 percent, which was an increase of 0.00238 percent from its proportion measured as of September 30, 2015.



NOTE 17 - NET PENSION LIABILITY (CONTINUED)

ACTUARIAL VALUATIONS AND ASSUMPTIONS (CONTINUED)

For the year ended June 30, 2017, the School District recognized pension expense of \$2,322,969. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 270,726	\$ 51,484
Changes in Assumptions	339,623	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	361,037	-
Changes in Proportion and Differences between Reporting Unit Contributions and Proportionate share of Contributions	838,234	55,315
Reporting Unit Contributions Subsequent to the Measurement Date	2,024,904	678,860
Total	\$ 3,834,524	\$ 785,659

\$2,024,904 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ended September 30:	
2017	\$ 423,560
2018	395,168
2019	733,558
2020	150,535
	\$ 1,702,821



NOTE 18 - TAX ABATEMENTS

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

For the year ended June 30, 2017, the District abated property tax revenues totaling \$1,968 under this program.

NOTE 19 - ADOPTION OF NEW ACCOUNTING POLICIES

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

NOTE 20 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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



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

AMOUNTS DETERMINED AS OF 9/30 OF EACH FISCAL YEAR

	2016	2015	2014
A. Reporting Unit's Proportion of Net Pension Liability (%)	0.08707%	0.08469%	0.08179%
B. Reporting Unit's Proportionate Share of Net Pension Liability	\$21,723,028	\$20,686,996	\$18,016,435
C. Reporting Unit's Covered-Employee Payroll	\$ 7,175,723	\$ 7,290,577	\$ 7,075,872
D. Reporting Unit's Proportionate Share of Net Pension Liability as a Percentage of Its Covered-Employee Payroll	302.73%	283.75%	254.62%
E. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.27%	63.17%	66.20%

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



SHELBY PUBLIC SCHOOLS

Net Pension Liability

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

AMOUNTS DETERMINED AS OF 6/30 OF EACH FISCAL YEAR

	2017	2016	2015
A. Statutorily Required Contributions	\$ 1,855,182	\$ 1,663,984	\$ 1,806,896
B. Contributions in Relation to Statutorily Required Contributions	2,464,754	1,809,378	1,806,896
C. Contribution Deficiency (Excess)	\$ (609,572)	\$ (145,394)	\$ -
D. Reporting Unit's Covered-Employee Payroll	\$ 7,175,723	\$ 7,290,577	\$ 7,075,872
E. Contributions as a Percentage of Covered-Employee Payroll	34.35%	24.82%	25.54%

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

Changes of Benefit Terms

There were no changes of benefit terms in 2016.

Changes of Assumptions

There were no changes of benefit assumptions in 2016.



Budgetary Comparison Schedule

GENERAL FUND

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
REVENUE				
Local Sources	\$ 3,020,148	\$ 3,051,479	\$ 3,053,988	\$ 2,509
Inter-District Sources	317,083	457,950	557,721	99,771
State Sources	8,444,737	8,550,071	8,547,323	(2,748)
Federal Sources	722,704	1,897,404	1,579,565	(317,839)
Other Sources	-	-	12,925	12,925
TOTAL REVENUE	12,504,672	13,956,904	13,751,522	(205,382)
EXPENDITURES				
Instruction				
Basic Programs	6,118,640	6,251,636	6,242,535	9,101
Added Needs	1,732,113	2,331,942	2,117,204	214,738
Supporting Services				
Pupil	313,225	435,614	412,511	23,103
Instructional Staff	410,481	680,611	610,582	70,029
Administration	1,168,681	1,258,006	1,211,490	46,516
Business Services	2,337,361	2,631,098	2,510,814	120,284
Athletics	361,921	387,221	355,394	31,827
Community Services	1,650	305,002	212,199	92,803
Payments to Other Public Schools	23,000	126,792	126,792	-
Capital Outlay	-	34,088	34,088	-
Debt Service	23,081	23,081	23,081	-
Other Uses - Operating Transfers	-	9,240	9,240	-
TOTAL EXPENDITURES	12,490,153	14,474,331	13,865,930	608,401
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES	14,519	(517,427)	(114,408)	403,019
BUDGETARY FUND BALANCE- July 1, 2016	2,042,412	2,042,412	2,042,412	-
BUDGETARY FUND BALANCE- June 30, 2017	\$ 2,056,931	\$ 1,524,985	\$ 1,928,004	\$ 403,019



SHELBY PUBLIC SCHOOLS

Budgetary Comparison Schedule

FOOD SERVICE FUND

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
REVENUE				
Local Sources	\$ 36,327	\$ 56,396	\$ 53,849	\$ (2,547)
State Sources	25,000	22,425	25,049	2,624
Federal Sources	922,000	1,100,261	1,100,260	(1)
Other Sources	-	9,240	9,240	-
TOTAL REVENUE	983,327	1,188,322	1,188,398	76
EXPENDITURES				
Instruction				
Basic Programs	-	-	-	-
Added Needs	-	-	-	-
Adult/Continuing Education	-	-	-	-
Supporting Services				
Pupil	981,304	1,218,729	1,206,448	12,281
Instructional Staff	-	-	-	-
Administration	-	-	-	-
Business Support	-	-	-	-
Athletics	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	4,000	4,438	4,437	1
Debt Service	-	-	-	-
Other Uses - Operating Transfers	-	-	-	-
TOTAL EXPENDITURES	985,304	1,223,167	1,210,885	12,282
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES	(1,977)	(34,845)	(22,487)	12,358
BUDGETARY FUND BALANCE- July 1, 2016	43,917	43,917	43,917	-
BUDGETARY FUND BALANCE- June 30, 2017	\$ 41,940	\$ 9,072	\$ 21,430	\$ 12,358



OTHER SUPPLEMENTAL INFORMATION



SHELBY PUBLIC SCHOOLS

GENERAL FUND



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

YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
LOCAL SOURCES			
Current Property Tax Levy	\$ 2,900,187	\$ 2,900,188	\$ 1
Interest and Penalties - Delinquent Taxes	-	-	-
Interest Earned	6,412	11,279	4,867
Athletic Admissions	42,870	40,801	(2,069)
Rental of School Facilities	3,857	4,760	903
Transportation	1,856	7,467	5,611
Other	72,937	66,133	(6,804)
Universal Service Funds	23,360	23,360	-
TOTAL LOCAL SOURCES	3,051,479	3,053,988	2,509
INTER-DISTRICT SOURCES			
GSRP	150,886	144,858	(6,028)
Special Education	292,064	370,995	78,931
Other	15,000	41,868	26,868
TOTAL INTER-DISTRICT SOURCES	457,950	557,721	(6,028)
STATE SOURCES			
State Aid	6,349,123	6,365,076	15,953
MPSERS Offset	105,112	105,112	-
MPSERS Stabilization	931,476	931,476	-
Data Collection	32,035	32,033	(2)
Special Education	370,468	370,468	-
At Risk	708,707	697,989	(10,718)
Renaissance Zone	4,890	-	(4,890)
Commercial Forest	1,104	1,104	-
Technology Infrastructure	7,582	5,824	(1,758)
Early Literacy	32,922	28,049	(4,873)
Other	6,652	10,192	3,540
TOTAL STATE SOURCES	8,550,071	8,547,323	(2,748)
FEDERAL SOURCES			
21st Century CLC	540,000	540,000	-
Improving Teacher Quality (Title IIA)	109,106	88,705	(20,401)
Summer Migrant Program	196,213	114,196	(82,017)
Title I	530,311	466,892	(63,419)
Title III	38,258	37,748	(510)
Title VI	31,692	31,692	-
Head Start	451,824	300,332	(151,492)
TOTAL FEDERAL SOURCES	1,897,404	1,579,565	(317,839)
TOTAL REVENUE	\$ 13,956,904	\$ 13,738,597	\$ (324,106)



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

YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
INSTRUCTION			
BASIC PROGRAMS			
Elementary School	\$ 3,188,467	\$ 3,241,775	\$ (53,308)
Middle School	1,162,199	1,118,004	44,195
High School	1,759,893	1,746,576	13,317
Preschool	67,132	62,534	4,598
Summer School	73,945	73,646	299
TOTAL BASIC PROGRAMS	6,251,636	6,242,535	9,101
ADDED NEEDS			
Special Education	1,248,986	1,135,977	113,009
Compensatory Education	1,035,089	948,116	86,973
Vocational Education	25,083	25,002	81
Truancy	22,784	8,109	14,675
TOTAL ADDED NEEDS	2,331,942	2,117,204	214,738
TOTAL INSTRUCTION	8,583,578	8,359,739	223,839
SUPPORTING SERVICES			
PUPIL			
Guidance	324,000	323,716	284
Health Services	2,521	2,461	60
Social Work Services	95,728	79,022	16,706
Other	13,365	7,312	6,053
TOTAL PUPIL	435,614	412,511	23,103
INSTRUCTIONAL STAFF			
Improvement of Instruction	59,754	45,715	14,039
Educational Media Services	57,189	56,523	666
Computer Assisted Instruction	273,632	260,990	12,642
Supervision	267,466	230,474	36,992
Student Assessment	22,570	16,880	5,690
TOTAL INSTRUCTIONAL STAFF	680,611	610,582	70,029
ADMINISTRATION			
Board of Education	89,217	68,726	20,491
Executive Administration	245,923	237,575	8,348
Principals Office	851,111	833,604	17,507
Other	71,755	71,585	170
TOTAL ADMINISTRATION	\$ 1,258,006	\$ 1,211,490	\$ 46,516



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

YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (CONTINUED)			
SUPPORTING SERVICES (CONTINUED)			
BUSINESS SERVICES			
Fiscal Services	\$ 299,049	\$ 298,355	\$ 694
Internal Services	28,247	27,422	825
Other Business Services	66,461	59,684	6,777
Operations and Maintenance	1,315,018	1,237,049	77,969
Security Services	31,765	29,364	2,401
Pupil Transportation	736,350	721,682	14,668
Planning and Research	15,748	15,748	-
Communication Service	2,335	2,271	64
Staff/Personnel Services	3,943	892	3,051
Information Management Services	130,282	116,448	13,834
Pupil Accounting	1,900	1,899	1
TOTAL BUSINESS SERVICES	2,631,098	2,510,814	120,284
ATHLETICS	387,221	355,394	31,827
TOTAL SUPPORTING SERVICES	5,392,550	5,100,791	291,759
COMMUNITY SERVICES			
Community Director	3,062	2,036	1,026
Community Activities	19,944	9,187	10,757
Custody and Care of Children	279,781	198,961	80,820
Non-Public School Pupils	2,000	2,000	-
Other	215	15	200
TOTAL COMMUNITY SERVICES	305,002	212,199	92,803
PAYMENTS TO OTHER PUBLIC SCHOOLS	126,792	126,792	-
DEBT SERVICE	23,081	23,081	-
CAPITAL OUTLAY	34,088	34,088	-
TOTAL EXPENDITURES	\$ 14,465,091	\$ 13,856,690	\$ 608,401



SHELBY PUBLIC SCHOOLS

General Fund

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

YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (508,187)</u>	<u>\$ (118,093)</u>	<u>\$ 390,094</u>
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	-	-	-
Operating Transfers In	-	12,925	12,925
Operating Transfers (Out)	<u>(9,240)</u>	<u>(9,240)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,240)</u>	<u>3,685</u>	<u>12,925</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (517,427)</u>	<u>(114,408)</u>	<u>\$ 403,019</u>
FUND BALANCE - JULY 1, 2016		<u>2,042,412</u>	
FUND BALANCE - JUNE 30, 2017		<u>\$ 1,928,004</u>	



SPECIAL REVENUE FUND



SHELBY PUBLIC SCHOOLS

Food Service Fund

BALANCE SHEET

JUNE 30, 2017

ASSETS

Cash and Investments	\$	40,088
Accounts Receivable		-
Due From Other Governmental Units		11,495
Due From Other Funds		-
Prepaid Expenses		25
Inventory		13,909

TOTAL ASSETS	\$	65,517
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$	-
Accrued Salaries		6,037
Accrued Expenses		-
Due to Other Funds		38,050

TOTAL LIABILITIES		44,087
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FUND BALANCE

Non-Spendable		13,934
Restricted		7,496

TOTAL FUND BALANCE		21,430
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TOTAL LIABILITIES AND FUND BALANCE	\$	65,517
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Food Service Fund

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

YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Hot Lunch Receipts			
Adults	\$ 5,110	\$ 5,110	\$ -
Ala Carte	11,829	11,829	-
Catering	21,310	21,310	-
State Aid	22,425	25,049	2,624
Federal Aid	1,017,170	1,017,169	(1)
Federal USDA Commodities in Kind	83,091	83,091	-
Other Income	18,112	15,565	(2,547)
Interest Income	35	35	-
TOTAL REVENUE	1,179,082	1,179,158	76
EXPENDITURES			
Salaries	353,566	366,779	(13,213)
Fringe Benefits	227,779	220,992	6,787
Professional Services	22,258	9,161	13,097
Food and Supplies	578,515	575,513	3,002
Travel and Conferences	6,511	6,511	-
Dues and Fees	7,000	4,970	2,030
Transportation	13,343	13,070	273
Miscellaneous	4,640	4,336	304
Repairs	5,117	5,116	1
Capital Outlay	4,438	4,437	1
TOTAL EXPENDITURES	1,223,167	1,210,885	12,282
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(44,085)	(31,727)	12,358
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	9,240	9,240	-
Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	9,240	9,240	-
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (34,845)	(22,487)	\$ 12,358
FUND BALANCE - BEGINNING OF YEAR		43,917	
FUND BALANCE - END OF YEAR		\$ 21,430	



SHELBY PUBLIC SCHOOLS

DEBT RETIREMENT FUNDS



COMBINING BALANCE SHEET

JUNE 30, 2017

	2009 Debt	2013 Debt	Total
ASSETS			
Cash and Investments	\$ 413,403	\$ 95,220	\$ 508,623
Accounts Receivable	1,034	-	1,034
Due from Other Funds	1,200	-	1,200
TOTAL ASSETS	\$ 415,637	\$ 95,220	\$ 510,857
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	1,200	1,200
TOTAL LIABILITIES	-	1,200	1,200
FUND BALANCE			
Fund Balance	415,637	94,020	509,657
TOTAL FUND BALANCE	415,637	94,020	509,657
TOTAL LIABILITIES AND FUND BALANCE	\$ 415,637	\$ 95,220	\$ 510,857



SHELBY PUBLIC SCHOOLS

Debt Retirement Funds

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2017

	2009	2013	Total
	Debt	Debt	
REVENUE			
Current Taxes	\$ 774,764	\$ 133,410	\$ 908,174
Delinquent Taxes	-	-	-
Interest and Penalties on on Delinquent Property Taxes	-	-	-
Earned Interest	586	110	696
State Aid Revenue	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUE	<u>775,350</u>	<u>133,520</u>	<u>908,870</u>
EXPENDITURES			
Principal on Bonds	740,000	115,000	855,000
Interest on Bond	129,450	3,163	132,613
Principal on School Bond Loan Fund	-	-	-
Interest on School Bond Loan Fund	-	-	-
Agent Fees and Other	3,994	797	4,791
TOTAL EXPENDITURES	<u>873,444</u>	<u>118,960</u>	<u>992,404</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>(98,094)</u>	<u>14,560</u>	<u>(83,534)</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(98,094)</u>	<u>14,560</u>	<u>(83,534)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>513,731</u>	<u>79,460</u>	<u>593,191</u>
FUND BALANCE - END OF YEAR	<u>\$ 415,637</u>	<u>\$ 94,020</u>	<u>\$ 509,657</u>



CAPITAL PROJECT FUND



SHELBY PUBLIC SCHOOLS

Capital Project Fund

BALANCE SHEET

JUNE 30, 2017

ASSETS

Cash and Investments	\$	475,880
Due from Other Funds		-

TOTAL ASSETS

\$	475,880
----	---------

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$	-
Due to Other Funds		-

TOTAL LIABILITIES

-

FUND BALANCE

Fund Balance		475,880
--------------	--	---------

TOTAL FUND BALANCE

475,880

TOTAL LIABILITIES AND FUND BALANCE

\$	475,880
----	---------



**STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES**

YEAR ENDED JUNE 30, 2017

REVENUE	
Current Taxes	\$ -
Delinquent Taxes	-
Interest and Penalties on on Delinquent Property Taxes	-
Earned Interest	-
State Aid Revenue	-
Miscellaneous	-
TOTAL REVENUE	-
EXPENDITURES	
Debt Service	-
Capital Outlay	-
Bond Fees	-
TOTAL EXPENDITURES	-
EXCESS REVENUE OVER (UNDER) EXPENDITURES	-
OTHER FINANCING SOURCES (USES)	
Bond Proceeds	-
Operating Transfers In	-
Operating Transfers (Out)	(12,925)
TOTAL OTHER FINANCING SOURCES (USES)	(12,925)
EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(12,925)
FUND BALANCE - BEGINNING OF YEAR	488,805
FUND BALANCE - END OF YEAR	\$ 475,880



SHELBY PUBLIC SCHOOLS

AGENCY FUNDS



STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2017

ASSETS

Cash and Investments \$ 197,150

TOTAL ASSETS \$ 197,150

LIABILITIES

Due to Student Groups \$ 180,612

Due to Others 16,538

TOTAL LIABILITIES \$ 197,150



SHELBY PUBLIC SCHOOLS

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2017

	July 1, 2016	Receipts	Disbursements	June 30, 2017
ASSETS				
Cash	\$ 183,772	\$ 279,441	\$ 266,063	\$ 197,150
LIABILITIES				
DUE TO OTHERS				
School Administration Central				
Office Board Internal	\$ 15,808	\$ 2,516	\$ 2,860	\$ 15,464
New Era Internal Fund	1,995	18,468	19,389	1,074
TOTAL DUE TO OTHERS	<u>17,803</u>	<u>20,984</u>	<u>22,249</u>	<u>16,538</u>
DUE TO STUDENT GROUPS				
High School Internal	117,839	184,044	177,550	124,333
Middle School Internal	10,846	21,846	17,416	15,276
Early Childhood Internal	707	333	20	1,020
Thomas Read Elementary Internal	36,577	52,234	48,828	39,983
TOTAL DUE TO SUTDENT GROUPS	<u>165,969</u>	<u>258,457</u>	<u>243,814</u>	<u>180,612</u>
TOTAL LIABILITIES	<u>\$ 183,772</u>	<u>\$ 279,441</u>	<u>\$ 266,063</u>	<u>\$ 197,150</u>

**DETAILED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****YEAR ENDED JUNE 30, 2017**

	Balance July 1, 2016	Receipts	Disbursements	Balance June 30, 2017
DUE TO OTHERS				
School Administration Central Office Board Internal				
Fair Share	\$ 3,709	\$ -	\$ -	\$ 3,709
Ferry Scholarship	3,550	430	500	3,480
Miscellaneous	2,708	2,086	1,639	3,155
Needy Children	3,851	-	471	3,380
Ralph's Kids	980	-	250	730
SMS Gazebo	1,010	-	-	1,010
Total School Administration Central Office Board Internal	<u>15,808</u>	<u>2,516</u>	<u>2,860</u>	<u>15,464</u>
New Era Internal Fund				
Fund Raisers	-	17,116	11,805	5,311
Miscellaneous	-	1,352	6,750	(5,398)
Teaching Supplies	1,995	-	834	1,161
Total New Era Internal Fund	<u>1,995</u>	<u>18,468</u>	<u>19,389</u>	<u>1,074</u>
TOTAL DUE TO OTHERS	<u>\$ 17,803</u>	<u>\$ 20,984</u>	<u>\$ 22,249</u>	<u>\$ 16,538</u>
DUE TO STUDENT GROUPS				
High School Internal				
AP Book Fund	\$ 256	\$ 25	\$ -	\$ 281
Art Club	19	-	-	19
Band	4,405	23,317	22,051	5,671
Band Scholarship	-	1,000	800	200
Chocolate Milk Fund	454	-	233	221
County Math Tournament	3,480	-	-	3,480
DE Club	9,408	3,055	1,784	10,679
Drama Class	952	205	179	978
Ethnic Club	59	-	-	59
Equestrian Team	501	-	-	501
Faculty Lounge Pop	355	-	121	234
Freshmen	-	264	110	154
General Administration	1,947	6,600	7,242	1,305
General Administration - Athletic	40,161	91,595	86,826	44,930
General Administration - Pop	4,829	7,672	5,746	6,755
Guitar Class	111	35	71	75
Health II	43	162	162	43
Honor Society	786	1,473	1,296	963
Ind. Education	1,288	-	-	1,288
Interest	\$ 263	\$ 29	\$ -	\$ 292



SHELBY PUBLIC SCHOOLS

Agency Funds

DETAILED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)

YEAR ENDED JUNE 30, 2017

	Balance July 1, 2016	Receipts	Disbursements	Balance June 30, 2017
DUE TO STUDENT GROUPS (CONTINUED)				
High School Internal (Continued)				
Juniors	\$ 253	\$ 1,785	\$ 972	\$ 1,066
Library	591	557	747	401
Masque and Bauble	14,894	1,269	2,216	13,947
Music Dept.	228	-	-	228
Piano	-	1,471	1,011	460
Post Prom	1,703	2,705	2,448	1,960
Running Club	312	-	26	286
Quiz Bowl	694	900	1,561	33
SAFE	743	225	144	824
Science Olympiad	550	605	806	349
Seniors 17	1,537	-	151	1,386
Seniors 16	260	-	260	-
Seniors 15	251	-	251	-
Sophomores	115	179	106	188
Student Council	3,775	2,282	1,956	4,101
Technology Club	-	-	-	-
Tiger Bazaar	1,835	2,024	3,246	613
Vocal Music	1,606	22,622	21,201	3,027
Vocal Music Scholarship	333	-	151	182
Writing Center	439	150	295	294
Yearbook Class	18,403	11,838	13,381	16,860
Total High School Internal	<u>117,839</u>	<u>184,044</u>	<u>177,550</u>	<u>124,333</u>
Middle School Internal				
Band Resale	(651)	4,778	4,445	(318)
Beverage Machines	735	1,683	1,249	1,169
Cheerleaders	37	-	-	37
Choir	366	3,766	3,227	905
Claw Club	3,347	319	189	3,477
Eighth Grade	1,096	-	-	1,096
Endurance Adventure	837	-	325	512
Interest	16	6	-	22
Library Fund	517	251	278	490
PE Equipment Replacement	-	227	143	84
PE Locks	2,059	220	-	2,279
Petty Cash	1,061	1,580	1,669	972
Positive Behaviors	69	2,441	810	1,700
Seventh Grade	60	1,440	772	728
Sixth Grade	288	325	574	39
Track	-	2,271	1,528	743
Yearbook	1,009	2,539	2,207	1,341
Total Middle School Internal	<u>\$ 10,846</u>	<u>\$ 21,846</u>	<u>\$ 17,416</u>	<u>\$ 15,276</u>



DETAILED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)

YEAR ENDED JUNE 30, 2017

	Balance July 1, 2016	Receipts	Disbursements	Balance June 30, 2017
DUE TO STUDENT GROUPS (CONTINUED)				
Early Childhood Internal				
Miscellaneous	\$ 707	\$ 333	\$ 20	\$ 1,020
Total Early Childhood Internal	707	333	20	1,020
Thomas Read Elementary Internal				
Candy Sales	17,021	32,458	26,686	22,793
Computer	738	-	-	738
Interest	99	30	-	129
Library	1,147	3,694	3,814	1,027
Miscellaneous	745	234	58	921
Music	1,904	8,040	9,760	184
PE	181	-	-	181
Safety Patrol	17	-	-	17
SL Projects	327	-	-	327
Special Education Fund Raiser	224	-	-	224
SPLASH	2,539	-	-	2,539
Staff Fund	3,347	1,201	1,298	3,250
Student Council	8,188	5,792	7,035	6,945
Mullen's Closet	75	785	177	683
Tubs	25	-	-	25
Total Thomas Read Elementary Internal	36,577	52,234	48,828	39,983
TOTAL DUE TO STUDENT GROUPS	165,969	258,457	243,814	180,612
TOTAL	\$ 183,772	\$ 279,441	\$ 266,063	\$ 197,150



SHELBY PUBLIC SCHOOLS

Statement of Bonded Indebtedness

YEAR ENDED JUNE 30, 2017

2013 SCHOOL BUS LOANS

Issue Dated June 12, 2013, in the amount of:	\$ 560,000
Less:	
Bonds Paid in Prior Years	330,000
Bonds Due and Paid in May 1, 2017	115,000
Balance Outstanding - June 30, 2017	<u>\$ 115,000</u>

Balance Payable as Follows:

Year	Rate	Interest	Principal	Total
2018	1.500%	\$ 1,725	\$ 115,000	\$ 116,725
		<u>\$ 1,725</u>	<u>\$ 115,000</u>	<u>\$ 116,725</u>

2009 REFUNDING DEBT

Issue Dated February 24, 2009, in the amount of:	\$ 8,765,000
Less:	
Bonds Paid in Prior Years	5,280,000
Bonds Due and Paid in May 1, 2017	740,000
Balance Outstanding - June 30, 2017	<u>\$ 2,745,000</u>

Balance Payable as Follows:

Year	Rate	Interest	Principal	Total
2018	3.500%	\$ 103,550	\$ 725,000	\$ 828,550
2019	3.625%	78,175	700,000	778,175
2020	4.000%	52,800	665,000	717,800
2021	4.000%	26,200	655,000	681,200
		<u>\$ 260,725</u>	<u>\$ 2,745,000</u>	<u>\$ 3,005,725</u>



Statement of Bonded Indebtedness

YEAR ENDED JUNE 30, 2017

2008 QUALIFIED ZONE ACADEMY BONDS

Issue Dated November 21, 2008, in the amount of:	\$ 345,000
Less:	
Bonds Paid in Prior Years	183,433
Bonds Due and Paid in November 21, 2016	<u>23,081</u>
Balance Outstanding - June 30, 2017	<u><u>\$ 138,486</u></u>

Balance Payable as Follows:

Year	Rate	Interest	Principal	Total
2018	0.000%	\$ -	\$ 23,081	\$ 23,081
2019	0.000%	-	23,081	23,081
2020	0.000%	-	23,081	23,081
2021	0.000%	-	23,081	23,081
2022	0.000%	-	23,081	23,081
2023	0.000%	-	23,081	23,081
		<u>\$ -</u>	<u>\$ 138,486</u>	<u>\$ 138,486</u>



SHELBY PUBLIC SCHOOLS

FEDERAL FINANCIAL ASSISTANCE



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Program Title	Federal CDFA Number	Contract Number	Program or Award Amount	Prior Year Expenditure	Cash/ Accrued or (Deferred) Revenue at July 1, 2016	Receipts/ Revenue Recognized	Disbursements/ Expenditures	Cash/ Accrued or (Deferred) Revenue at June 30, 2017	Cash Transferred to Subrecipients
U.S. DEPARTMENT OF EDUCATION									
Pass Through State Department of Education									
Title I	*84.010A	1615301516	\$ 368,640	\$ 313,730	\$ 72,352	\$ 72,352	\$ -	\$ -	\$ -
Title I	*84.010A	1715301617	371,189	-	-	239,087	336,068	96,981	-
				313,730	72,352	311,439	336,068	96,981	-
Migrant Education	84.011	1618301516	147,061	34,436	34,436	131,169	96,733	-	-
Migrant Education	84.011	1718301617	98,480	-	-	-	17,463	17,463	-
Migrant Education	84.011	1618901516	138,526	122,367	39,029	39,029	-	-	-
Migrant Education	84.011	1718901617	159,122	-	-	77,450	130,824	53,374	-
				156,803	73,465	247,648	245,020	70,837	-
Title VI	84.358B	1606601516	30,068	24,443	(2,667)	(2,667)	-	-	-
Title VI	84.358B	1706601617	31,692	-	-	30,453	31,692	1,239	-
				24,443	(2,667)	27,786	31,692	1,239	-
Title IIA Improving Teacher Quality	84.367	1705201617	109,106	-	-	52,637	88,705	36,068	-
Title IIA Improving Teacher Quality	84.367	1605201516	136,631	118,632	34,749	34,749	-	-	-
				118,632	34,749	87,386	88,705	36,068	-
Title III Limited English	84.365	1605801516	42,123	40,908	11,607	11,607	-	-	-
Title III Limited English	84.365	1705801617	38,258	-	-	23,466	37,748	14,282	-
				\$ 40,908	\$ 11,607	\$ 35,073	\$ 37,748	\$ 14,282	\$ -

* Major Program



SHELBY PUBLIC SCHOOLS

Federal Financial Assistance

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

Program Title	Federal CDFA Number	Contract Number	Program or Award Amount	Prior Year Expenditure	Cash/ Accrued or (Deferred) Revenue at July 1, 2016	Receipts/ Revenue Recognized	Disbursements/ Expenditures	Cash/ Accrued or (Deferred) Revenue at June 30, 2017	Cash Transferred to Subrecipients
U.S. DEPARTMENT OF EDUCATION (CONTINUED)									
21st Century CLC	84.287C	162110I14012	\$ 540,000	\$ 540,000	\$ 113,387	\$ 113,387	\$ -	\$ -	\$ -
21st Century CLC	84.287C	172110I14012	540,000	-	-	381,103	540,000	158,897	-
				540,000	113,387	494,490	540,000	158,897	-
TOTAL U.S. DEPARTMENT OF EDUCATION					302,893	1,203,822	1,279,233	378,304	-
U.S. DEPARTMENT OF AGRICULTURE									
Child Nutrition Cluster									
U.S.D.A Food Distribution									
Entitlement Commodities	10.555	64080	617,717	-	-	83,091	83,091	-	-
Bonus Commodities	10.555	64080	-	-	-	-	-	-	-
				-	-	83,091	83,091	-	-
Pass Through State Department of Education									
National School Lunch Program	10.555	161960	536,321	475,473	19,349	80,197	60,848	-	-
National School Lunch Program	10.555	171960	480,570	-	-	480,570	480,570	-	-
				475,473	19,349	560,767	541,418	-	-
National School Lunch Breakfast	10.553	171970	269,470	-	-	269,470	269,470	-	-
National School Lunch Breakfast	10.553	161970	309,014	275,285	11,882	45,611	33,729	-	-
				\$ 275,285	\$ 11,882	\$ 315,081	\$ 303,199	\$ -	\$ -

* Major Program



Federal Financial Assistance

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

Program Title	Federal CDFA Number	Contract Number	Program or Award Amount	Prior Year Expenditure	Cash/ Accrued or (Deferred) Revenue at July 1, 2016	Receipts/ Revenue Recognized	Disbursements/ Expenditures	Cash/ Accrued or (Deferred) Revenue at June 30, 2017	Cash Transferred to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE (CONTINUED)									
Pass Through State Department of Education (Continued)									
Summer School Food	10.559	160900,161900	\$ 41,371	\$ 6,790	\$ 6,790	\$ 41,370	\$ 34,580	\$ -	\$ -
Summer School Food	10.559	170900,171900	41,371	-	-	-	4,382	4,382	-
				6,790	6,790	41,370	38,962	4,382	-
Total Child Nutrition Cluster				757,548	38,021	1,000,309	966,670	4,382	-
Child Care Food Program	10.558	171920,172010	127,278	-	-	118,374	120,076	1,702	-
Child Care Food Program	10.558	161920,162010	127,278	100,336	2,132	15,412	13,280	-	-
				100,336	2,132	133,786	133,356	1,702	-
Food Equipment Grant	10.579	1419911415	28,584	28,350	22,720	22,954	234	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				886,234	62,873	1,157,049	1,100,260	6,084	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Pass Through Muskegon Area Intermediate School District									
Head Start	*93.600	O5CH8258/1605	225,170	230,185	56,088	56,088	-	-	-
Head Start	*93.600	O5CH010377-02-01	365,286	-	-	89,104	188,944	99,840	-
Head Start	*93.600	O5CH010377-01-00	113,050	-	-	111,388	111,388	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				230,185	56,088	256,580	300,332	99,840	-
TOTAL FEDERAL ASSISTANCE					\$ 421,854	\$ 2,617,451	\$ 2,679,825	\$ 484,228	\$ -

* Major Program



SHELBY PUBLIC SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Saline Area Schools under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Shelby Public Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Shelby Public Schools.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Shelby Public Schools has not elected to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

NOTE 3 - MAJOR PROGRAMS

The School has two major programs - Title One and Head Start. Total expenditures during the year ended June 30, 2017, were \$336,068 and \$300,332, respectively.

NOTE 4 - ANNUAL GRANT REPORTS

For the grants from the Departments of Education and Agriculture, management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports.

NOTE 5 - GRANT AUDITOR REPORT

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

NOTE 6 - Noncash Assistance

The value of noncash assistance received was determine in accordance with the provisions of the Uniform Guidance.



**SCHEDULE OF RECONCILIATION OF REVENUE WITH
EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

YEAR ENDED JUNE 30, 2017

	Financial Statement	Awards Schedule
DEPARTMENT OF EDUCATION GRANTS		
GENERAL FUND		
Title I	\$ 336,068	\$ 336,068
Migrant Education	245,020	245,020
Improving Teacher Quality	88,705	88,705
Title VI	31,692	31,692
21st Century CLC	540,000	540,000
Title III Limited English	37,748	37,748
TOTAL DEPARTMENT OF EDUCATION GRANTS	1,279,233	1,279,233
DEPARTMENT OF AGRICULTURE GRANTS		
SCHOOL LUNCH FUND		
Commodities	83,091	83,091
Federal Aid - Lunch	541,418	541,418
Federal Aid - Breakfast	303,199	303,199
Summer School Food	38,962	38,962
Child Care Food	133,356	133,356
Food Equipment Grant	234	234
TOTAL DEPARTMENT OF AGRICULTURE GRANTS	1,100,260	1,100,260
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
GENERAL FUND		
Head Start	300,332	300,332
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES	300,332	300,332
GRAND TOTAL	\$ 2,679,825	\$ 2,679,825





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

Board of Education
Shelby Public Schools
Shelby, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining funds of Shelby Public School as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Shelby Public School's basic financial statements, and have issued our report thereon dated September 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shelby Public School's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shelby Public School's internal control. Accordingly, we do not express an opinion on the effectiveness of Shelby Public School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of Shelby Public School's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shelby Public School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Shelby Public School's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Shelby Public School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Karl Z. Drake

Drake Certified Public Accountants

September 18, 2017





REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

Board of Education
Shelby Public Schools
Shelby, Michigan

Report on Compliance for Each Major Federal Program

We have audited Shelby Public School's compliance with the types of compliance requirements described in the US Office of Management Budget Compliance Supplement that could have a direct and material effect on Shelby Public School's major federal program for the year ended June 30, 2017. Shelby Public School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Shelby Public School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shelby Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Shelby Public School's compliance.

Opinion on Each Major Federal Program

In our opinion, Shelby Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.



Report on Internal Control Over Compliance

Management of Shelby Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Shelby Public School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shelby Public School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Karl Z. Drake

Drake Certified Public Accountants

September 18, 2017



SHELBY PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

SUMMARY OF AUDITOR'S RESULTS

1. The auditor issued an unqualified report on the financial statements of Shelby Public Schools.
2. The audit disclosed no noncompliance that is material to the financial statements of Shelby Public Schools.
3. The auditor issued an unqualified opinion on compliance for major programs.
4. The audit disclosed no audit findings that are required to be reported under Section 510(a).
5. Shelby Public Schools had two major programs -Title One and Head Start.
6. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
7. Shelby Public Schools qualified as a low risk auditee under Section 530.

FINDINGS RELATED TO THE FINANCIAL STATEMENT

NONE

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2017

There were no prior year audit findings.

