

# **SHELBY PUBLIC SCHOOLS**



**FINANCIAL STATEMENTS**

**YEAR ENDED  
JUNE 30, 2016**

**KARL L. DRAKE, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS**

# SHELBY PUBLIC SCHOOLS

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## LIST OF PRINCIPAL INDIVIDUALS

JUNE 30, 2016

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### Board of Education

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

### Management

Dan Bauer	Superintendent
Laura Jacobs	Business Manager

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# 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, 2016, 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.

### **Auditor's Responsibility**

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

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, 2016, 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 18 to the financial statements, the School District adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application. 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 L. Drake, P.C.  
Certified Public Accountants  
September 19, 2016

# SHELBY PUBLIC SCHOOLS

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## 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, 2016. 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  
(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 I provides a summary of the School District's net position as of June 30, 2016 and 2015:

<b>TABLE 1</b>	Governmental Activities (In Millions)	
	2016	2015
<b>ASSETS</b>		
Current and other assets	\$ 4.6	\$ 4.3
Capital assets - net of accumulated depreciation	13.1	13.5
<b>TOTAL ASSETS</b>	<b>17.7</b>	<b>17.8</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2.6</b>	<b>2.1</b>
<b>LIABILITIES</b>		
Current liabilities	2.3	2.2
Long-term liabilities	25.1	23.4
<b>TOTAL LIABILITIES</b>	<b>27.4</b>	<b>25.6</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>0.1</b>	<b>2.0</b>
<b>NET POSITION</b>		
Net Investment in capital assets	9.2	8.7
Restricted	1.1	1.0
Unrestricted	(17.5)	(17.4)
<b>TOTAL NET POSITION</b>	<b>\$ (7.2)</b>	<b>\$ (7.7)</b>

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 \$-7.2 million at June 30, 2016. Net Investment in capital assets totaling \$9.2 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 (\$-17.5 million) was unrestricted.

The \$-17.5 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund 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 2016 and 2015.

**TABLE 2**

	Governmental Activities	
	(In Millions)	
	2016	2015
<b>REVENUE</b>		
Program Revenue		
Charges for Services	\$ 0.1	\$ 0.1
Grants and Categoricals	5.1	5.0
General Revenue		
Property Taxes	3.8	3.6
State Aid	6.7	7.0
Other	0.2	0.1
<b>TOTAL REVENUE</b>	<b>15.9</b>	<b>15.8</b>
<b>FUNCTION/PROGRAM EXPENSES</b>		
Instruction	8.1	8.0
Support Services	5.0	2.6
Food Services	1.1	1.2
Athletics	0.3	0.4
Community Services	0.3	0.3
Interest on Long-Term Debt	0.1	0.2
Depreciation (Unallocated)	0.5	0.5
Loss of Disposal of Capital Assets	-	-
<b>TOTAL FUNCTION/PROGRAM EXPENSES</b>	<b>15.4</b>	<b>13.2</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ 0.5</b>	<b>\$ 2.6</b>

As reported in the statement of activities, the cost of all of the governmental activities this year was \$15.4 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 categoricals (\$5.1 million). The remaining "public benefit" portion of the governmental activities was paid with \$3.8 million in taxes, \$6.7 million in State Foundation Allowance, and with other revenue, such as interest and general entitlements.

The School District experienced an increase in net position of \$0.5 million. The key reason for the increase 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 \$3.2 million, which is an increase of \$.2 million from last year. The primary reason for the increase was controlling expenditures. The General Fund, the principal operating fund, saw the fund balance increase \$60,954 to \$2,042,412, which is more than the budgeted decrease of \$671,931.

- The Special Revenue Funds (Food Service) increased over the prior year, showing a net increase of approximately \$39,355.
- Combined, the Debt Service Funds showed a fund balance decrease of approximately \$95,097. 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, 2016, the School District had \$13.1 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of approximately \$351,044 or 3 percent, from last year.

	2016	2015
Land	\$ 231,991	\$ 231,991
Buildings	20,538,418	20,483,208
Buses and Other Vehicles	1,574,407	1,574,407
Furniture and Equipment	2,722,913	2,604,899
Total Capital Assets	25,067,729	24,894,505
Less Accumulated Depreciation	(11,956,439)	(11,432,171)
Net Capital Assets	\$ 13,111,290	\$ 13,462,334

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

#### Debt

At the end of this year, the School District had \$3.9 million in bonds outstanding versus \$4.7 million in the previous year - a decrease of 18 percent. Those bonds consisted of the following:

	2016	2015
General Obligation Bonds	\$ 3,876,567	\$ 4,744,648

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 \$3.6 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

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## Management's Discussion and Analysis

### **Economic Factors and Next Year's Budgets and Rates**

The elected officials and administration considered many factors when setting the School District's 2016-17 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 2016-17 fiscal year is 90 percent of the upcoming October 2016 student count and 10 percent of the prior February 2016 student count. The 2016-17 fiscal year budget was adopted in June 2016, based on an estimate of students that will be enrolled in October 2016. Shelby Public Schools has been a declining enrollment district.

Based on early enrollment data at the start of the 2016-2017 school year, no increase is anticipated in the fall 2016 student count over the February 2016 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 35.92% to 37.88% to a range of 36.64% to 38.79% on October 1, 2016. This is due to the decision of the Office of Retirement Services' plan to flow through each district a UAAL stabilization of 11.70% 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 2016-17 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.



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## **BASIC FINANCIAL STATEMENTS**

# SHELBY PUBLIC SCHOOLS

## District-Wide Financial Statements

### STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 2,355,538
Due From Other Governmental Units	2,151,736
Accounts Receivable	28,778
Inventories	12,002
Prepaid Expenditures	66,524
TOTAL CURRENT ASSETS	<u>4,614,578</u>
NON-CURRENT ASSETS	
Capital Assets	25,067,729
Less: Accumulated Depreciation	(11,956,439)
TOTAL NON-CURRENT ASSETS	<u>13,111,290</u>
TOTAL ASSETS	<u>17,725,868</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	2,611,552
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 20,337,420</u>
<b>LIABILITIES, DEFERRED INFLAWS OF RESOURCES, AND NET POSITION</b>	
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 79,857
Accrued Salaries and Expenses	1,254,588
Accrued Interest	20,703
Unavailable Revenue	111,808
Bonds and Loans Payable, Due within One Year	878,081
TOTAL CURRENT LIABILITIES	<u>2,345,037</u>
NON-CURRENT LIABILITIES	
Bonds and Loans Payable	2,998,486
Compensated Absences and Severance Pay	1,388,099
Net Pension Liability	20,686,996
TOTAL NON-CURRENT LIABILITIES	<u>25,073,581</u>
TOTAL LIABILITIES	<u>27,418,618</u>
DEFERRED INFLAWS OF RESOURCES	
Pensions	68,521
NET POSITION	
Net Investment in Capital Assets	9,234,723
Restricted for Debt Service	593,191
Restricted for Food Service	43,917
Restricted for Capital Project	488,805
Unrestricted	(17,510,355)
TOTAL NET POSITION	<u>(7,149,719)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLAWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 20,337,420</u>

See Accompanying Notes to Financial Statements



District-Wide Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenue		Governmental
		Charges For Services	Operating Grants	Activities
				Net (Expense) Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>				
Governmental Activities				
Instruction	\$ 8,254,699	\$ -	\$ 3,594,786	\$ (4,659,913)
Support Services	4,579,749	11,468	24,443	(4,543,838)
Food Services	1,104,115	40,053	1,133,682	69,620
Athletics	350,862	69,364	-	(281,498)
Community Services	334,659	-	385,642	50,983
Interest on Long-Term Debt	157,600	-	-	(157,600)
Depreciation (Unallocated)	524,268	-	-	(524,268)
Total Governmental Activities	15,305,952	120,885	5,138,553	(10,046,514)
General Revenue				
Taxes				
Property Taxes, Levied for General Operations				2,864,081
Property Taxes, Levied for Debt Service				911,629
State of Michigan Aid, Unrestricted				6,702,005
Interest Earnings				5,872
Other				137,757
Total General Revenue				10,621,344
<b>CHANGE IN NET POSITION</b>				574,830
NET POSITION - BEGINNING OF YEAR				(7,724,549)
<b>NET POSITION - END OF YEAR</b>				\$ (7,149,719)



# SHELBY PUBLIC SCHOOLS

Governmental Funds

## BALANCE SHEET

JUNE 30, 2016

	General	Food Service	Other Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 1,257,940	\$ 15,602	\$ 1,081,996	\$ 2,355,538
Accounts Receivable	26,956	1,822	-	28,778
Due from Other Governmental Units	2,082,904	68,832	-	2,151,736
Due from Other Funds	42,012	-	1,200	43,212
Inventories	-	12,002	-	12,002
Prepaid Expenditures	66,524	-	-	66,524
<b>TOTAL ASSETS</b>	<b>\$ 3,476,336</b>	<b>\$ 98,258</b>	<b>\$ 1,083,196</b>	<b>\$ 4,657,790</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 72,001	\$ 7,856	\$ -	\$ 79,857
Accrued Salaries and Withholdings	1,250,115	4,473	-	1,254,588
Accrued Expenses	-	-	-	-
Due to Other Funds	-	42,012	1,200	43,212
<b>TOTAL LIABILITIES</b>	<b>1,322,116</b>	<b>54,341</b>	<b>1,200</b>	<b>1,377,657</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	111,808	-	-	111,808
<b>FUND BALANCES</b>				
Non-spendable	66,524	12,002	-	78,526
Restricted for Debt Service	-	-	593,191	593,191
Restricted for Capital Project	-	-	488,805	488,805
Restricted for Food Service	-	31,915	-	31,915
Committed	161,567	-	-	161,567
Unrestricted	1,814,321	-	-	1,814,321
<b>TOTAL FUND BALANCES</b>	<b>2,042,412</b>	<b>43,917</b>	<b>1,081,996</b>	<b>3,168,325</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,476,336</b>	<b>\$ 98,258</b>	<b>\$ 1,083,196</b>	<b>\$ 4,657,790</b>
<b>TOTAL GOVERNMENTAL FUND BALANCES</b>				<b>\$ 3,168,325</b>
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				25,067,729
Accumulated Depreciation				(11,956,439)
				<u>13,111,290</u>
Long-term liabilities are not due and payable in the current period and are not reported in the fund:				
Bonds and Notes Payable				(3,876,567)
Compensated Absences				(1,388,099)
Net Pension Liability				(20,686,996)
Accrued interest is not included as a liability in governmental funds				(20,703)
Deferred Outflows of Resources Pensions are not included in governmental funds				2,611,552
Deferred Inflows of Resources Pensions are not included in governmental funds				(68,521)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>				<u>\$ (7,149,719)</u>

See Accompanying Notes to Financial Statements



STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2016

Table with 5 columns: Revenue/Expenditures, General, Food Service, Other Non-Major Governmental Funds, Total Governmental Funds. Rows include REVENUE (Local, Inter-District, State, Federal, Other), TOTAL REVENUE, EXPENDITURES (Instruction, Supporting Services, Community Services, Debt Service, Capital Outlay), TOTAL EXPENDITURES, EXCESS OF REVENUE OVER (UNDER) EXPENDITURES, OTHER FINANCING SOURCES (USES) (Loan Proceeds, Transfers In/Out), TOTAL OTHER FINANCING SOURCES (USES), NET CHANGE IN FUND BALANCES, FUND BALANCES - BEGINNING OF YEAR, and FUND BALANCES - END OF YEAR.

# 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, 2016

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>		\$ 188,907
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	(524,268)	
Capital Outlay	<u>173,224</u>	
		(351,044)
- 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.		
		5,133
- Deferred outflows of resources are recorded in the statement of net position but not in the governmental funds.		
		495,739
- Deferred inflows of resources are recorded in the statement of net position but not in the governmental funds.		
		1,923,203
- 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).		
		868,081
- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds.		
		115,372
- Net pension liability is recorded in the statement of net position but not in the governmental funds.		
		<u>(2,670,561)</u>
<b>CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<u>\$ 574,830</u>

See Accompanying Notes to Financial Statements



**STATEMENT OF NET POSITION**

**JUNE 30, 2016**

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<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 183,772
Accounts Receivable	-
<b>TOTAL ASSETS</b>	<u>\$ 183,772</u>
<b>LIABILITIES</b>	
Due to Others	\$ 17,803
Due to Student Groups	165,969
<b>TOTAL LIABILITIES</b>	<u>\$ 183,772</u>
<b>NET POSITION</b>	<u>\$ -</u>

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# SHELBY PUBLIC SCHOOLS

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## 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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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 is 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, 2016, the book value of the School District's deposits was \$2,539,310 and the bank balance was \$2,737,806. Of the bank balance, \$739,158 was covered by federal depository insurance and \$1,800,152 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 \$9985,625 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, 2016, consist of:

Petty Cash	\$	700
Deposits with Financial Institutions		1,552,982
Deposits with MILAF Account		985,628
	\$	<u>2,539,310</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, 2016, 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, 2016:

- A. \$66,524 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. \$12,002 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. \$161,567 of fund balance in the General Fund has been committed for repayment of QZAB Bonds.
- D. The balance of the Unrestricted Fund Balance is unassigned and is available to fund future School operations. The June 30, 2016, Unassigned General Fund Balance of \$1,814,321 compares to June 30, 2015, Unassigned General Fund Balance of \$1,751,490.

**NOTE 5 - INVENTORY**

There is \$12,002 of inventory in the Special Revenue Fund - Food Service.

**NOTE 6 - INVESTMENTS**

Investments at estimate fair value as of June 30, 2016, consist of:

External Investment Pools	\$ 985,628
---------------------------	------------

Investment income (loss) for the year ended June 30, 2016, consists of:

Interest and Dividends	\$ 4,074
Net Realized and Unrealized Gain (Loss)	-
<b>Total</b>	<b>\$ 4,074</b>

**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, 2016, are:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
External Investment Pools	\$ 985,628	\$ -	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 the 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, 2016, is comprised of the following:

<u>General Fund</u>	
State of Michigan	
State Aid	\$ 1,600,656
Title I	72,352
21st Century	113,387
Title II-A	34,749
Title 3	11,607
Migrant Education	39,030
Title 6	(2,667)
Summer Migrant	34,436
West Shore ESD	
CTE Visit	37,922
GSRP	66,836
Other	2,382
Muskegon Area ISD	
Head Start	56,088
White Lake Community Ed	
Adult Ed Costs	647
Village of Shelby	
Other	15,479
<u>Total General Fund</u>	<u>2,082,904</u>
<u>Food Service Fund</u>	
State of Michigan	
NSLP Lunch	19,350
NSLP Breakfast	11,882
Equipment Assistance	22,720
Other	14,880
<u>Total Food Service Fund</u>	<u>68,832</u>
	<u>\$ 2,151,736</u>



Notes to Financial Statements

NOTE 9 - CAPITAL ASSETS

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

	July 1, 2015	Additions	Disposals and Adjustments	June 30, 2016
Assets not being depreciated:				
Land	\$ 231,991	\$ -	\$ -	\$ 231,991
Capital assets being depreciated:				
Building and Building Improvements	20,483,208	55,210	-	20,538,418
Buses and Other Vehicles	1,574,407	-	-	1,574,407
Furniture and Equipment	2,604,899	118,014	-	2,722,913
Subtotal	24,662,514	173,224	-	24,835,738
Accumulated depreciation:				
Building and Building Improvements	8,378,558	385,880	-	8,764,438
Buses and Other Vehicles	933,041	76,327	-	1,009,368
Furniture and Equipment	2,120,572	62,061	-	2,182,633
Subtotal	11,432,171	524,268	-	11,956,439
Net Capital Assets Being Depreciated	13,230,343	(351,044)	-	12,879,299
Net Capital Assets	\$ 13,462,334	\$ (351,044)	\$ -	\$ 13,111,290

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, 2016, consisted of the following:

Due To:		Due From:	
General Fund	\$ 42,012	Food Service Fund	\$ 42,012
2009 Debt Fund	1,200	2013 Debt Fund	1,200
	\$ 43,212		\$ 43,212

# SHELBY PUBLIC SCHOOLS

## Notes to Financial Statements

### NOTE 11 - SHORT-TERM BORROWING

On October 1, 2015, the District borrowed \$1,600,000 for cash flow purposes on a State Aid Note from Shelby State Bank. This note called for interest of 0.64%. The entire loan balance plus interest was paid in full on June 23, 2016.

### 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, 2016, long-term debt changed as follows:

Bond Issue	July 1, 2015	Additional Debt	2015-2016 Payments	June 30, 2016
2009 Refunding Debt	\$ 4,220,000	\$ -	\$ 735,000	\$ 3,485,000
2008 QZAB Bonds	184,648	-	23,081	161,567
2013 School Bus Bonds	340,000	-	110,000	230,000
	<u>4,744,648</u>	<u>-</u>	<u>868,081</u>	<u>3,876,567</u>
Compensated Absences	647,562	-	8,389	639,173
Severance Pay	855,909	-	106,983	748,926
	<u>\$ 6,248,119</u>	<u>\$ -</u>	<u>\$ 983,453</u>	<u>\$ 5,264,666</u>

Future minimum payments are as follows:

Year Ending June 30,	2009 Refunding Debt	2008 QZAB Bonds	2013 School Bus Loans	Total
2017	\$ 740,000	\$ 23,081	\$ 115,000	\$ 878,081
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
Thereafter	-	46,162	-	46,162
	<u>\$ 3,485,000</u>	<u>\$ 161,567</u>	<u>\$ 230,000</u>	<u>\$ 3,876,567</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, 2016, was \$161,567.

**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, 2016, was \$3,485,000.

**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, 2016, was \$230,000.

**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 \$639,173 exists at June 30, 2016.

**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, 2016, was \$748,926.

**NOTE 13 - ACCRUED SALARIES AND FRINGE BENEFITS**

Salaries payable at June 30, 2016, of \$656,094 represents the unpaid portion of teacher contracts for the 2015-16 school year. On these salaries, there are also fringe benefits payable at year-end totaling \$522,107.

**NOTE 14 - DEFERRED INFLOWS OF RESOURCES**

At June 30, 2016, 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, 2016, unavailable revenue consisted of the following:

At Risk	\$	80,774
Technology Infrastructure		8,215
LEGOs		2,580
Early Literacy		15,345
Science Kits		3,396
Lowe's Grant		51
Community League Grant		71
Football Helmets		1,376
	\$	111,808

### NOTE 15 - LEASES

The School District leases a dishwashing machine from Van Eerden on a 48-month lease which began in December 2014. Monthly payments are \$230. Total lease expense for the year ended June 30, 2016, was \$2,760. Future minimum payments are as follows:

Year Ending June 30,		
2017	\$	2,760
2018		1,380
	\$	4,140

### 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, 2016, no claims exist, and no provision has been entered into the accounting records.



**NOTE 17 - NET PENSION LIABILITY**

**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, 2015 valuation will be amortized over a 21 year period for the 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	22.52 - 23.07%
Member Investment Plan	3.0 - 7.0%	22.52 - 23.07%
Pension Plus	3.0 - 6.4%	21.99%
Defined Contribution	0.0%	17.72 - 18.76%

Required contributions to the pension plan from the School District were \$1,663,984 for the year ended September 30, 2015.

### NOTE 17 - NET PENSION LIABILITY (CONTINUED)

#### LONG-TERM EXPECTED RETURN ON PLAN ASSETS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, 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%
	100.0%	

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

#### DISCOUNT RATE

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



**NOTE 17 - NET PENSION LIABILITY (CONTINUED)**

**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%
\$ 26,670,841	\$ 20,686,996	\$ 15,642,370

**ACTUARIAL VALUATIONS AND ASSUMPTIONS**

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

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2014
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.

### NOTE 17 - NET PENSION LIABILITY (CONTINUED)

#### ACTUARIAL VALUATIONS AND ASSUMPTIONS (CONTINUED)

NOTES:

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, 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: 4.7158.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report.

At June 30, 2016, the School District reported a liability of \$20,686,996 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the School District's proportion was 0.08469 percent, which was an increase of 0.00290 percent from its proportion measured as of September 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$1,894,253. At June 30, 2016, 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	\$ -	\$ 68,521
Changes in Assumptions	509,358	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	105,590	-
Changes in Proportion and Differences between Reporting Unit Contributions and Proportionate share of Contributions	541,608	-
Reporting Unit Contributions Subsequent to the Measurement Date	1,454,996	-
<b>Total</b>	<b>\$ 2,611,552</b>	<b>\$ 68,521</b>



**NOTE 17 - NET PENSION LIABILITY (CONTINUED)**

**ACTUARIAL VALUATIONS AND ASSUMPTIONS (CONTINUED)**

\$1,454,996 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:	
2016	\$ 203,808
2017	203,808
2018	176,190
2019	504,229
	<u>\$ 1,088,035</u>

**NOTE 18 - ADOPTION OF NEW ACCOUNTING POLICIES**

Effective July 1, 2015, the School District adopted the provisions of the following accounting pronouncement. In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. Statement No. 72 requires investments to be measured at fair value. The statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. The statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. The statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

**NOTE 19 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

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. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015.

**REQUIRED SUPPLEMENTAL INFORMATION**



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

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

	<u>2016</u>	<u>2015</u>
A. Statutorily Required Contributions	\$ 1,663,984	\$ 1,806,896
B. Contributions in Relation to Statutorily Required Contributions	<u>1,809,378</u>	<u>1,806,896</u>
C. Contribution Deficiency (Excess)	<u>\$ (145,394)</u>	<u>\$ -</u>
D. Reporting Unit's Covered-Employee Payroll	\$ 7,290,577	\$ 7,075,872
E. Contributions as a Percentage of Covered-Employee Payroll	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 2015.

### Changes of Assumptions

There were no changes of benefit assumptions in 2015.



## Budgetary Comparison Schedule

### GENERAL FUND

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
<b>REVENUE</b>				
Local Sources	\$ 2,849,630	\$ 3,059,588	\$ 3,068,855	\$ 9,267
Inter-District Sources	390,955	467,106	522,761	55,655
State Sources	7,619,462	8,489,640	8,539,399	49,759
Federal Sources	842,110	1,836,243	1,644,716	(191,527)
Other Sources	4,000	20,305	51,305	31,000
<b>TOTAL REVENUE</b>	<b>11,706,157</b>	<b>13,872,882</b>	<b>13,827,036</b>	<b>(45,846)</b>
<b>EXPENDITURES</b>				
Instruction				
Basic Programs	6,154,450	6,291,966	6,067,065	224,901
Added Needs	1,775,407	2,368,256	2,187,634	180,622
Supporting Services				
Pupil	357,550	478,887	433,319	45,568
Instructional Staff	355,655	600,313	502,679	97,634
Administration	1,124,187	1,161,687	1,115,694	45,993
Business Services	2,315,756	2,644,265	2,485,220	159,045
Athletics	374,663	364,945	350,862	14,083
Community Services	2,150	344,853	334,659	10,194
Capital Outlay	-	58,000	57,309	691
Debt Service	23,081	23,081	23,081	-
Other Uses - Operating Transfers	-	208,560	208,560	-
<b>TOTAL EXPENDITURES</b>	<b>12,482,899</b>	<b>14,544,813</b>	<b>13,766,082</b>	<b>778,731</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(776,742)</b>	<b>(671,931)</b>	<b>60,954</b>	<b>732,885</b>
<b>BUDGETARY FUND BALANCE-</b>				
July 1, 2015	1,981,458	1,981,458	1,981,458	-
<b>BUDGETARY FUND BALANCE-</b> <b>June 30, 2016</b>	<b>\$ 1,204,716</b>	<b>\$ 1,309,527</b>	<b>\$ 2,042,412</b>	<b>\$ 732,885</b>

# SHELBY PUBLIC SCHOOLS

## Budgetary Comparison Schedule

### FOOD SERVICE FUND

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
<b>REVENUE</b>				
Local Sources	\$ 43,345	\$ 53,181	\$ 58,975	\$ 5,794
State Sources	25,000	47,657	47,657	-
Federal Sources	992,900	1,087,502	1,086,025	(1,477)
Other Sources	-	8,560	8,560	-
<b>TOTAL REVENUE</b>	<b>1,061,245</b>	<b>1,196,900</b>	<b>1,201,217</b>	<b>4,317</b>
<b>EXPENDITURES</b>				
Instruction				
Basic Programs	-	-	-	-
Added Needs	-	-	-	-
Adult/Continuing Education	-	-	-	-
Supporting Services				
Pupil	1,060,829	1,104,115	1,104,115	-
Instructional Staff	-	-	-	-
Administration	-	-	-	-
Business Support	-	-	-	-
Athletics	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	-	22,747	22,747	-
Debt Service	-	-	-	-
Other Uses - Operating Transfers	-	35,000	35,000	-
<b>TOTAL EXPENDITURES</b>	<b>1,060,829</b>	<b>1,161,862</b>	<b>1,161,862</b>	<b>-</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>416</b>	<b>35,038</b>	<b>39,355</b>	<b>4,317</b>
BUDGETARY FUND BALANCE- July 1, 2015	4,562	4,562	4,562	-
<b>BUDGETARY FUND BALANCE- June 30, 2016</b>	<b>\$ 4,978</b>	<b>\$ 39,600</b>	<b>\$ 43,917</b>	<b>\$ 4,317</b>



## **OTHER SUPPLEMENTAL INFORMATION**

# **SHELBY PUBLIC SCHOOLS**

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## **GENERAL FUND**



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

YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
<b>LOCAL SOURCES</b>			
Current Property Tax Levy	\$ 2,864,081	\$ 2,864,081	\$ -
Interest and Penalties - Delinquent Taxes	-	-	-
Interest Earned	1,650	5,134	3,484
Athletic Admissions	69,688	69,364	(324)
Rental of School Facilities	2,873	2,873	-
Transportation	3,082	8,595	5,513
Other	94,147	94,741	594
Universal Service Funds	24,067	24,067	-
<b>TOTAL LOCAL SOURCES</b>	<b>3,059,588</b>	<b>3,068,855</b>	<b>9,267</b>
<b>INTER-DISTRICT SOURCES</b>			
GSRP	125,313	109,585	(15,728)
Special Education	292,064	292,064	-
Vocational Education	32,500	70,000	37,500
Other	17,229	51,112	33,883
<b>TOTAL INTER-DISTRICT SOURCES</b>	<b>467,106</b>	<b>522,761</b>	<b>(15,728)</b>
<b>STATE SOURCES</b>			
State Aid	6,643,875	6,702,005	58,130
MPSERS Offset	100,663	100,663	-
MPSERS Stabilization	813,033	813,033	-
Data Collection	33,178	33,716	538
Special Education	336,452	336,452	-
At Risk	498,672	486,920	(11,752)
Vocational Education	9,993	7,413	(2,580)
Renaissance Zone	20,174	20,165	(9)
Commercial Forest	328	3,112	2,784
Technology Infrastructure	14,171	16,463	2,292
Other	19,101	19,457	356
<b>TOTAL STATE SOURCES</b>	<b>8,489,640</b>	<b>8,539,399</b>	<b>49,759</b>
<b>FEDERAL SOURCES</b>			
21st Century CLC	540,000	540,000	-
Improving Teacher Quality (Title IIA)	136,631	118,632	(17,999)
Summer Migrant Program	211,157	98,532	(112,625)
Title I	509,704	435,003	(74,701)
Title III	43,678	42,464	(1,214)
Title VI	30,068	24,443	(5,625)
Head Start	365,005	385,642	20,637
<b>TOTAL FEDERAL SOURCES</b>	<b>1,836,243</b>	<b>1,644,716</b>	<b>(191,527)</b>
<b>TOTAL REVENUE</b>	<b>\$ 13,852,577</b>	<b>\$ 13,775,731</b>	<b>\$ (148,229)</b>

# SHELBY PUBLIC SCHOOLS

General Fund

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

YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES</b>			
<b>INSTRUCTION</b>			
<b>BASIC PROGRAMS</b>			
Elementary School	\$ 3,106,615	\$ 2,950,280	\$ 156,335
Middle School	1,241,106	1,215,111	25,995
High School	1,800,473	1,776,174	24,299
Preschool	43,866	38,252	5,614
Summer School	99,906	87,248	12,658
<b>TOTAL BASIC PROGRAMS</b>	<b>6,291,966</b>	<b>6,067,065</b>	<b>224,901</b>
<b>ADDED NEEDS</b>			
Special Education	1,182,703	1,124,920	57,783
Compensatory Education	921,610	827,048	94,562
Vocational Education	263,943	235,666	28,277
<b>TOTAL ADDED NEEDS</b>	<b>2,368,256</b>	<b>2,187,634</b>	<b>180,622</b>
<b>TOTAL INSTRUCTION</b>	<b>8,660,222</b>	<b>8,254,699</b>	<b>405,523</b>
<b>SUPPORTING SERVICES</b>			
<b>PUPIL</b>			
Guidance	366,174	332,495	33,679
Social Work Services	101,948	93,490	8,458
Other	10,765	7,334	3,431
<b>TOTAL PUPIL</b>	<b>478,887</b>	<b>433,319</b>	<b>45,568</b>
<b>INSTRUCTIONAL STAFF</b>			
Improvement of Instruction	77,770	66,885	10,885
Educational Media Services	58,524	51,531	6,993
Computer Assisted Instruction	200,305	141,701	58,604
Supervision	243,673	227,578	16,095
Student Assessment	20,041	14,984	5,057
<b>TOTAL INSTRUCTIONAL STAFF</b>	<b>600,313</b>	<b>502,679</b>	<b>97,634</b>
<b>ADMINISTRATION</b>			
Board of Education	80,939	52,367	28,572
Executive Administration	242,143	228,606	13,537
Principals Office	824,674	820,986	3,688
Other	13,931	13,735	196
<b>TOTAL ADMINISTRATION</b>	<b>\$ 1,161,687</b>	<b>\$ 1,115,694</b>	<b>\$ 45,993</b>



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

**YEAR ENDED JUNE 30, 2016**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES (CONTINUED)</b>			
<b>SUPPORTING SERVICES (CONTINUED)</b>			
<b>BUSINESS SERVICES</b>			
Fiscal Services	\$ 267,837	\$ 265,420	\$ 2,417
Internal Services	58,504	45,872	12,632
Other Business Services	92,900	54,280	38,620
Operations and Maintenance	1,337,241	1,320,713	16,528
Security Services	-	-	-
Pupil Transportation	737,251	657,789	79,462
Planning and Research	17,300	16,487	813
Communication Service	2,688	2,529	159
Staff/Personnel Services	6,878	1,343	5,535
Information Management Services	121,737	118,864	2,873
Pupil Accounting	1,929	1,923	6
<b>TOTAL BUSINESS SERVICES</b>	<b>2,644,265</b>	<b>2,485,220</b>	<b>159,045</b>
<b>ATHLETICS</b>	<b>364,945</b>	<b>350,862</b>	<b>14,083</b>
<b>TOTAL SUPPORTING SERVICES</b>	<b>5,250,097</b>	<b>4,887,774</b>	<b>362,323</b>
<b>COMMUNITY SERVICES</b>			
Community Director	989	989	-
Community Activities	13,121	4,160	8,961
Custody and Care of Children	239,808	239,108	700
Non-Public School Pupils	2,500	2,500	-
Other	88,435	87,902	533
<b>TOTAL COMMUNITY SERVICES</b>	<b>344,853</b>	<b>334,659</b>	<b>10,194</b>
<b>DEBT SERVICE</b>	<b>23,081</b>	<b>23,081</b>	<b>-</b>
<b>CAPITAL OUTLAY</b>	<b>58,000</b>	<b>57,309</b>	<b>691</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 14,336,253</b>	<b>\$ 13,557,522</b>	<b>\$ 778,731</b>



# SHELBY PUBLIC SCHOOLS

General Fund

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

YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>\$ (483,676)</u>	<u>\$ 218,209</u>	<u>\$ 701,885</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan Proceeds	-	-	-
Operating Transfers In	20,305	51,305	31,000
Operating Transfers (Out)	<u>(208,560)</u>	<u>(208,560)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(188,255)</u>	<u>(157,255)</u>	<u>31,000</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ (671,931)</u>	<u>60,954</u>	<u>\$ 732,885</u>
FUND BALANCE - JULY 1, 2015		<u>1,981,458</u>	
<b>FUND BALANCE - JUNE 30, 2016</b>		<u>\$ 2,042,412</u>	



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## **SPECIAL REVENUE FUND**

# SHELBY PUBLIC SCHOOLS

Food Service Fund

## BALANCE SHEET

JUNE 30, 2016

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### ASSETS

Cash and Investments	\$	15,602
Accounts Receivable		1,822
Due From Other Governmental Units		68,832
Due From Other Funds		-
Prepaid Expenses		-
Inventory		12,002

<b>TOTAL ASSETS</b>	<b>\$</b>	<b>98,258</b>
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### LIABILITIES AND FUND BALANCE

#### LIABILITIES

Accounts Payable	\$	7,856
Accrued Salaries		4,473
Accrued Expenses		-
Due to Other Funds		42,012

<b>TOTAL LIABILITIES</b>		<b>54,341</b>
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#### FUND BALANCE

Non-Spendable		12,002
Restricted		31,915

<b>TOTAL FUND BALANCE</b>		<b>43,917</b>
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<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$</b>	<b>98,258</b>
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**Food Service Fund**

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

**YEAR ENDED JUNE 30, 2016**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
Hot Lunch Receipts			
Adults	\$ 5,505	\$ 6,641	\$ 1,136
Ala Carte	8,652	8,652	-
Catering	18,648	18,890	242
State Aid	47,657	47,657	-
Federal Aid	1,009,379	1,007,902	(1,477)
Federal USDA Commodities in Kind	78,123	78,123	-
Other Income	20,344	24,760	4,416
Interest Income	32	32	-
<b>TOTAL REVENUE</b>	<b>1,188,340</b>	<b>1,192,657</b>	<b>4,317</b>
<b>EXPENDITURES</b>			
Salaries	349,293	349,563	(270)
Fringe Benefits	196,853	196,853	-
Professional Services	9,288	9,288	-
Food and Supplies	526,443	526,443	-
Travel and Conferences	5,860	5,860	-
Dues and Fees	5,120	5,120	-
Transportation	3,575	3,574	1
Miscellaneous	4,989	4,721	268
Repairs	1,933	1,933	-
Utilities and Waste	761	760	1
Capital Outlay	22,747	22,747	-
<b>TOTAL EXPENDITURES</b>	<b>1,126,862</b>	<b>1,126,862</b>	<b>-</b>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	<b>61,478</b>	<b>65,795</b>	<b>4,317</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	8,560	8,560	-
Operating Transfers (Out)	(35,000)	(35,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(26,440)</b>	<b>(26,440)</b>	<b>-</b>
<b>EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ 35,038</b>	<b>39,355</b>	<b>\$ 4,317</b>
FUND BALANCE - BEGINNING OF YEAR		4,562	
FUND BALANCE - END OF YEAR		\$ 43,917	

# **SHELBY PUBLIC SCHOOLS**

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## **DEBT RETIREMENT FUNDS**



**COMBINING BALANCE SHEET**

**JUNE 30, 2016**

	2009 Debt	2013 Debt	Total
<b>ASSETS</b>			
Cash and Investments	\$ 512,531	\$ 80,660	\$ 593,191
Due from Other Funds	1,200	-	1,200
<b>TOTAL ASSETS</b>	<b>\$ 513,731</b>	<b>\$ 80,660</b>	<b>\$ 594,391</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	1,200	1,200
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>1,200</b>	<b>1,200</b>
<b>FUND BALANCE</b>			
Fund Balance	513,731	79,460	593,191
<b>TOTAL FUND BALANCE</b>	<b>513,731</b>	<b>79,460</b>	<b>593,191</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 513,731</b>	<b>\$ 80,660</b>	<b>\$ 594,391</b>

# SHELBY PUBLIC SCHOOLS

## Debt Retirement Funds

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

YEAR ENDED JUNE 30, 2016

	2009	2013	Total
	Debt	Debt	
<b>REVENUE</b>			
Current Taxes	\$ 730,295	\$ 181,334	\$ 911,629
Delinquent Taxes	-	-	-
Interest and Penalties on on Delinquent Property Taxes	-	-	-
Earned Interest	649	57	706
State Aid Revenue	-	-	-
Miscellaneous	48	11	59
<b>TOTAL REVENUE</b>	<u>730,992</u>	<u>181,402</u>	<u>912,394</u>
<b>EXPENDITURES</b>			
Principal on Bonds	735,000	110,000	845,000
Interest on Bond	153,338	4,263	157,601
Principal on School Bond Loan Fund	-	-	-
Interest on School Bond Loan Fund	-	-	-
Agent Fees and Other	3,821	1,069	4,890
<b>TOTAL EXPENDITURES</b>	<u>892,159</u>	<u>115,332</u>	<u>1,007,491</u>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(161,167)</u>	<u>66,070</u>	<u>(95,097)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>(161,167)</u>	<u>66,070</u>	<u>(95,097)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>674,898</u>	<u>13,390</u>	<u>688,288</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 513,731</u>	<u>\$ 79,460</u>	<u>\$ 593,191</u>



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## **CAPITAL PROJECT FUND**



# SHELBY PUBLIC SCHOOLS

Capital Project Fund

## BALANCE SHEET

JUNE 30, 2016

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### ASSETS

Cash and Investments	\$	488,805
Due from Other Funds		-

<b>TOTAL ASSETS</b>	<b>\$</b>	<b>488,805</b>
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### LIABILITIES AND FUND BALANCE

#### LIABILITIES

Accounts Payable	\$	-
Due to Other Funds		-

<b>TOTAL LIABILITIES</b>		<b>-</b>
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#### FUND BALANCE

Fund Balance		488,805
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<b>TOTAL FUND BALANCE</b>		<b>488,805</b>
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<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$</b>	<b>488,805</b>
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**STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES**

**YEAR ENDED JUNE 30, 2016**

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**REVENUE**

Current Taxes	\$	-
Delinquent Taxes		-
Interest and Penalties on on Delinquent Property Taxes		-
Earned Interest		-
State Aid Revenue		-
Miscellaneous		-

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**TOTAL REVENUE** -

**EXPENDITURES**

Debt Service		-
Capital Outlay		-
Bond Fees		-

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**TOTAL EXPENDITURES** -

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**EXCESS REVENUE OVER (UNDER) EXPENDITURES** -

**OTHER FINANCING SOURCES (USES)**

Bond Proceeds		-
Operating Transfers In		200,000
Operating Transfers (Out)		(16,305)

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**TOTAL OTHER FINANCING SOURCES (USES)** 183,695

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**EXCESS REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES** 183,695

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**FUND BALANCE - BEGINNING OF YEAR** 305,110

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**FUND BALANCE - END OF YEAR** \$ 488,805

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# **SHELBY PUBLIC SCHOOLS**

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## **AGENCY FUNDS**



**STATEMENT OF ASSETS AND LIABILITIES**

**JUNE 30, 2016**

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**ASSETS**

Cash and Investments \$ 183,772

**TOTAL ASSETS** \$ 183,772

**LIABILITIES**

Due to Student Groups \$ 165,969

Due to Others 17,803

**TOTAL LIABILITIES** \$ 183,772

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# SHELBY PUBLIC SCHOOLS

Agency Funds

## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2016

	July 1, 2015	Receipts	Disbursements	June 30, 2016
<b>ASSETS</b>				
Cash	\$ 189,294	\$ 243,287	\$ 248,809	\$ 183,772
<b>LIABILITIES</b>				
<b>DUE TO OTHERS</b>				
School Administration Central				
Office Board Internal	\$ 24,524	\$ 7,785	\$ 16,501	\$ 15,808
New Era Internal Fund	4,065	17,938	20,008	1,995
<b>TOTAL DUE TO OTHERS</b>	<b>28,589</b>	<b>25,723</b>	<b>36,509</b>	<b>17,803</b>
<b>DUE TO STUDENT GROUPS</b>				
High School Internal	112,381	162,476	157,018	117,839
Middle School Internal	12,930	14,192	16,276	10,846
Early Childhood Internal	991	169	453	707
Thomas Read Elementary Internal	34,403	40,727	38,553	36,577
<b>TOTAL DUE TO SUTDENT GROUPS</b>	<b>160,705</b>	<b>217,564</b>	<b>212,300</b>	<b>165,969</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 189,294</b>	<b>\$ 243,287</b>	<b>\$ 248,809</b>	<b>\$ 183,772</b>

**DETAILED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****YEAR ENDED JUNE 30, 2016**

	Balance July 1, 2015	Receipts	Disbursements	Balance June 30, 2016
<b>DUE TO OTHERS</b>				
School Administration Central Office Board Internal				
Fair Share	\$ 3,709	\$ -	\$ -	\$ 3,709
Ferry Scholarship	2,590	1,960	1,000	3,550
Miscellaneous	3,777	4,450	5,519	2,708
Needy Children	3,851	-	-	3,851
Ralph's Kids	9,587	1,375	9,982	980
SMS Gazebo	1,010	-	-	1,010
<b>Total School Administration Central Office Board Internal</b>	<b>24,524</b>	<b>7,785</b>	<b>16,501</b>	<b>15,808</b>
New Era Internal Fund				
Interest	-	1	1	-
Fund Raisers	5,796	17,101	9,429	13,468
Miscellaneous	(2,290)	836	7,210	(8,664)
Teaching Supplies	559	-	3,368	(2,809)
<b>Total New Era Internal Fund</b>	<b>4,065</b>	<b>17,938</b>	<b>20,008</b>	<b>1,995</b>
<b>TOTAL DUE TO OTHERS</b>	<b>\$ 28,589</b>	<b>\$ 25,723</b>	<b>\$ 36,509</b>	<b>\$ 17,803</b>
<b>DUE TO STUDENT GROUPS</b>				
High School Internal				
AP Book Fund	\$ 256	\$ -	\$ -	\$ 256
Art Club	19	-	-	19
Band	4,208	17,735	17,538	4,405
Chocolate Milk Fund	977	-	523	454
County Math Tournament	3,480	-	-	3,480
DE Club	5,405	7,038	3,035	9,408
Drama Class	969	-	17	952
Ethnic Club	59	-	-	59
Equestrian Team	501	-	-	501
Faculty Lounge Pop	312	83	40	355
Freshmen	-	173	58	115
General Administration	2,565	4,595	5,213	1,947
General Administration - Athletic	41,863	86,626	88,328	40,161
General Administration - Pop	4,203	8,121	7,495	4,829
Guitar Class	1	118	8	111
Health II	43	189	189	43
Honor Society	92	1,965	1,271	786
Ind. Education	596	1,219	527	1,288
Interest	\$ 243	\$ 20	\$ -	\$ 263

# SHELBY PUBLIC SCHOOLS

Agency Funds

## DETAILED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)

YEAR ENDED JUNE 30, 2016

	Balance July 1, 2015	Receipts	Disbursements	Balance June 30, 2016
<b>DUE TO STUDENT GROUPS (CONTINUED)</b>				
High School Internal (Continued)				
Juniors	\$ 436	\$ 1,953	\$ 852	\$ 1,537
Learn and Serve	98	-	98	-
Library	790	168	367	591
Masque and Bauble	15,025	1,855	1,986	14,894
Music Dept.	228	-	-	228
Post Prom	1,691	2,790	2,778	1,703
Running Club	300	100	88	312
Quiz Bowl	865	-	171	694
SAFE	743	-	-	743
Science Olympiad	22	528	-	550
Seniors 15	251	-	-	251
Seniors 16	1,913	12	1,665	260
Sophomores	(223)	580	104	253
Student Council	3,456	2,041	1,722	3,775
Technology Club	372	-	372	-
Tiger Bazaar	1,133	2,840	2,138	1,835
Vocal Music	2,405	5,535	6,334	1,606
Vocal Music Scholarship	433	-	100	333
Writing Center	439	-	-	439
Yearbook Class	16,212	16,192	14,001	18,403
<b>Total High School Internal</b>	<b>112,381</b>	<b>162,476</b>	<b>157,018</b>	<b>117,839</b>
Middle School Internal				
Band Resale	(237)	4,096	4,510	(651)
Beverage Machines	389	1,723	1,377	735
Cheerleaders	37	-	-	37
Choir	774	240	648	366
Claw Club	2,193	1,405	251	3,347
Eighth Grade	1,294	-	198	1,096
Endurance Adventure	637	200	-	837
Interest	15	1	-	16
Library Fund	792	162	437	517
PE Locks	2,309	-	250	2,059
Petty Cash	992	1,520	1,451	1,061
Positive Behaviors	-	951	882	69
Seventh Grade	60	-	-	60
Sixth Grade	1,790	220	1,722	288
Track	-	860	860	-
Yearbook	1,885	2,814	3,690	1,009
<b>Total Middle School Internal</b>	<b>\$ 12,930</b>	<b>\$ 14,192</b>	<b>\$ 16,276</b>	<b>\$ 10,846</b>



DETAILED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)

YEAR ENDED JUNE 30, 2016

	Balance July 1, 2015	Receipts	Disbursements	Balance June 30, 2016
<b>DUE TO STUDENT GROUPS (CONTINUED)</b>				
Early Childhood Internal				
Miscellaneous	\$ 991	\$ 169	\$ 453	\$ 707
Total Early Childhood Internal	991	169	453	707
Thomas Read Elementary Internal				
Candy Sales	14,284	22,073	19,336	17,021
Computer	738	-	-	738
Interest	73	26	-	99
Library	1,334	4,498	4,685	1,147
Miscellaneous	418	485	158	745
Music	3,167	6,672	7,935	1,904
PE	181	-	-	181
Safety Patrol	17	-	-	17
Special Education Fund Raiser	224	-	-	224
SL Projects	327	-	-	327
SPLASH	2,539	-	-	2,539
Staff Fund	2,688	1,510	851	3,347
Student Council	7,517	5,463	4,792	8,188
Supplemental Items	539	-	464	75
Tubs	357	-	332	25
Total Thomas Read Elementary Internal	34,403	40,727	38,553	36,577
<b>TOTAL DUE TO STUDENT GROUPS</b>	<b>160,705</b>	<b>217,564</b>	<b>212,300</b>	<b>165,969</b>
<b>TOTAL</b>	<b>\$ 189,294</b>	<b>\$ 243,287</b>	<b>\$ 248,809</b>	<b>\$ 183,772</b>



# SHELBY PUBLIC SCHOOLS

## Statement of Bonded Indebtedness

YEAR ENDED JUNE 30, 2016

### 2013 SCHOOL BUS LOANS

<b>Issue Dated June 12, 2013, in the amount of:</b>	\$ 560,000
Less:	
Bonds Paid in Prior Years	220,000
Bonds Due and Paid in May 1, 2016	110,000
<b>Balance Outstanding - June 30, 2016</b>	<u><u>\$ 230,000</u></u>

Balance Payable as Follows:

Year	Rate	Interest	Principal	Total
2017	1.250%	\$ 3,162	\$ 115,000	\$ 118,162
2018	1.500%	1,725	115,000	116,725
		<u>\$ 4,887</u>	<u>\$ 230,000</u>	<u>\$ 234,887</u>

### 2009 REFUNDING DEBT

<b>Issue Dated February 24, 2009, in the amount of:</b>	\$ 8,765,000
Less:	
Bonds Paid in Prior Years	4,545,000
Bonds Due and Paid in May 1, 2016	735,000
<b>Balance Outstanding - June 30, 2016</b>	<u><u>\$ 3,485,000</u></u>

Balance Payable as Follows:

Year	Rate	Interest	Principal	Total
2017	3.500%	\$ 129,450	\$ 740,000	\$ 869,450
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>\$ 390,175</u>	<u>\$ 3,485,000</u>	<u>\$ 3,875,175</u>



**Statement of Bonded Indebtedness**

**YEAR ENDED JUNE 30, 2016**

**2008 QUALIFIED ZONE ACADEMY BONDS**

<b>Issue Dated November 21, 2008, in the amount of:</b>	\$ 345,000
Less:	
Bonds Paid in Prior Years	160,352
Bonds Due and Paid in November 21, 2015	<u>23,081</u>
<b>Balance Outstanding - June 30, 2016</b>	<u><u>\$ 161,567</u></u>

Balance Payable as Follows:

Year	Rate	Interest	Principal	Total
2017	0.000%	\$ -	\$ 23,081	\$ 23,081
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>\$ 161,567</u>	<u>\$ 161,567</u>

# **SHELBY PUBLIC SCHOOLS**

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## **FEDERAL FINANCIAL ASSISTANCE**



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

Program Title	Federal CDFA Number	Contract Number	Program or Award Amount	Prior Year Expenditure	Cash/ Accrued or (Deferred) Revenue at July 1, 2015	Receipts/ Revenue Recognized	Disbursements/ Expenditures	Cash/ Accrued or (Deferred) Revenue at June 30, 2016	Cash Transferred to Subrecipients
<b>U.S. DEPARTMENT OF EDUCATION</b>									
Pass Through State Department of Education									
Title I	84.010A	1615301516	\$ 368,640	\$ -	\$ -	\$ 241,378	\$ 313,730	\$ 72,352	\$ -
Title I	84.010A	1515301415	397,049	378,593	25,763	25,763	-	-	-
				378,593	25,763	267,141	313,730	72,352	-
Migrant Education	*84.011	1618301516	-	-	-	-	34,436	34,436	-
Migrant Education	*84.011	1518301415	112,394	37,638	37,638	101,734	64,096	-	-
Migrant Education	*84.011	1618901516	138,526	-	-	83,338	122,367	39,029	-
Migrant Education	*84.011	1518901415	134,660	126,905	10,797	9,703	(1,094)	-	-
				164,543	48,435	194,775	219,805	73,465	-
Title VI	84.358B	1606601516	30,068	-	-	27,110	24,443	(2,667)	-
Title VI	84.358B	1506601415	25,741	21,743	699	699	-	-	-
				21,743	699	27,809	24,443	(2,667)	-
Title IIA Improving Teacher Quality	84.367	1505201415	113,546	69,910	1,887	1,887	-	-	-
Title IIA Improving Teacher Quality	84.367	1605201516	136,631	-	-	83,883	118,632	34,749	-
				69,910	1,887	85,770	118,632	34,749	-
Title III Limited English	84.365	1605801516	42,123	-	-	29,301	40,908	11,607	-
Title III Limited English	84.365	1505801415	58,037	52,819	5,010	6,566	1,556	-	-
				\$ 52,819	\$ 5,010	\$ 35,867	\$ 42,464	\$ 11,607	\$ -

\* Major Program

# SHELBY PUBLIC SCHOOLS

Federal Financial Assistance

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

Program Title	Federal CDFA Number	Contract Number	Program or Award Amount	Prior Year Expenditure	Cash/ Accrued or (Deferred) Revenue at July 1, 2015	Receipts/ Revenue Recognized	Disbursements/ Expenditures	Cash/ Accrued or (Deferred) Revenue at June 30, 2016	Cash Transferred to Subrecipients
<b>U.S. DEPARTMENT OF EDUCATION (CONTINUED)</b>									
21st Century CLC	*84.287C	162110I14012	\$ 540,000	\$ -	\$ -	\$ 426,613	\$ 540,000	\$ 113,387	\$ -
21st Century CLC	*84.287C	152110I14012	540,000	540,000	24,780	24,780	-	-	-
				540,000	24,780	451,393	540,000	113,387	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>					106,574	1,062,755	1,259,074	302,893	-
<b>U.S. DEPARTMENT OF AGRICULTURE</b>									
Child Nutrition Cluster									
U.S.D.A Food Distribution									
Entitlement Commodities	10.555		53,717	78,123	-	78,123	78,123	-	-
Bonus Commodities	10.555		-	-	-	-	-	-	-
				78,123	-	78,123	78,123	-	-
Pass Through State Department of Education									
National School Lunch Program	10.555	161960	475,473	-	-	456,124	475,473	19,349	-
National School Lunch Program	10.555	151960	507,960	456,130	-	51,830	51,830	-	-
				456,130	-	507,954	527,303	19,349	-
National School Lunch Breakfast	10.553	151970	298,185	268,967	-	29,218	29,218	-	-
National School Lunch Breakfast	10.553	161970	272,285	-	-	263,403	275,285	11,882	-
				\$ 268,967	\$ -	\$ 292,621	\$ 304,503	\$ 11,882	\$ -

\* Major Program



Federal Financial Assistance

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Program Title	Federal CDFA Number	Contract Number	Program or Award Amount	Prior Year Expenditure	Cash/ Accrued or (Deferred) Revenue at July 1, 2015	Receipts/ Revenue Recognized	Disbursements/ Expenditures	Cash/ Accrued or (Deferred) Revenue at June 30, 2016	Cash Transferred to Subrecipients
<b>U.S. DEPARTMENT OF AGRICULTURE (CONTINUED)</b>									
Pass Through State Department of Education (Continued)									
Summer School Food	10.559	160900,161900	\$ -	\$ -	\$ -	\$ -	\$ 6,790	\$ 6,790	\$ -
Summer School Food	10.559	150900,151900	38,848	5,430	(17,605)	15,813	33,418	-	-
				5,430	(17,605)	15,813	40,208	6,790	-
Total Child Nutrition Cluster				808,650	(17,605)	894,511	950,137	38,021	-
Child Care Food Program	10.558	151920,152010	107,773	100,571	368	7,570	7,202	-	-
Child Care Food Program	10.558	161920,162010	-	-	-	98,204	100,336	2,132	-
				100,571	368	105,774	107,538	2,132	-
Food Equipment Grant	10.579	1419911415	28,584	-	-	5,630	28,350	22,720	-
				-	-	5,630	28,350	22,720	-
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>				909,221	(17,237)	1,005,915	1,086,025	62,873	-
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>									
Pass Through Muskegon Area Intermediate School District									
Head Start	93.600	O5CH8258/16	230,185	-	-	174,097	230,185	56,088	-
Head Start	93.600	O5CH8258/16	351,507	196,050	43,172	198,629	155,457	-	-
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				196,050	43,172	372,726	385,642	56,088	-
<b>TOTAL FEDERAL ASSISTANCE</b>				\$ 1,105,271	\$ 132,509	\$ 2,441,396	\$ 2,730,741	\$ 421,854	\$ -

\* Major Program

# **SHELBY PUBLIC SCHOOLS**

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## **FOOTNOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**JUNE 30, 2016**

### **NOTE 1 - MAJOR PROGRAMS**

There were two major programs: Twenty-First Century CLC and Migrant Education. Total expenditures during the year ended June 30, 2016, were \$540,000 and \$219,805, respectively.

### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The Schedule of Federal Awards was prepared using the modified accrual basis of accounting. For grants from the Departments of Education and Agriculture, revenue is recognized when the related expense is incurred. Amounts spent but not yet received at June 30, 2016, were recorded as accrued revenue. Expenditures are recorded when the expense is incurred.

### **NOTE 3 - 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 4 - SCHEDULE PREPARATION**

Management has utilized the Grants Section Audit Report (form R7120) in preparing the Schedule of Expenditures of Federal Awards.

### **NOTE 5 - INVENTORY VALUES**

Inventory values are based on the USDA value for donated food commodities. Reported commodity receipts values were computed using the Recipient Entitlement Balance Report and other district records. Spoilage or pilferage, if any, is included in expenditures.



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

**YEAR ENDED JUNE 30, 2016**

	Financial Statement	Awards Schedule
<b>DEPARTMENT OF EDUCATION GRANTS</b>		
GENERAL FUND		
Title I	\$ 313,730	\$ 313,730
Migrant Education	219,805	219,805
Improving Teacher Quality	118,632	118,632
Title VI	24,443	24,443
21st Century CLC	540,000	540,000
Title III Limited English	42,464	42,464
<b>TOTAL DEPARTMENT OF EDUCATION GRANTS</b>	<b>1,259,074</b>	<b>1,259,074</b>
<b>DEPARTMENT OF AGRICULTURE GRANTS</b>		
SCHOOL LUNCH FUND		
Commodities	78,123	78,123
Federal Aid - Lunch	527,303	527,303
Federal Aid - Breakfast	304,503	304,503
Summer School Food	40,208	40,208
Child Care Food	107,538	107,538
Food Equipment Grant	28,350	28,350
<b>TOTAL DEPARTMENT OF AGRICULTURE GRANTS</b>	<b>1,086,025</b>	<b>1,086,025</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
GENERAL FUND		
Head Start	385,642	385,642
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>	<b>385,642</b>	<b>385,642</b>
<b>GRAND TOTAL</b>	<b>\$ 2,730,741</b>	<b>\$ 2,730,741</b>



**Karl L. Drake, P.C.**  
**Certified Public Accountants**

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**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 fund information of Shelby Public School as of and for the year ended June 30, 2016, 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 19, 2016.

**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.



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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Shelby Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test 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 L. Drake*

Karl L. Drake, P.C.  
Certified Public Accountants

September 19, 2016

**Karl L. Drake, P.C.**  
**Certified Public Accountants**

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**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 OMB Compliance Supplement that could have a direct and material effect on each of Shelby Public School's major federal programs for the year ended June 30, 2016. Shelby Public School's major federal programs are 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.

**Auditor's 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 OMB 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 each of its major federal programs for the year ended June 30, 2016.

**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 L. Drake, P.C.  
Certified Public Accountants

September 19, 2016

# **SHELBY PUBLIC SCHOOLS**

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2016**

### **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 -Twenty-First Century CLC and Migrant Education.
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



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## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2016**

There were no prior year audit findings.

# Karl L. Drake, P.C.

Certified Public Accountant

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August 17, 2016

Board of Education  
Hesperia Community Schools  
Hesperia, Michigan 49421

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hesperia Community Schools for the year ended June 30, 2016, and have issued our report thereon dated August 17, 2016. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 11, 2015, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated November 11, 2015.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hesperia Community Schools are described in Note 1 to the financial statements. New accounting policies were adopted and the application of existing policies was not changed during this fiscal year. We noted no transactions entered into by the governmental unit, during the year, for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events



affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation is based on useful life of the assets. We evaluated the key factors and assumptions used to develop the estimate, in determining that it is reasonable, in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in Note 10 to the financial statements.

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

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. None of the misstatements detected as a result of audit procedures, and corrected by management, were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 17, 2016.

#### *Management Consultations with Other Independent Accountants*

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





### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. The primary discussions held this year revolved around the segregation of responsibilities in the School District office. These discussions occurred in the normal course of our professional relationship, however, and our responses were not a condition to our retention.

### Accounting Policy Changes

During the fiscal year ended June 30, 2016, the District adopted GASB Statement number 72. This Statement changed the investment reporting in the audited financial statement footnote presentation.

### Food Service Student Accounts

The Federal National School Lunch program now requires that all negative student account balances at June 30 be funded by the General Fund.

We recommend the food service staff work harder to reduce the amount that students are allowed to charge. Also, efforts should be made to contact parents during the month of June, to get these accounts paid off. This will reduce the burden to the General Fund.

### Fund Balance

Currently, the General Fund has a fund balance of 10.8% of its annual revenue. Michigan School Business Officials (MSBO) recommends that schools maintain a fund balance of between 15% and 20%. We recommend that the Board of Hesperia Community Schools, through its budgeting process, commit to achieving a fund balance of 15% within the next 5 years. This means adding approximately \$100,000 per year. Having this level of fund balance provides financial strength during future challenging funding decisions by the State. It also allows long-term planning possibilities for fixed asset purchases and facility maintenance.

### Debt Load

The District maintains a very high debt load, and continues to borrow annually from the School Bond Loan Fund to pay its debt obligations. This makes it very important for the Board to assess and plan for future fixed asset purchases. Additional bonded borrowing will not be possible for many years, so fixed asset and facility maintenance will need to be funded with available resources.

This information is intended solely for the use of Hesperia Community Schools, management of Hesperia Community Schools and the Michigan Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Karl L. Drake, P.C.