

SHEPHERD PUBLIC SCHOOL DISTRICT
Shepherd, Michigan

Financial Statements
With Supplemental Information
June 30, 2009



ROSLUND, PRESTAGE & COMPANY, P.C.
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Shepherd Public School District
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June 30, 2009

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Independent Auditor's Report

Shepherd Public School District
Shepherd, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shepherd Public School District (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants
October 10, 2009

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**



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Shepherd Public Schools
Management Discussion and Analysis
For the Year Ended June 30, 2009

Our discussion and analysis of the Shepherd Public School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2009. Please read this discussion and analysis in conjunction with the District's financial statement beginning on page 1.

I. Description of the Basic Financial Statements

District-Wide Financial Statements

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

Fund Financial Statements

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

Reconciliation

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

Trust and Agency Funds

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

Shepherd Public Schools
Management Discussion and Analysis
For the Year Ended June 30, 2009

II. Condensed Government-Wide Financial Information

The change in assets, liabilities, and net assets from the previous year for the government-wide financial statements were significant.

Current assets decreased significantly as proceeds from the 2008 bond issue were used in construction. Cash/investments in the capital projects fund decreased by \$5,137,183 and the accrued interest receivable on those investments decreased by \$40,706.

The increase in capital assets net of depreciation indicates that capital assets are being replaced at a faster rate than they are depreciating. This is mainly the result of a large construction projects funded by the issuance of bonds. Capital assets purchased during the year totaled \$8,224,275 while current year depreciation was \$439,851. Capital assets with a book value of \$ -0- (net of depreciation) were sold during the year at a gain of \$9,757.

The current liabilities increased significantly this year as a result of the previously mentioned construction project. The accounts payable related to this construction increased by \$1,834,086 over the previous year. Accrued interest decreased by \$424,529 primarily because, in the previous year, there was no May bond payment since the bonds were issued in February. The interest was, therefore, accrued from February thru June. In the current year, a bond payment was made in May and interest was, therefore, accrued from May thru June. Finally, the current portion of the long term debt was \$260,711 higher in the current year because a larger principal payment will be due in the current year when compared to the previous year.

The decrease in noncurrent liabilities is the reclassification of the current portion of the 2008 Bonds payable of \$630,000 to current liabilities (a decrease), reclassification of the current portion of Durant Bonds payable of \$15,668 to current liabilities (a decrease), and the decrease in compensated absences of \$77 (a decrease).

Total net assets for governmental activities increased by 11.1% for the period.

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

Shepherd Public Schools
Management Discussion and Analysis
For the Year Ended June 30, 2009

Table 1
Comparative Summary of Assets, Liabilities, and Net Assets
At June 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> | <u>Difference</u> |
|---|---------------------|---------------------|--------------------|
| Current Assets | \$28,192,549 | \$34,436,514 | -\$6,243,965 |
| Noncurrent Assets | 16,076,602 | 8,306,468 | 7,770,134 |
| Total Assets | <u>\$44,269,151</u> | <u>\$42,742,982</u> | <u>\$1,526,169</u> |
| Current Liabilities | \$6,073,459 | \$4,484,619 | \$1,588,840 |
| Noncurrent Liabilities | 32,143,384 | 32,809,821 | -666,437 |
| Total Liabilities | <u>\$38,216,843</u> | <u>\$37,294,440</u> | <u>\$922,403</u> |
| Investment in Capital Assets (Net of Related Debt) | \$5,103,588 | \$3,946,182 | \$1,157,406 |
| Restricted | 428,123 | 1,089,243 | -661,120 |
| Unrestricted | 520,597 | 413,117 | 107,480 |
| Total Net Assets | <u>\$6,052,308</u> | <u>\$5,448,542</u> | <u>\$603,766</u> |

Total revenues reported on the Statement of Activities varied significantly from the previous year. Property taxes increase by \$770,296 primarily as a result of the increased property taxes levied to pay for the bonds issued in February 2008. State Aid Not Restricted to Specific Purposes declined by \$967,702 as a result of declining student enrollment and reduced State funding per student. Federal Grants Not Restricted to Specific Purposes increased by \$620,491 because the District did not receive any Federal stimulus funds in the preceding year. Other General Revenues increased by \$393,283 primarily due to investment earnings on the proceeds from the bonds issued. Those proceeds were only invested for a portion of the preceding year because the bonds were issued in February 2008.

Shepherd Public Schools
Management Discussion and Analysis
For the Year Ended June 30, 2009

Table 2
Comparative Summary of Program, General, and Total Revenues
Years Ended June 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> | <u>Difference</u> |
|--|---------------------|---------------------|-------------------|
| Charges for Services | \$424,722 | \$416,238 | \$8,484 |
| Operating Grants and Contributions | 2,531,558 | 2,609,917 | -78,359 |
| Total Program Revenues | <u>\$2,956,280</u> | <u>\$3,026,155</u> | <u>\$-69,875</u> |
| Property Taxes | \$2,220,013 | \$1,449,717 | \$770,296 |
| State Aid Not Restricted to Specific Purposes | 10,376,271 | 11,343,973 | -967,702 |
| Federal Grants Not Restricted to Specific Purposes | 620,491 | | 620,491 |
| Other General Revenues | <u>1,004,540</u> | <u>611,255</u> | <u>393,285</u> |
| Total General Revenues | <u>\$14,221,315</u> | <u>\$13,404,945</u> | <u>\$816,370</u> |
| Total Revenues | <u>\$17,177,595</u> | <u>\$16,431,100</u> | <u>\$746,495</u> |

Total expenses varied significantly from the previous year. Support Services decreased primarily due to cost cutting measures in the Operations/Maintenance and Transportation portions of the budget. Interest and Fees on Long-term Debt increased because the first full year payment was made on the bonds that were issued in February 2008.

Table 3
Comparative Summary of Program Expenses by Function and Total Expenses
Years Ended June 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> | <u>Difference</u> |
|-------------------------------------|---------------------|---------------------|-------------------|
| Instruction | \$8,711,463 | \$8,649,766 | \$61,697 |
| Support Services | 6,071,129 | 6,282,461 | -211,332 |
| Community Services | 55 | 54 | 1 |
| Other | 43,977 | | 43,977 |
| Interest and Fees on Long-term Debt | 1,313,756 | 718,660 | 595,096 |
| Amortization – Unallocated | -6,404 | -2,668 | -3,736 |
| Depreciation – Unallocated | 439,851 | 426,023 | 13,828 |
| Total Expenses | <u>\$16,573,827</u> | <u>\$16,074,296</u> | <u>\$499,531</u> |

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

Governmental Activities

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

Table 4
Comparative Summary of Net Assets and Changes in Net Assets
Years Ended June 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> | <u>Difference</u> |
|-----------------------------------|--------------------|--------------------|-------------------|
| Net Assets – Beginning | \$5,448,542 | \$5,091,738 | |
| Increase (Decrease) in Net Assets | 603,766 | 356,804 | 246,962 |
| Net Assets – Ending | <u>\$6,052,308</u> | <u>\$5,448,542</u> | |

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

The Board has also set policy with regard to the ideal amount of unreserved/undesignated general fund balance. This policy states that the ideal amount of fund equity should be a fixed dollar amount that increases as the foundation grant increases. The formula yields an ideal balance of approximately 4% of annual expenditures. At year-end, the unreserved/undesignated general fund balance was 6.3% of annual expenditures compared to 6.2% in the preceding year.

The increase in Net Assets is a function of the difference between the District-Wide Financial Statements and the Fund Financial Statements. The reconciliation between these two methods is presented on page 6. The main difference between the two models is the accounting for purchases of capital assets of \$8,224,275. These purchases are recorded as assets on the District-Wide Financial Statements and as expenditures on the Fund Financial Statements. Other differences include the accrual of interest on long-term debt

Shepherd Public Schools
Management Discussion and Analysis
For the Year Ended June 30, 2009

(\$424,529), payment of principal on outstanding bonds (\$384,957), and the depreciation of fixed assets (\$439,851).

Statement of Activities

The Statement of Activities on page 2 is significantly different from the Statement of Revenues, Expenditures, and Changes in Fund Balance. This statement is organized by program listing the expenses in the first column, charges for services in the second column, grants/contributions in the third column, and net expense/revenue in the fourth column. This manner of presentation illustrates the expenses each program generates as well as the corresponding revenues. The net expense/revenue indicates the portion of that program that must be financed with general revenues of the district or, in the case of food service, may not require any general revenues.

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

| | |
|----------------------------|---|
| Basic Instruction | Drivers education tuition, Tribal grants, At-Risk grant, Early Childhood grant, Title IIA grant. |
| Added Needs | State Special Education funding, Vocational Education funding, Title IA grant, Title IIA grant, Medicaid revenues, county special education tax levy from intermediate school district. |
| Pupil Services | State Special Education funding, Special Education tuition and county special education tax levy from intermediate school district. |
| Instructional Staff | Tribal grants, State Special Education funding, Title IA, Title IID, and county special education tax levy from intermediate school district. |
| General Administration | Title IA grants. |
| Operations and Maintenance | Universal Service Funds. |
| Pupil Transportation | Special Education funding, Tribal grants, and county special education tax levy from intermediate school district. |

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

Athletics Gate receipts and tournament fees.

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

IV. Significant Transactions and Changes in Individual Funds

The overall financial position of the individual governmental funds of the District did not change significantly from the previous year with the exception of the Capital Projects Fund and the Debt Service Fund.

The Capital Projects Fund incurred a loss as a result of spending bond proceeds to construct/renovate facilities. This is expected to continue until the bond proceeds are exhausted.

The Debt Service Fund realized a significant decrease in fund equity as a result of the first payment on the 2008 bond issue. Since taxes could not be levied prior to the first bond payment due date, a portion of the bond proceeds were deposited into the Debt Service Fund to make that first payment. This deposit was expended during the current year.

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

| | Revenues and Other Financing <u>Sources</u> | Net Change in Fund Balance <u>From Prior Year</u> | Percent Change in Fund Balance as a Percent of Revenues and Other Financing <u>Sources</u> |
|------------------|---|---|---|
| General | \$14,071,545 | -\$305,733 | 2.17% |
| Food Service | 650,524 | -18,406 | 2.83% |
| Athletics | 266,040 | 612 | 0.23% |
| Capital Projects | 936,176 | -7,011,975 | 749.00% |
| Debt Service | 1,596,016 | -661,120 | 41.42% |

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Management Discussion and Analysis
For the Year Ended June 30, 2009

General Fund

Approximately 81% of the General Fund is spent on salaries and benefits. Since this represents such a large portion of the budget, every attempt is made to settle bargaining agreements that will result in no change to this percentage. If a larger portion of the budget is spent on salaries and benefits, then the fund balance will most likely be reduced because significant reductions to the remainder of the budget are difficult to make.

The Board of Education has designated a portion of the fund balance for specific purposes itemized on page 22. The Board allows certain unspent budget items to be carried over to the following year. It is Management's belief that if people are allowed to carryover unspent portions of their budget, these people will spend this money more wisely than under the "use it or lose it" philosophy of some governmental units. The Board designates fund balance equal to the amount of funds carried over to the following year. Included also in these designations are monies the Board has set aside to finance large maintenance projects started but not completed at year-end. The Board has also designated funds to be used for future maintenance projects that would be too large a burden on fund balance to complete without setting aside funds over a period of years.

Food Service Fund

The Food Service Program for the District has not required any contribution from the General Fund in recent years. The prices for meals served are adjusted as needed to cover the expenses of these operations. The price per meal was increased for the 2009/2010 fiscal year by 10¢. This increase in the hot lunch price is not expected to fully offset recent operating losses for this program. Instead, the program will continue to use fund equity for another year to balance the budget after which the meal prices will need to be increased by 10¢ to 15¢ a meal. The Board feels that the fund equity is excessive in this fund and it should be spent down before the meal prices are increased further.

Athletic Fund

The Athletic Fund is supported primarily by operating transfers from the General Fund. This fund also collects significant revenues in the form of gate receipts and tournament fees. The revenues and expenditures for this fund don't normally vary much from one year to the next with the exception of the number of tournaments hosted by the District. This fund is normally very close to break-even since the General Fund transfers only those funds necessary for the Athletic Fund to break-even.

Shepherd Public Schools
Management Discussion and Analysis
For the Year Ended June 30, 2009

Debt Service Fund

The Debt Service Fund collects property taxes and receives interest earnings on bank deposits to finance the payment of interest and principal on bonds issued to construct facilities throughout the District. The tax rate is set each year at a level to pay the current year principal and interest payments on the bond issue.

V. Changes to Budget and Comparison to Actual Results

The original budget is required to be adopted before the beginning of the fiscal year by State law. For the fiscal year ended June 30, 2009, the original budget was adopted on June 17, 2008. Since the original budget is adopted two months before school is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. The significant variances for the fiscal year ended June 30, 2009 are as follows:

General Fund

Changes from Original Budget to Final Budget

- Local Sources – There was an unforeseen decrease in property taxes levied for operating purposes (\$57,806) and a decrease in interest earnings (\$42,773) related to the recession.
- Non-Educational Entity or Political Subdivision – Received \$198,800 in grants from the Saginaw Chippewa Indian Tribe during the year. This is also adjusted for grants received in prior years that were carried over to the current fiscal year.
- State Sources – State revenues decreased due to a loss of 95 students in the fall of 2008. State revenues were further reduced at the end of the fiscal year due to declining revenue collection related to the recession.
- Federal Sources – Federal revenues increased as a result of Federal stimulus funds that were received to fund the shortfall in State revenues.
- Basic Programs – Budgeted for the expenditure of a majority of the previously mentioned Tribal grants. Funds budgeted and unspent in the previous year of \$196,140 were carried over and added to the current year budget.

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Pupil Transportation – The budget was amended to reflect the reduction of various bus runs by \$20,000 and the reduction in fuel costs due to the decreased price per gallon of gasoline/diesel fuel from the previous year of \$55,000.

Facilities Acquisition – Funds budgeted for large maintenance projects were reduced to help balance the budget after the large loss of students in the fall of 2008.

Variances between Final Budget and Actual Amounts

Non-Educational Entity or Political Subdivision - Revenues of \$262,040 from the previously mentioned Tribal grants was deferred because those monies were not spent by year end.

Basic Programs – Tribal grants of \$238,432 were not spent by year-end. Unspent supply budgets of \$211,267 will also be carried over to the new fiscal year.

Instructional Staff – \$74,598 of the funds budgeted for professional development was not spent.

Operations and Maintenance – Replacement of maintenance vehicles and equipment was budgeted for \$29,011 but not spent due to budget cuts. Heating costs of \$21,000 declined due to lower natural gas prices and the installation of more efficient boilers. Other expenditures were reduced after the district lost an unexpectedly large number of students at the beginning of the year.

Food Service Fund

Changes from Original Budget to Final Budget

No significant variances between the original budget and the final budget.

Variances between Final Budget and Actual Amounts

No significant variances from the final budget.

Athletic Fund

Changes from Original Budget to Final Budget

No significant variances between the original budget and the final budget.

Variances between Final Budget and Actual Amounts

No significant variances from the final budget.

Shepherd Public Schools
Management Discussion and Analysis
For the Year Ended June 30, 2009

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

Capital Assets

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

Land & Improvements – New parking lot and playground at Winn Elementary
Buildings and Additions – Renovations, classroom addition, and office addition to Winn Elementary. Disposed of two portable classrooms.

Machinery and Equipment – Replacement of two computer servers and the main computer switch for the District.

Vehicles – Purchased two new school buses and one used school bus with a lift. Disposed of two school buses.

Long-Term Debt

A summary of the changes in long-term debt is presented on page 21. Detailed notes for these long-term debts are on page 21.

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

The 2008/2009 fiscal year was a difficult year financially. The District lost a total of 95 students resulting in a loss of \$521,265 in revenue. The increase in funding from the State of \$112 per student was also less than the \$200 to \$300 per student needed to cover rising costs. As a result of the lost students and the small increase in state funding per student, the District implemented a number of budget cuts, some during that fiscal year and some for the 2009/2010 fiscal year. Those budget cuts did not bring the District back to a balanced budget. After the last round of cuts the District was expected to spend \$400,000 of fund equity for the coming year.

The Board felt that before making any further cuts, they should wait for the new enrollment numbers and the State to determine the funding for the new fiscal year. The preliminary enrollment numbers indicate that the enrollment has grown by 87 students rather than losing 21 students as projected. This increase of 108 students over the projected amount will result in an increase of \$579,231 in revenue. The District had projected a reduction in state funding of \$149 per student and the current bill that is expected to be signed by the Governor has a reduction of \$165 per student resulting in a loss of \$27,424 in revenue.

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Management Discussion and Analysis
For the Year Ended June 30, 2009

The net result of the increase in enrollment and reduction in funding per student will cause the District to increase fund equity by \$151,807 for the current year. Most of these funds will be needed to pay for increased staff to accommodate the increased enrollment. The State Aid bill that is currently waiting for the Governor's signature is dependent upon tax increases which at this time have not been enacted by the legislature. The revenue collections by the State also continue to come in at less than projected. Because the legislature has been reluctant to increase taxes in recent years and the poor revenue collections, it is likely that the State will not be able to fulfill its pledge to the school districts in Michigan this year. This has been a common problem in recent years and normally results in a decreased funding per student towards the end of the school year.

The union contract with the teachers expired on 6/30/08. We are currently in the process of negotiating a new contract with this bargaining unit. No provision has been made in the budget for pay increases for the teachers for either the previous or current fiscal year.

**DISTRICT-WIDE
FINANCIAL STATEMENTS**



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Shepherd Public School District
Statement of Net Assets
June 30, 2009 and 2008

| | 2009 | 2008 |
|---|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and investments | \$ 25,553,988 | \$ 31,659,348 |
| Accounts receivable, net | 14,420 | 35,893 |
| Accrued interest | 284,931 | 325,637 |
| Due from other governmental units | 2,205,608 | 2,318,727 |
| Inventory | 62,305 | 52,125 |
| Prepaid expenses | 71,297 | 44,784 |
| Total current assets | <u>28,192,549</u> | <u>34,436,514</u> |
| Noncurrent assets | | |
| Deferred charges | | |
| Bond issuance costs less accumulated amortization | 398,435 | 412,725 |
| Land | 182,750 | 182,750 |
| Capital assets less accumulated depreciation | <u>15,495,417</u> | <u>7,710,993</u> |
| Total noncurrent assets | <u>16,076,602</u> | <u>8,306,468</u> |
| Total assets | <u>44,269,151</u> | <u>42,742,982</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 2,136,781 | 255,144 |
| Accrued expenses | 213,660 | 251,550 |
| Accrued interest | 173,717 | 598,246 |
| Accrued wages | 771,303 | 791,653 |
| Deferred revenue | 282,330 | 353,068 |
| State aid loan payable | 1,850,000 | 1,850,000 |
| Current portion of long-term obligations | <u>645,668</u> | <u>384,957</u> |
| Total current liabilities | <u>6,073,459</u> | <u>4,484,619</u> |
| Noncurrent liabilities | | |
| Long-term portion of bonds payable | 31,023,060 | 31,668,728 |
| Premium on bonds less accumulated amortization | 576,988 | 597,680 |
| Compensated absences | <u>543,336</u> | <u>543,413</u> |
| Total noncurrent liabilities | <u>32,143,384</u> | <u>32,809,821</u> |
| Total liabilities | <u>38,216,843</u> | <u>37,294,440</u> |
| Net assets | | |
| Invested in capital assets, net of related debt | 5,103,588 | 3,946,182 |
| Restricted for: | | |
| Debt service | 428,123 | 1,089,243 |
| Unrestricted | <u>520,597</u> | <u>413,117</u> |
| Total net assets | <u>\$ 6,052,308</u> | <u>\$ 5,448,542</u> |

Shepherd Public School District
Statement of Activities
For the Year Ended June 30, 2009, with Comparative Data

| Functions / Programs | Expenses | Program Revenues | | Net Revenue (Expense) and Changes Net Assets | |
|--|----------------------|-------------------------|---------------------------------------|---|---------------------|
| | | Charges for Services | Operating Grants and Contributions | 2009 | 2008 |
| Governmental activities: | | | | | |
| Instruction | \$ 8,711,463 | \$ 88,269 | \$ 1,687,873 | \$ (6,935,321) | \$ (7,051,580) |
| Support services | 6,071,129 | 336,453 | 824,812 | (4,909,864) | (4,879,728) |
| Community services | 55 | - | - | (55) | (54) |
| Other | 43,977 | - | - | (43,977) | 25,236 |
| Interest and fees | 1,313,756 | - | 18,873 | (1,294,883) | (718,660) |
| Amortization, net - unallocated | (6,404) | - | - | 6,404 | 2,668 |
| Depreciation - unallocated | 439,851 | - | - | (439,851) | (426,023) |
| Total governmental activities | <u>\$ 16,573,827</u> | <u>\$ 424,722</u> | <u>\$ 2,531,558</u> | <u>(13,617,547)</u> | <u>(13,048,141)</u> |
| General revenues: | | | | | |
| Property taxes | | | | 2,220,013 | 1,449,717 |
| State aid not restricted to specific purposes | | | | 10,376,271 | 11,343,973 |
| Federal grants not restricted to specific purposes | | | | 620,491 | - |
| Gain (loss) on disposal of capital assets | | | | 9,757 | 1,504 |
| Unrestricted interest and investment earnings | | | | 968,852 | 550,949 |
| Miscellaneous | | | | 25,929 | 58,802 |
| Total general revenues | | | | <u>14,221,313</u> | <u>13,404,945</u> |
| Change in net assets | | | | 603,766 | 356,804 |
| Net assets - beginning | | | | <u>5,448,542</u> | <u>5,091,738</u> |
| Net assets - ending | | | | <u>\$ 6,052,308</u> | <u>\$ 5,448,542</u> |

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS



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Shepherd Public School District
Balance Sheet - Governmental Funds
June 30, 2009, with Comparative Data

| | Major Funds | | | | | Total Governmental Funds | |
|--|---------------------|------------------|------------------|----------------------|-------------------|--------------------------|----------------------|
| | General | Food Service | Athletics | Capital Projects | Debt Service | 2009 | 2008 |
| Assets | | | | | | | |
| Cash and investments | \$ 2,381,264 | \$ 67,668 | \$ 33,629 | \$ 22,643,304 | \$ 428,123 | \$ 25,553,988 | \$ 31,659,348 |
| Accounts receivable, net | 13,058 | 1,362 | - | - | - | 14,420 | 35,893 |
| Accrued interest | - | - | - | 284,931 | - | 284,931 | 325,637 |
| Due from other funds | 30,013 | - | - | - | - | 30,013 | 35,200 |
| Due from other governmental units | 2,200,821 | 4,787 | - | - | - | 2,205,608 | 2,318,727 |
| Inventory | 55,231 | 7,074 | - | - | - | 62,305 | 52,125 |
| Prepays | 70,313 | 601 | 383 | - | - | 71,297 | 44,784 |
| Total assets | \$ 4,750,700 | \$ 81,492 | \$ 34,012 | \$ 22,928,235 | \$ 428,123 | \$ 28,222,562 | \$ 34,471,714 |
| Liabilities | | | | | | | |
| Accounts payable | \$ 301,843 | \$ 708 | \$ 144 | \$ 1,834,086 | \$ - | \$ 2,136,781 | \$ 255,144 |
| Accrued expenses | 213,660 | - | - | - | - | 213,660 | 251,550 |
| Accrued wages | 771,303 | - | - | - | - | 771,303 | 791,653 |
| Due to other funds | - | 1,013 | 29,000 | - | - | 30,013 | 35,200 |
| Deferred revenue | 275,622 | 6,708 | - | - | - | 282,330 | 353,068 |
| State aid loan payable | 1,850,000 | - | - | - | - | 1,850,000 | 1,850,000 |
| Total liabilities | 3,412,428 | 8,429 | 29,144 | 1,834,086 | - | 5,284,087 | 3,536,616 |
| Fund balance | | | | | | | |
| Reserved for: | | | | | | | |
| Debt service | - | - | - | - | 428,123 | 428,123 | 1,089,243 |
| Inventory | 55,231 | 7,074 | - | - | - | 62,305 | 52,125 |
| Prepays | 70,313 | 601 | 383 | - | - | 71,297 | 44,784 |
| Capital projects | - | - | - | 21,094,149 | - | 21,094,149 | 28,106,124 |
| Unreserved, designated for: | | | | | | | |
| Maintenance and capital outlay | 304,481 | - | - | - | - | 304,481 | 665,250 |
| Unreserved, undesignated reported in: | | | | | | | |
| General fund | 908,247 | - | - | - | - | 908,247 | 896,810 |
| Food service fund | - | 65,388 | - | - | - | 65,388 | 77,172 |
| Athletics fund | - | - | 4,485 | - | - | 4,485 | 3,589 |
| Total fund balances | 1,338,272 | 73,063 | 4,868 | 21,094,149 | 428,123 | 22,938,475 | 30,935,097 |
| Total liabilities and fund balances | \$ 4,750,700 | \$ 81,492 | \$ 34,012 | \$ 22,928,235 | \$ 428,123 | \$ 28,222,562 | \$ 34,471,714 |

See accompanying notes to financial statements.

Shepherd Public School District
 Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
 to the Net Assets of Governmental Activities on the Statement of Net Assets
 For the Year Ended June 30, 2009

| | | |
|---|--------------------|----------------------------|
| Total fund balance - governmental funds | | \$ 22,938,475 |
| <p>Amounts reported for governmental activities in the statement of net assets are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p> | | |
| Add: Cost of capital assets | \$ 22,326,647 | |
| Deduct: Accumulated depreciation | <u>(6,648,480)</u> | 15,678,167 |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p> | | |
| Deduct: Bonds payable | (31,525,000) | |
| Deduct: Durant bond issue | (143,728) | |
| Deduct: Compensated absences payable | (543,336) | |
| Deduct: Accrued interest on long-term liabilities | <u>(173,717)</u> | (32,385,781) |
| <p>Other amounts reported in the statement of activities that do not require current financial resources consist of:</p> | | |
| Add: Bond issuance costs (net of amortization) | 398,435 | |
| Deduct: Premium on bonds (net of amortization) | <u>(576,988)</u> | <u>(178,553)</u> |
| Total net assets - governmental activities | | <u><u>\$ 6,052,308</u></u> |

Shepherd Public School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2009, with Comparative Data

| | Major Funds | | | | | Total Governmental Funds | |
|--|---------------------|-------------------|------------------|----------------------|-------------------|--------------------------|----------------------|
| | General | Food Service | Athletics | Capital Projects | Debt Service | 2009 | 2008 |
| Revenues | | | | | | | |
| Local sources | \$ 886,099 | \$280,264 | \$ 57,237 | \$ 936,176 | \$ 1,443,251 | \$ 3,603,027 | \$ 2,419,795 |
| Non-educational entity or political subdivision | 257,422 | - | - | - | - | 257,422 | 332,559 |
| State sources | 11,299,778 | 52,531 | - | - | 18,873 | 11,371,182 | 12,242,317 |
| Federal sources | 965,193 | 317,729 | - | - | - | 1,282,922 | 710,210 |
| Other sources | 663,053 | - | - | - | - | 663,053 | 728,021 |
| Total revenues | 14,071,545 | \$650,524 | 57,237 | 936,176 | 1,462,124 | 17,177,606 | 16,432,902 |
| Expenditures | | | | | | | |
| Instruction | | | | | | | |
| Basic programs | 6,927,086 | - | - | - | - | 6,927,086 | 6,776,944 |
| Added needs | 1,793,071 | - | - | - | - | 1,793,071 | 1,823,478 |
| Total instruction | 8,720,157 | - | - | - | - | 8,720,157 | 8,600,422 |
| Support services | | | | | | | |
| Pupil | 724,650 | - | - | - | - | 724,650 | 706,971 |
| Instructional staff | 255,459 | - | - | - | - | 255,459 | 264,483 |
| General administration | 261,722 | - | - | - | - | 261,722 | 256,054 |
| School administration | 1,137,363 | - | - | - | - | 1,137,363 | 1,119,605 |
| Business | 353,124 | - | - | - | - | 353,124 | 449,301 |
| Operation and maintenance | 1,295,076 | - | - | - | - | 1,295,076 | 1,411,126 |
| Pupil transportation | 994,378 | - | - | - | - | 994,378 | 1,064,622 |
| Central | 317,567 | 734 | - | - | - | 318,301 | 323,432 |
| Food service | - | 668,196 | - | - | - | 668,196 | 666,772 |
| Athletics | - | - | 265,428 | - | - | 265,428 | 264,456 |
| Total support services | 5,339,339 | 668,930 | 265,428 | - | - | 6,273,697 | 6,526,822 |
| Community services | 55 | - | - | - | - | 55 | 54 |
| Facilities acquisition and renovations | 108,924 | - | - | - | - | 108,924 | 33,776 |
| Capital projects | - | - | - | 7,948,151 | - | 7,948,151 | 397,421 |
| Debt service | | | | | | | |
| Principal | - | - | - | - | 384,957 | 384,957 | 3,670,000 |
| Interest | - | - | - | - | 1,737,624 | 1,737,624 | 172,683 |
| Debt issuance cost | - | - | - | - | - | - | 418,679 |
| Fees and other | - | - | - | - | 663 | 663 | 3,981 |
| Total expenditures | 14,168,475 | 668,930 | 265,428 | 7,948,151 | 2,123,244 | 25,174,228 | 19,823,836 |
| Revenues over (under) expenditures | (96,930) | (\$18,406) | (208,191) | (7,011,975) | (661,120) | (7,996,622) | (3,390,934) |
| Other financing sources (uses) | | | | | | | |
| Proceeds from bonds | - | - | - | - | - | - | 31,894,999 |
| Premium on bonds | - | - | - | - | - | - | 606,303 |
| Operating transfers in | - | - | 208,803 | - | 133,892 | 342,695 | 207,731 |
| Operating transfers out | (208,803) | - | - | - | (133,892) | (342,695) | (207,731) |
| Revenues and other sources over (under) expenditures and other uses | (305,733) | (\$18,406) | 612 | (7,011,975) | (661,120) | (7,996,622) | 29,110,368 |
| Fund balances - beginning | 1,644,005 | 91,469 | 4,256 | 28,106,124 | 1,089,243 | 30,935,097 | 1,824,730 |
| Fund balances - ending | \$ 1,338,272 | \$73,063 | \$ 4,868 | \$ 21,094,149 | \$ 428,123 | \$ 22,938,475 | \$ 30,935,097 |

See accompanying notes to financial statements.

Shepherd Public School District
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2009

| | | |
|---|----|-------------|
| Net change in fund balances - total governmental funds | \$ | (7,996,622) |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p> | | |
| Add: Capital outlay | | 8,224,275 |
| Deduct: Depreciation expense | | (439,851) |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p> | | |
| Add: Decrease in accrual for compensated absences | | 77 |
| Add: Decrease in interest on long-term debt | | 424,529 |
| <p>Procurement of and payment of principal on long-term debt is recongnized as an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).</p> | | |
| Add: Payment on bond principal | | 384,957 |
| <p>Other amounts reported in the statement of activities that do not require current financial resources.</p> | | |
| Add: Amortization of premium | | 20,693 |
| Deduct: Amortization of bond issuance cost | | (14,289) |
| | | 603,766 |
| Net change in net assets - governmental activities | \$ | 603,766 |

Shepherd Public School District
Statement of Fiduciary Net Assets
June 30, 2009, with Comparative Data

| | Trust Fund | Agency Fund | Totals | |
|----------------------------------|------------------|-------------------|-------------------|-------------------|
| | | | 2009 | 2008 |
| Assets | | | | |
| Cash and investments | \$ 13,563 | \$ 118,041 | \$ 131,604 | \$ 104,677 |
| Total assets | <u>\$ 13,563</u> | <u>\$ 118,041</u> | <u>\$ 131,604</u> | <u>\$ 104,677</u> |
| Liabilities | | | | |
| Due to student groups | \$ - | \$ 118,041 | \$ 118,041 | \$ 90,906 |
| Net assets | | | | |
| Restricted for endowments | 12,457 | - | 12,457 | 12,665 |
| Unrestricted | <u>1,106</u> | <u>-</u> | <u>1,106</u> | <u>1,106</u> |
| Total net assets | <u>13,563</u> | <u>-</u> | <u>13,563</u> | <u>13,771</u> |
| Total liabilities and net assets | <u>\$ 13,563</u> | <u>\$ 118,041</u> | <u>\$ 131,604</u> | <u>\$ 104,677</u> |

Shepherd Public School District
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2009 and 2008

| | Trust Fund | |
|------------------------------------|------------------|------------------|
| | 2009 | 2008 |
| Additions | | |
| Interest | \$ 441 | \$ 1,257 |
| Contributions | - | 414 |
| Total additions | <u>441</u> | <u>1,671</u> |
| Deductions | | |
| Scholarship, awards, & periodicals | 439 | 949 |
| Transfer to community foundation | <u>210</u> | <u>13,023</u> |
| Total deductions | <u>649</u> | <u>13,972</u> |
| Change in net assets | (208) | (12,301) |
| Net assets - beginning | <u>13,771</u> | <u>26,073</u> |
| Net assets - ending | <u>\$ 13,563</u> | <u>\$ 13,771</u> |

NOTES TO THE FINANCIAL STATEMENTS



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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The District is governed by a seven member Board of Education which has responsibility and control over all activities related to public school education within the District. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities.

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

District-Wide and Fund Financial Statements

The District-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. 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 revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items, including taxes and intergovernmental payments, not properly included among program revenues are reported instead as general revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide Financial Statements – The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. 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.

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

The District reports the following major governmental funds:

- The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The debt service fund is used to record tax, interest, other revenue for payment, principal and other expenditures on the 2008 and Durant bond issue.
- The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The school service funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The school service funds maintained by the District are the athletic fund and food service fund.

Additionally, the District reports the following fund types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary fund net assets and results of operations are not included in the District-wide statements. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not involve measurement of results of operations.

The District presently maintains a student activity fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

The District also maintains a non-expendable trust fund to account for assets of which the principal may not be spent. These funds have been accumulated to pay scholarships and awards to students.

Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in financial position and operations. Also, certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

Budgetary Data

Budgets are adopted by the District for the general and special revenue funds. The budgets are adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level and control is exercised at the activity level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

State statute authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The District's deposits are in accordance with statutory authority.

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from the State of Michigan.

Property Tax Revenue

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

The taxable value for the District amounted to \$204,610,521, which includes \$44,670,669 attributable to non-homesteads. The District levied 18.00 mills for school general operations on the non-homestead taxable value, which totaled \$779,434. The District also levied an additional 7.00 mills on all property in the District for the purpose of debt service, which totaled \$1,432,376.

State Aid Revenue

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

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

Inventory

Inventories are valued at cost, on a first in, first out (FIFO) basis. Fund balance is reserved for the amount of inventories on hand as of June 30th.

USDA donated commodities are recorded as a deferred revenue and inventory when received based on their fair market value as determined by the U.S. Department of Agriculture. Revenues and expenditures are then recognized when the commodities are used. Ending inventory for USDA donated commodities was immaterial and, therefore, was not recorded.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental column in the District-wide financial statements. Capital assets are defined by the District as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The District does not have infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the District-wide financial statements.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|-------------------------|-----------------|
| Land | Not Depreciated |
| Buildings & Additions | 10 - 50 |
| Machinery & Equipment | 5 - 20 |
| Vehicles | 10 |
| Construction In Process | Not Depreciated |

Estimates

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

Compensated Absences

The District's policy does not allow employees to accumulate vacation days and carry the accumulation forward to future years. For custodial and maintenance workers, however, vacation accruals are based on their anniversary date resulting in a liability at year end. Vacation accruals for other employees are recorded on the fiscal year basis, resulting in no liability balance at year end. Accrued vacation pay is paid to the employee upon termination of employment. The vacation pay liability as of June 30, 2009 is \$12,929 and is reflected in the District-wide financial statements.

Teachers who have served the District at least eight years are eligible to receive a one-time severance payment in the amount of \$3,000 provided they qualify to retire under the MPERS retirement plan. The amount of potential liability for these benefits at June 30, 2009 is \$243,000 and is reflected in the District-wide financial statements.

Sick days can be accumulated up to one hundred twenty-five (125) days for teachers and one hundred ten (110) days for other employees. All teachers with a minimum of ten years of service, upon retirement, are paid sick leave at a rate of \$45 per day up to a maximum of 60 days. All teachers with a minimum of twenty years of service, upon retirement, are paid sick leave at a rate of \$50 per day up to a maximum of 60 days. Employees that are members of the International Union of Operating Engineers, Local #547, 547A, 547B, and 547C, AFL-CIO with ten years of service, upon retirement, will be paid in full for all unused accumulated sick leave up to a maximum of 55 days and one half of their normal day's pay for all days in excess of 55 days. The sick leave liability as of June 30, 2009 is \$287,407 and is reflected in the District-wide financial statements.

Deferred Revenue

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

Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net assets.

Net Assets and Fund Balances

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

Fund Balances - Reserves and Designations

Fund balances in the governmental fund financial statements are reported as reserved when a portion of fund balance is either:

- Not available for appropriation for expenditure, or
- Legally segregated for a specific future use.

Fund balances in the governmental fund financial statements may be reported as designated to reflect management's self-imposed limitations on the use of otherwise available financial resources. Designations represent management's intended use of resources and should reflect actual plans approved by them.

Net Assets – Restrictions

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

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

Unemployment Compensation

The District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the District must reimburse the Employment Commission for all benefits charged against the District for the year. No provision has been made for possible future claims.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess Of Expenditures Over Appropriations

Budgets are adopted at the functional level and on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is not employed in governmental funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2009.

During the current year the District incurred expenditures in excess of the amounts budgeted as indicated in the budget comparison schedules as unfavorable variances.

Shepherd Public School District
Notes to the Financial Statements
June 30, 2009

NOTE 3. DEPOSITS AND INVESTMENTS

At June 30th, the carrying amount of the District's cash, deposits and investments was as follows:

| Cash, Deposits, And Investments | Carrying Amount |
|--|-----------------|
| Petty Cash | \$ 1,000 |
| Checking, Savings, & Money Market Accounts | 3,719,311 |
| State Investment Pool – MILAF | 12,784 |
| Investments | 21,820,893 |
| Total | \$ 25,553,988 |

Deposits with Financial Institutions

At year-end, the carrying amount of the District's deposits was \$3,719,311 and the bank balance was \$3,975,515. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits that exceed FDIC insurance coverage limits are held at local banks.

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

The District voluntarily invests certain excess funds in external pooled investment funds which includes money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school Districts. MILAF is not regulated nor is it registered with the SEC. As of June 30, 2009, MILAF reports the fair value of the District's investments is the same as the value of the pool shares.

Investments

As of June 30th, the District had the following investments:

| Investment Type | Fair Value | Weighted Average Maturity (years) | Rating | % |
|--|---------------|-----------------------------------|--------|----------|
| MILAF External Investment pool-MICMC | \$ 12,771 | 0.0027 | AAAm | 0.05896 |
| MILAF External Investment pool-MIMAX | 13 | 0.0027 | AAAm | 0.00006 |
| Freddie Mac | 7,815,238 | 0.3160 | Aaa | 36.08316 |
| Fannie Mae | 13,830,938 | 0.8169 | Aaa | 63.85782 |
| Total fair value | \$ 21,658,960 | | | 100.0000 |
| Portfolio weighted average maturity | | | | |
| 1 day maturity equals 0.0027, one year equals 1.00 | | | | |

MILAF investments are rated by Standard and Poor's.

All other investments are rated by Moody's Investors Service.

Shepherd Public School District
Notes to the Financial Statements
June 30, 2009

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

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

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

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. See above for amount of deposits held by the District that are exposed to custodial credit risk because it is uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, it is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

NOTE 4. INTERFUND RECEIVABLES AND PAYABLES

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

| Fund | Due From | Due To |
|--------------|-----------|-----------|
| General | \$ 30,013 | \$ - |
| Food Service | - | 1,013 |
| Athletics | - | 29,000 |
| Total | \$ 30,013 | \$ 30,013 |

Shepherd Public School District
Notes to the Financial Statements
June 30, 2009

NOTE 5. DUE FROM OTHER GOVERNMENTAL UNITS

As of 30th, due from other governmental units is comprised of the following amounts:

| Description | Amount |
|--------------------------------------|--------------|
| General Fund: | |
| State of Michigan – Title I | \$ 30,974 |
| State of Michigan – Title II | 298 |
| State of Michigan – State Aid | 1,546,650 |
| ARRA Stabilization Funds | 620,491 |
| Mt. Pleasant Public Schools – Voc Ed | 2,408 |
| Hot Lunch Fund: | |
| State of Michigan – State Aid | 4,787 |
| Totals | \$ 2,205,608 |

NOTE 6. PREPAIDS

Prepaid expenses represent payments for the following expenses that will benefit future periods:

| Prepaid | Amount |
|--------------------------------------|-----------|
| Prefunded Employee Health and Dental | \$ 50,000 |
| Prepaid Health Insurance Premium | 21,297 |
| Totals | \$ 71,297 |

Shepherd Public School District
Notes to the Financial Statements
June 30, 2009

NOTE 7. CAPITAL ASSETS

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

| Capital Assets | Beginning Balance | Additions | Disposals | Ending Balance |
|---------------------------------------|--------------------------|---------------------|------------------|-----------------------|
| Land & Improvements | \$ 1,018,504 | \$ 171,900 | \$ - | \$ 1,190,404 |
| Buildings & Additions | 10,119,409 | 852,648 | (58,962) | 10,913,095 |
| Machinery & Equipment | 899,120 | 38,806 | - | 937,926 |
| Vehicles | 1,811,769 | 172,372 | (89,390) | 1,894,751 |
| Construction in Process | 401,922 | 6,988,549 | - | 7,390,471 |
| Total Capital Assets | 14,250,724 | 8,224,275 | (148,352) | 22,326,647 |
| Accumulated Depreciation | | | | |
| Land & Improvements | (457,454) | (30,420) | - | (487,874) |
| Buildings & Additions | (4,240,451) | (197,088) | 58,962 | (4,378,577) |
| Equipment | (602,999) | (67,941) | - | (670,940) |
| Vehicles | (1,056,077) | (144,402) | 89,390 | (1,111,089) |
| Total Accumulated Depreciation | (6,356,981) | (439,851) | 148,352 | (6,648,480) |
| Net Capital Assets | \$ 7,893,743 | \$ 7,784,424 | \$ - | \$ 15,678,167 |

Depreciation for the year ended June 30, 2009 totaled \$439,851. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 8. ACCRUED EXPENSES

Accrued expenses as of year-end, as shown below, include amounts due for retirement and FICA on salaries payable.

| Accrued Expenses | Amount |
|-------------------------|-------------------|
| Retirement | \$ 127,573 |
| FICA | 59,005 |
| Totals | \$ 186,578 |

NOTE 9. ACCRUED INTEREST

Accrued interest represents interest accrued on outstanding debt from the date of the last payment to the end of the fiscal year as follows:

| Description | Amount |
|----------------------|------------|
| 2008 Refunding Bonds | \$ 172,916 |
| Durant Bonds | 801 |
| Total | \$ 173,717 |

NOTE 10. ACCRUED WAGES

Accrued wages represent the remaining balance on teacher contracts to be paid during the summer and other salaries and wages earned as of June 30th.

NOTE 11. DEFERRED REVENUE

Deferred revenue represents revenues received in advance of the amount expended as follows:

| Revenue / Program | Amount |
|--------------------------|------------|
| General Fund | |
| Tribal Grant | \$ 262,040 |
| Other Grants | 13,582 |
| Food Service Fund | |
| Prepaid Lunches | 6,708 |
| Total | \$ 282,330 |

NOTE 12. SHORT-TERM NOTE PAYABLE

On August 20, 2008 the District borrowed \$1,850,000 from the Municipal Bond Authority in the form of a State Aid Anticipation Note for the purpose of providing funds for school operations. The interest rate is stated at 1.70% and the maturity date is August 20, 2009. This loan is shown as a current liability in the General Fund.

On August 20, 2009 (after the end of the current fiscal year), the District borrowed \$2,000,000 in two notes (\$800,000 and \$1,200,000) from the Municipal Bond Authority in the form of a State Aid Anticipation Notes for the purpose of providing funds for school operations. The interest rates are stated at 1.40% and 0.85%, respectively, with maturity dates of August 20, 2010. These loans were acquired after the end of the fiscal year and, therefore, are not shown as a current liabilities in the General Fund.

NOTE 13. LONG-TERM DEBT

2008 School Building and Site Refunding Bonds

During 2008, the District issued \$31,895,000 of general obligation bonds. Bonds in the amount of \$28,905,000 will be used for the purpose of erecting, furnishing, and equipping additions to and remodeling, refurbishing and re-equipping school buildings; acquiring and installing educational technology improvements; and developing and improving playgrounds, athletic fields and facilities and sites.

The remaining \$2,990,000, together with other available funds of the District, were used to pay the remaining principal of and interest on the 1998 Refunding Bonds, dated April 15, 1998 and to pay the remaining portion of the cost of issuing the bonds.

As a result of the advance refunding, the District reduced its total debt service requirements by \$251,036, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$164,367.

See the schedule of long-term debt in the back of this report.

Durant Bonds

As a result of the Durant Settlement, the District is expected to receive approximately \$537,496. One-half of the settlement (\$268,750) were paid to the District in ten equal payments which began in November 1998. These payments were recorded as revenue in the General fund when received.

The District elected to receive the balance of the settlement by participating in the bonding program. Consequently, the District borrowed \$268,746 from the School Loan Bond Fund and will make the annual principal and interest payments from the annual appropriation from the State of Michigan. The bonds are the obligation of the District and are recorded in the District-wide financial statements. The State of Michigan is the only revenue source for making the annual debt service payments on the bonds. However, if the legislature fails to appropriate the funds, the District is under no obligation for payment.

Restrictions on the use of these funds is stated in the Revised School Code Part 17, Sections 1351 and include the following: school buses, electronic instructional material and software, textbooks, technology, infrastructure or infrastructure improvement, school security, training for technology, or to reduce or eliminate certain voter-approved debt.

For the terms of the bonds, see the bond payment schedule included in this report.

Summary of Long-term Debt Transactions

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

| | Beginning Balance | Additions | (Deletions) | Ending Balance | Less: Current Portion | Total due after one year |
|------------------------|-------------------|-----------|--------------|----------------|-----------------------|--------------------------|
| Compensated abs | \$ 543,413 | \$ - | \$ (77) | \$ 543,336 | \$ - | \$543,336 |
| 2008 Bonds | 31,895,000 | - | (370,000) | 31,525,000 | 630,000 | 30,895,000 |
| Durant Bonds | 158,685 | - | (14,957) | 143,728 | 15,668 | 128,060 |
| Total | \$ 32,597,098 | \$ - | \$ (385,034) | \$ 32,212,064 | \$ 645,668 | \$ 31,566,396 |

Shepherd Public School District
Notes to the Financial Statements
June 30, 2009

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2009, including interest of \$21,881,905, are as follows:

| For The Fiscal year Ending June 30, | Amount | For The Fiscal year Ending June 30, | Amount |
|--|--------------|--|--------------|
| 2010 | \$ 2,032,197 | 2024 | \$ 1,963,875 |
| 2011 | 2,155,147 | 2025 | 1,930,125 |
| 2012 | 2,243,021 | 2026 | 1,877,250 |
| 2013 | 2,404,798 | 2027 | 1,849,375 |
| 2014 | 2,293,875 | 2028 | 1,822,313 |
| 2015 | 2,292,625 | 2029 | 1,794,188 |
| 2016 | 2,288,875 | 2030 | 1,735,281 |
| 2017 | 2,143,875 | 2031 | 1,676,375 |
| 2018 | 2,092,625 | 2032 | 1,621,375 |
| 2019 | 2,041,375 | 2033 | 1,556,094 |
| 2020 | 2,025,375 | 2034 | 1,500,313 |
| 2021 | 2,008,375 | 2035 | 1,444,531 |
| 2022 | 1,990,375 | 2036 | 1,413,750 |
| 2023 | 1,996,375 | 2037 | 1,356,875 |

NOTE 14. FUND BALANCE RESERVES AND DESIGNATIONS

Fund balance for the General Fund, Food Service Fund and Athletic Fund is reserved for inventory and prepaid expenses. Fund balance in the Debt Service Fund is reserved for debt service. Fund balance in the Capital Projects Fund is reserved for capital outlay. Fund balance in the Trust Fund is reserved for endowments.

Fund balance in the General Fund is designated for the following items at June 30th:

| Description | Amount |
|---|------------|
| Instructional Supplies, Text Books, and Capital Outlay | \$ 92,884 |
| Curriculum | 118,383 |
| Media Center Supplies, Books, Periodicals, and Capital Outlay | 1,602 |
| Technology | 27,156 |
| Maintenance Projects | 2,825 |
| Maintenance Equipment and Pickup | 37,411 |
| Transportation Equipment and Van | 24,220 |
| Total Designated Fund Balance | \$ 304,481 |

NOTE 15. EMPLOYEE RETIREMENT SYSTEM

Plan Description

The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing, defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and post-retirement benefits for health, dental, and vision. The MPSERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS.

A copy of this report can be requested by calling (517) 322-6000 or by writing to:

Michigan Public School Employees' Retirement System
P.O. Box 30171
Lansing, MI 48909-7671

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Member Investment Plan Plus (MIP Plus) members are members first enrolled in the MIP system on or after July 1, 2008. These members' contributions follow graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2009 was 16.54% of payroll. The contribution requirements of plan members and the District are established, and may be amended by, the MPSERS Board of Trustees. This District's contributions to MPSERS for the years ended June 30, 2009, 2008, and 2007 were \$1,417,711, \$1,399,967, and \$1,379,611, respectively, which is equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits; it is the responsibility of the State of Michigan.

Other Post-Employment Benefits

Under the MPSERS' Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these overages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

NOTE 16. RISK MANAGEMENT

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

NOTE 17. TRANSFERS

The general fund transferred \$208,803 to the athletics fund to cover operating expenses during the 2009 fiscal year.

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULES



ROSLUND, PRESTAGE & COMPANY, P.C.
308 GRATIOT AVENUE • ALMA • MICHIGAN • 48801
PHONE: 989-463-6123 • FAX: 989-463-4055

Shepherd Public School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2009

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|--|-------------------|-------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Local sources | \$ 981,310 | \$ 889,943 | \$ 886,099 | \$ (3,844) |
| Non-educational entity or political subdivision | 325,000 | 519,462 | 257,422 | (262,040) |
| State sources | 12,306,300 | 11,288,283 | 11,299,778 | 11,495 |
| Federal sources | 425,390 | 1,029,828 | 965,193 | (64,635) |
| Other sources | 660,870 | 679,376 | 663,053 | (16,323) |
| Total revenues | <u>14,698,870</u> | <u>14,406,892</u> | <u>14,071,545</u> | <u>(335,347)</u> |
| Expenditures | | | | |
| Instruction | | | | |
| Basic programs | 6,895,613 | 7,468,060 | 6,927,086 | 540,974 |
| Added needs | <u>1,898,600</u> | <u>1,838,890</u> | <u>1,793,071</u> | <u>45,819</u> |
| Total instruction | <u>8,794,213</u> | <u>9,306,950</u> | <u>8,720,157</u> | <u>586,793</u> |
| Support services | | | | |
| Pupil | 723,390 | 742,552 | 724,650 | 17,902 |
| Instructional staff | 306,100 | 333,870 | 255,459 | 78,411 |
| General administration | 282,876 | 283,005 | 261,722 | 21,283 |
| School administration | 1,147,560 | 1,137,268 | 1,137,363 | (95) |
| Business | 384,740 | 374,217 | 353,124 | 21,093 |
| Operation and maintenance | 1,390,870 | 1,422,332 | 1,295,076 | 127,256 |
| Pupil transportation | 1,183,741 | 1,069,195 | 994,378 | 74,817 |
| Central | 360,790 | 354,463 | 317,567 | 36,896 |
| Total support services | <u>5,780,067</u> | <u>5,716,902</u> | <u>5,339,339</u> | <u>377,563</u> |
| Community services | | | | |
| Facilities acquisition and renovation | 350 | 200 | 55 | 145 |
| Debt service | <u>162,900</u> | <u>111,749</u> | <u>108,924</u> | <u>2,825</u> |
| | 3,730 | - | - | - |
| Total expenditures | <u>14,741,260</u> | <u>15,135,801</u> | <u>14,168,475</u> | <u>967,326</u> |
| Revenues over (under) expenditures | (42,390) | (728,909) | (96,930) | 631,979 |
| Other financing sources (uses) | | | | |
| Operating transfers out | <u>(220,000)</u> | <u>(215,000)</u> | <u>(208,803)</u> | <u>6,197</u> |
| Revenues and other sources over (under) expenditures and other uses | (262,390) | (943,909) | (305,733) | 638,176 |
| Fund balance - beginning | <u>719,064</u> | <u>1,644,005</u> | <u>1,644,005</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 456,674</u> | <u>\$ 700,096</u> | <u>\$ 1,338,272</u> | <u>\$ 638,176</u> |

Shepherd Public School District
 Budgetary Comparison Schedule for the Food Service Fund
 For the Year Ended June 30, 2009

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|-------------------------|-------------------------|-------------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Local sources | \$ 284,000 | \$ 276,838 | \$280,264 | \$3,426 |
| State sources | 48,000 | 52,531 | 52,531 | - |
| Federal sources | 312,000 | 318,000 | 317,729 | (271) |
| Total revenues | <u>644,000</u> | <u>647,369</u> | <u>\$650,524</u> | <u>\$3,155</u> |
| Expenditures | | | | |
| Central | 500 | 750 | 734 | 16 |
| Food service | <u>670,000</u> | <u>684,940</u> | <u>668,196</u> | <u>16,744</u> |
| Total expenditures | <u>670,500</u> | <u>685,690</u> | <u>668,930</u> | <u>16,760</u> |
| Revenues over (under) expenditures | (26,500) | (38,321) | (\$18,406) | 19,915 |
| Fund balance - beginning | <u>95,861</u> | <u>91,469</u> | <u>91,469</u> | <u>-</u> |
| Fund balance - ending | <u><u>\$ 69,361</u></u> | <u><u>\$ 53,148</u></u> | <u><u>\$ 73,063</u></u> | <u><u>\$ 19,915</u></u> |

Shepherd Public School District
 Budgetary Comparison Schedule for the Athletic Fund
 For the Year Ended June 30, 2009

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|--|------------------------|------------------------|------------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Local sources | \$ 55,000 | \$ 55,471 | \$ 57,237 | \$ 1,766 |
| Expenditures | | | | |
| Athletics | 275,000 | 269,845 | 265,428 | 4,417 |
| Revenues over (under) expenditures | <u>(220,000)</u> | <u>(214,374)</u> | <u>(208,191)</u> | <u>(2,651)</u> |
| Other financing sources (uses) | | | | |
| Operating transfers in | 220,000 | 215,000 | 208,803 | (6,197) |
| Revenues and other sources over (under) expenditures and other uses | <u>-</u> | <u>626</u> | <u>612</u> | <u>(8,848)</u> |
| Fund balance - beginning | <u>1,871</u> | <u>4,256</u> | <u>4,256</u> | <u>-</u> |
| Fund balance - ending | <u><u>\$ 1,871</u></u> | <u><u>\$ 4,882</u></u> | <u><u>\$ 4,868</u></u> | <u><u>\$ (14)</u></u> |

OTHER SUPPLEMENTAL INFORMATION



ROSLUND, PRESTAGE & COMPANY, P.C.
308 GRATIOT AVENUE • ALMA • MICHIGAN • 48801
PHONE: 989-463-6123 • FAX: 989-463-4055

Shepherd Public School District
General Fund
Balance Sheet
June 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|--|-------------------------|-------------------------|
| Assets | | |
| Cash and investments | \$ 2,381,264 | \$ 2,661,500 |
| Accounts receivable, net | 13,058 | 35,836 |
| Due from other funds | 30,013 | 35,200 |
| Due from other governmental units | 2,200,821 | 2,313,940 |
| Inventory | 55,231 | 40,560 |
| Prepays | <u>70,313</u> | <u>41,385</u> |
| Total assets | <u>\$ 4,750,700</u> | <u>\$ 5,128,421</u> |
| Liabilities | | |
| Accounts payable | \$ 301,843 | \$ 251,760 |
| Accrued expenses | 213,660 | 250,155 |
| Accrued wages | 771,303 | 785,925 |
| Deferred revenue | 275,622 | 346,576 |
| State aid loan payable | <u>1,850,000</u> | <u>1,850,000</u> |
| Total liabilities | <u>3,412,428</u> | <u>3,484,416</u> |
| Fund balance | | |
| Reserved for: | | |
| Prepays | 70,313 | 41,385 |
| Inventory | 55,231 | 40,560 |
| Unreserved, designated for: | | |
| Maintenance and capital outlay | 304,481 | 665,250 |
| Unreserved, undesignated | <u>908,247</u> | <u>896,810</u> |
| Total fund balance | <u>1,338,272</u> | <u>1,644,005</u> |
| Total liabilities and fund balance | <u>\$ 4,750,700</u> | <u>\$ 5,128,421</u> |

Shepherd Public School District
General Fund
Statement of Revenues
For The Years Ended June 30, 2009 and 2008

| | 2009 | 2008 |
|--|---------------|---------------|
| Local sources | | |
| Property taxes | \$ 787,638 | \$ 845,444 |
| Interest | 20,754 | 63,527 |
| Contributions | 10,854 | 16,719 |
| Tuition | 21,266 | 17,821 |
| Insurance claims | 10,140 | 19,029 |
| Other local revenues | 35,447 | 35,838 |
| Total local sources | 886,099 | 998,379 |
| Non-educational entity or political subdivision | | |
| Tribal grants | 257,422 | 332,559 |
| State sources | | |
| General state aid | 10,376,272 | 11,343,973 |
| Categorical: | | |
| Special education | 559,108 | 467,989 |
| At risk | 296,970 | 255,890 |
| Early childhood development | 51,000 | 51,000 |
| Durant settlement | - | 26,875 |
| Other | 16,428 | 49,104 |
| Total state sources | 11,299,778 | 12,194,831 |
| Federal sources | | |
| ARRA | 620,491 | - |
| Title I, Part A | 255,716 | 296,870 |
| Title II, Part A | 72,937 | 75,374 |
| Title II, Part D | 2,325 | 2,521 |
| Title V | - | 355 |
| Medicaid | 13,724 | 25,935 |
| Safe & drug free schools | - | 3,375 |
| Total federal sources | 965,193 | 404,430 |
| Other sources | | |
| Special education tax | 570,740 | 620,671 |
| Special education tuition | 15,493 | 13,288 |
| Sale of school property | 9,757 | 3,905 |
| Medicaid - targeted case management | 67,003 | 69,683 |
| Vocational education transportation | - | 18,126 |
| Other | 60 | 2,349 |
| Total other sources | 663,053 | 728,021 |
| Total general fund revenues | \$ 14,071,545 | \$ 14,658,219 |

Shepherd Public School District
General Fund
Statement of Expenditures
For the Years Ended June 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|-------------------------------|------------------|------------------|
| Instruction | | |
| Basic programs | | |
| Elementary | | |
| Salaries | \$ 1,920,136 | \$ 1,882,316 |
| Employee benefits | 913,659 | 873,895 |
| Purchased services | 61,551 | 114 |
| Supplies, materials and other | 125,007 | 173,084 |
| Capital outlay | <u>2,752</u> | <u>628</u> |
| Total elementary | <u>3,023,105</u> | <u>2,930,037</u> |
| Middle school | | |
| Salaries | 969,854 | 964,196 |
| Employee benefits | 460,948 | 443,188 |
| Purchased services | 18,313 | 68 |
| Supplies, materials and other | 130,331 | 92,935 |
| Capital outlay | <u>-</u> | <u>1,558</u> |
| Total middle school | <u>1,579,446</u> | <u>1,501,945</u> |
| High school | | |
| Salaries | 1,398,191 | 1,389,897 |
| Employee benefits | 681,344 | 670,797 |
| Purchased services | 35,362 | 5,130 |
| Supplies, materials and other | 134,635 | 166,205 |
| Capital outlay | <u>-</u> | <u>3,892</u> |
| Total high school | <u>2,249,532</u> | <u>2,235,922</u> |
| Pre-school | | |
| Purchased services | <u>51,000</u> | <u>51,000</u> |
| Summer school | | |
| Salaries | 18,606 | 37,337 |
| Employee benefits | 4,363 | 9,424 |
| Supplies, materials and other | <u>1,034</u> | <u>11,279</u> |
| Total summer school | <u>24,003</u> | <u>58,040</u> |
| Total basic programs | <u>6,927,086</u> | <u>6,776,944</u> |
| Added needs | | |
| Special education | | |
| Salaries | 728,914 | 734,138 |
| Employee benefits | 346,332 | 346,441 |
| Purchased services | 17,799 | 3,034 |
| Supplies, materials and other | <u>5,621</u> | <u>4,498</u> |
| Total special education | <u>1,098,666</u> | <u>1,088,111</u> |

Shepherd Public School District
General Fund
Statement of Expenditures
For the Years Ended June 30, 2009 and 2008

| | 2009 | 2008 |
|---|------------------|------------------|
| Instruction (continued) | | |
| Added needs (continued) | | |
| Compensatory education | | |
| Salaries | \$ 200,343 | \$ 230,208 |
| Employee benefits | 80,538 | 95,340 |
| Purchased services | 1,580 | - |
| Supplies, materials and other | 9,049 | 11,036 |
| | <u>291,510</u> | <u>336,584</u> |
| Vocational education | | |
| Salaries | 90,437 | 98,522 |
| Employee benefits | 45,826 | 49,492 |
| Supplies, materials and other | 3,439 | 3,854 |
| Capital outlay | - | 48 |
| Outgoing transfers and other transactions | 263,193 | 246,867 |
| | <u>402,895</u> | <u>398,783</u> |
| Total added needs | <u>1,793,071</u> | <u>1,823,478</u> |
| Total instruction | <u>8,720,157</u> | <u>8,600,422</u> |
| Support services | | |
| Pupil | | |
| Guidance services | | |
| Salaries | 163,654 | 157,098 |
| Employee benefits | 82,590 | 79,843 |
| Purchased services | 42 | 197 |
| Supplies, materials and other | 90 | 90 |
| | <u>246,376</u> | <u>237,228</u> |
| Health services | | |
| Salaries | 32,076 | 31,463 |
| Employee benefits | 21,857 | 21,219 |
| Purchased services | 102 | 144 |
| Supplies, materials and other | 1,263 | 1,687 |
| | <u>55,298</u> | <u>54,513</u> |
| Speech | | |
| Salaries | 114,105 | 116,385 |
| Employee benefits | 56,296 | 55,731 |
| Purchased services | 823 | 658 |
| Supplies, materials and other | 743 | 796 |
| | <u>171,967</u> | <u>173,571</u> |

Shepherd Public School District
General Fund
Statement of Expenditures
For the Years Ended June 30, 2009 and 2008

| | 2009 | 2008 |
|----------------------------------|----------------|----------------|
| Support services | | |
| Pupil | | |
| Social Worker | | |
| Salaries | \$ 44,436 | \$ 42,433 |
| Employee benefits | 23,488 | 23,776 |
| Purchased services | 402 | 195 |
| Supplies, materials and other | 335 | 447 |
| Total social worker | <u>68,661</u> | <u>66,850</u> |
| Other pupil services | | |
| Aides | | |
| Salaries | 144,271 | 140,161 |
| Employee benefits | 35,714 | 34,649 |
| Purchased services | 2,363 | - |
| Total aides | <u>182,348</u> | <u>174,809</u> |
| Total pupil | <u>724,650</u> | <u>706,971</u> |
| Instructional staff | | |
| Improvement of instruction | | |
| Purchased services | 35,960 | 48,085 |
| Supplies, materials and other | 1,813 | 576 |
| Total improvement of instruction | <u>37,773</u> | <u>48,662</u> |
| Library | | |
| Salaries | 95,162 | 96,947 |
| Employee benefits | 37,393 | 37,645 |
| Purchased services | 4,713 | 506 |
| Supplies, materials and other | 21,743 | 21,489 |
| Capital outlay | 780 | 3,813 |
| Total library | <u>159,791</u> | <u>160,399</u> |
| Special education director | | |
| Salaries | 35,101 | 31,897 |
| Employee benefits | 20,120 | 20,283 |
| Purchased services | 1,238 | 1,036 |
| Supplies, materials and other | 1,436 | 1,127 |
| Capital outlay | - | 1,079 |
| Total special education director | <u>57,895</u> | <u>55,422</u> |
| Total instructional staff | <u>255,459</u> | <u>264,483</u> |
| General administration | | |
| Board of education | | |
| Salaries | 5,080 | 4,780 |
| Purchased services | 45,007 | 42,390 |
| Supplies, materials and other | 9,509 | 12,336 |
| Total board of education | <u>59,596</u> | <u>59,506</u> |

See accompanying notes to financial statements.

Shepherd Public School District
General Fund
Statement of Expenditures
For the Years Ended June 30, 2009 and 2008

| | 2009 | 2008 |
|-------------------------------------|------------------|------------------|
| Support services (continued) | | |
| Executive administration | | |
| Salaries | \$ 142,270 | \$ 138,520 |
| Employee benefits | 56,067 | 55,078 |
| Purchased services | 1,863 | 727 |
| Supplies, materials and other | 1,926 | 2,223 |
| | <u>202,126</u> | <u>196,548</u> |
| Total executive administration | | |
| | <u>202,126</u> | <u>196,548</u> |
| Total general administration | <u>261,722</u> | <u>256,054</u> |
| School administration | | |
| Offices of the principals | | |
| Salaries | 782,269 | 763,926 |
| Employee benefits | 323,836 | 319,866 |
| Purchased services | 23,507 | 25,357 |
| Supplies, materials and other | 7,751 | 10,456 |
| | <u>1,137,363</u> | <u>1,119,605</u> |
| Total offices of the principals | | |
| | <u>1,137,363</u> | <u>1,119,605</u> |
| Business | | |
| Fiscal services | | |
| Salaries | 155,023 | 143,706 |
| Employee benefits | 77,219 | 79,055 |
| Purchased services | 5,913 | 3,139 |
| Supplies, materials and other | 6,937 | 10,827 |
| Capital outlay | 2,559 | 8,802 |
| | <u>247,651</u> | <u>245,529</u> |
| Total fiscal services | | |
| | <u>247,651</u> | <u>245,529</u> |
| Internal services | | |
| Purchased services | 14,034 | 14,183 |
| Supplies, materials and other | 17,016 | 17,041 |
| Capital outlay | - | 59,573 |
| | <u>31,050</u> | <u>90,797</u> |
| Total internal services | | |
| | <u>31,050</u> | <u>90,797</u> |
| Other business services | | |
| Purchased services | 12,479 | 14,993 |
| Supplies, materials and other | 61,944 | 97,982 |
| | <u>74,423</u> | <u>112,975</u> |
| Total other business services | | |
| | <u>74,423</u> | <u>112,975</u> |
| Total business | <u>353,124</u> | <u>449,301</u> |
| Operation and maintenance | | |
| Salaries | 494,112 | 497,950 |
| Employee benefits | 266,087 | 266,009 |
| Purchased services | 3,600 | 3,600 |
| Supplies, materials and other | 529,677 | 594,045 |
| Capital outlay | 1,600 | 49,522 |
| | <u>1,295,076</u> | <u>1,411,126</u> |
| Total operation and maintenance | | |
| | <u>1,295,076</u> | <u>1,411,126</u> |

See accompanying notes to financial statements.

Shepherd Public School District
General Fund
Statement of Expenditures
For the Years Ended June 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|--|----------------------|----------------------|
| Support services (continued) | | |
| Pupil transportation | | |
| Salaries | \$ 454,133 | \$ 476,257 |
| Employee benefits | 158,421 | 166,690 |
| Purchased services | 8,108 | 7,754 |
| Supplies, materials and other | 197,964 | 259,673 |
| Capital outlay | <u>175,752</u> | <u>154,248</u> |
| Total pupil transportation | <u>994,378</u> | <u>1,064,622</u> |
| Central | | |
| Staff & personnel services | | |
| Purchased services | <u>14,931</u> | <u>18,683</u> |
| Total staff & personnel services | <u>14,931</u> | <u>18,683</u> |
| Data processing | | |
| Salaries | 89,676 | 84,983 |
| Employee benefits | 42,865 | 42,928 |
| Purchased services | 45,618 | 34,450 |
| Supplies, materials and other | 72,525 | 93,512 |
| Capital outlay | <u>51,952</u> | <u>47,953</u> |
| Total data processing | <u>302,636</u> | <u>303,826</u> |
| Total central | <u>317,567</u> | <u>322,509</u> |
| Total support services | <u>5,339,339</u> | <u>5,594,672</u> |
| Community services | | |
| Community recreation | | |
| Supplies, materials and other | 55 | 54 |
| Outgoing transfers & other transactions | | |
| Facilities acquisition and renovations | 108,924 | 33,776 |
| Lease payments | - | 3,661 |
| Transfers to other funds | <u>208,803</u> | <u>207,731</u> |
| Total outgoing transfers & other transactions | <u>317,727</u> | <u>245,168</u> |
| Total general fund expenditures | <u>\$ 14,377,278</u> | <u>\$ 14,440,316</u> |

Shepherd Public School District
Food Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Years Ended June 30, 2009 and 2008

| | Totals | |
|---|------------------|------------------|
| | 2009 | 2008 |
| Revenues | | |
| Local sources | | |
| Student lunches | \$ 173,004 | \$ 166,946 |
| Adult lunches | 7,619 | 6,849 |
| Ala-carte | 97,335 | 97,656 |
| Interest | 392 | 556 |
| Miscellaneous | 1,914 | 1,064 |
| Total local sources | <u>280,264</u> | <u>273,071</u> |
| State sources | <u>52,531</u> | <u>47,487</u> |
| Federal sources | | |
| National school lunch program | 277,680 | 265,139 |
| USDA donated commodities | 40,049 | 40,642 |
| Total federal sources | <u>317,729</u> | <u>305,781</u> |
| Total revenues | <u>650,524</u> | <u>626,338</u> |
| Expenditures | | |
| Central | | |
| Purchased services | <u>734</u> | <u>922</u> |
| Food services | | |
| Salaries | 222,278 | 221,356 |
| Employee benefits | 72,351 | 73,514 |
| Purchased services | 16,118 | 15,434 |
| Supplies, materials and other | 355,367 | 343,198 |
| Capital outlay | 2,082 | 13,269 |
| Total food services | <u>668,196</u> | <u>666,772</u> |
| Total expenditures | <u>668,930</u> | <u>667,694</u> |
| Revenues over (under) expenditures | (18,406) | (41,356) |
| Fund balance - beginning | <u>91,469</u> | <u>132,825</u> |
| Fund balance - ending | <u>\$ 73,063</u> | <u>\$ 91,469</u> |

Shepherd Public School District
Athletics Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Years Ended June 30, 2009 and 2008

| | Totals | |
|--|------------------------|------------------------|
| | 2009 | 2008 |
| Revenues | | |
| Local sources | | |
| Gate receipts | \$ 56,581 | \$ 56,219 |
| Interest | 210 | 249 |
| Miscellaneous | 446 | 350 |
| Total revenues | <u>57,237</u> | <u>56,818</u> |
| Expenditures | | |
| Salaries | 158,683 | 157,897 |
| Employee benefits | 46,292 | 46,634 |
| Purchased services | 31,337 | 28,669 |
| Supplies, materials and other | 29,116 | 31,256 |
| Total expenditures | <u>265,428</u> | <u>264,456</u> |
| Revenues over (under) expenditures | (208,191) | (207,637) |
| Other financing sources (uses) | | |
| Operating transfers in | <u>208,803</u> | <u>207,731</u> |
| Revenues and other sources over (under) expenditures and other uses | 612 | 94 |
| Fund balance - beginning | <u>4,256</u> | <u>4,163</u> |
| Fund balance - ending | <u><u>\$ 4,868</u></u> | <u><u>\$ 4,256</u></u> |

Shepherd Public School District
 Capital Projects Fund
 Balance Sheet
 June 30, 2009 and 2008

| | 2009 | 2008 |
|------------------------------------|---------------|---------------|
| Assets | | |
| Cash and investments | \$ 22,643,304 | \$ 27,780,487 |
| Accrued interest | 284,931 | 325,637 |
| Total assets | \$ 22,928,235 | \$ 28,106,124 |
| Liabilities | | |
| Accounts Payable | \$ 1,834,086 | \$ - |
| Fund balance | | |
| Fund balance | | |
| Reserved for capital projects | 21,094,149 | 28,106,124 |
| Total liabilities and fund balance | \$ 22,928,235 | \$ 28,106,124 |

Shepherd Public School District
 Capital Projects Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended June 30, 2009 and 2008

| | 2009 | 2008 |
|--|----------------------|----------------------|
| Revenues | | |
| Local sources | | |
| Interest income | \$ 936,176 | \$ 445,001 |
| | | |
| Total revenues | 936,176 | 445,001 |
| Expenditures | | |
| Bond cost and fees | - | 380,702 |
| Capital outlay | | |
| Construction in progress | 7,948,151 | 397,421 |
| | | |
| Total expenditures | 7,948,151 | 778,123 |
| Revenues over (under) expenditures | (7,011,975) | (333,122) |
| Other financing sources (uses) | | |
| Proceeds from bonds | - | 27,957,094 |
| Premium on bonds | - | 482,152 |
| | | |
| Revenues and other sources over (under) expenditures and other uses | (7,011,975) | 28,106,124 |
| Fund balance - beginning | 28,106,124 | - |
| Fund balance - ending | <u>\$ 21,094,149</u> | <u>\$ 28,106,124</u> |

Shepherd Public School District
Debt Service Funds
Combining Balance Sheet
June 30, 2009, with Comparative Data

| | Durant Bonds | 1998 Debt | 2008 Debt | Totals | |
|---------------------------|-----------------|--------------|-------------------|-------------------|-------------------|
| | | | | 2009 | 2008 |
| Assets | | | | | |
| Cash and investments | \$ - | \$ - | \$ 428,123 | \$ 428,123 | \$ 346,487 |
| Taxes receivable | - | - | - | - | 85 |
| Total assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 428,123</u> | <u>\$ 428,123</u> | <u>\$ 346,572</u> |
| Fund Balance | | | | | |
| Reserved for debt service | \$ - | \$ - | \$ 428,123 | \$ 428,123 | \$ 346,572 |
| Total fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 428,123</u> | <u>\$ 428,123</u> | <u>\$ 346,572</u> |

Shepherd Public School District
Debt Service Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Years Ended June 30, 2009 and 2008

| | Durant Bonds | 1998 Debt | 2008 Debt | Totals | |
|--|-----------------|------------------|-------------------|-------------------|-------------------|
| | | | | 2009 | 2008 |
| Revenues | | | | | |
| Local sources | | | | | |
| Property tax | \$ - | \$ - | \$ 1,432,377 | \$ 1,432,377 | \$ 1,277,950 |
| Interest on investments | - | 303 | 10,571 | 10,874 | 12,938 |
| State sources | | | | | |
| Durant | 18,873 | - | - | 18,873 | - |
| Total revenues | 18,873 | 303 | 1,442,948 | 1,462,124 | 1,290,888 |
| Expenditures | | | | | |
| Principal repayments | 14,957 | | 370,000 | 384,957 | 635,000 |
| Interest and other charges | 3,916 | | 1,733,708 | 1,737,624 | 611,460 |
| Other | - | | 663 | 663 | 1,495 |
| Total expenditures | 18,873 | - | 2,104,371 | 2,123,244 | 1,247,955 |
| Revenues over (under) expenditures | - | 303 | (661,423) | (661,120) | 42,933 |
| Other financing sources (uses) | | | | | |
| Operating transfers in | - | - | 133,892 | 133,892 | 53,700 |
| Operating transfers (out) | - | (133,892) | - | (133,892) | (53,700) |
| Proceeds from school bond loan fund | - | - | - | - | 11,325 |
| Revenues and other sources over (under) expenditures and other uses | - | (133,589) | (527,531) | (661,120) | 54,258 |
| Fund balance - beginning | - | 133,589 | 955,654 | 1,089,243 | 292,314 |
| Fund balance - ending | \$ - | \$ - | \$ 428,123 | \$ 428,123 | \$ 346,572 |

Shepherd Public School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2009

| Maturity Date | Interest Rate (%) | Principal Due | Interest Due | | Total |
|---------------------------------|-------------------|-------------------|--------------|------------------|-------------------|
| | | | November | May | |
| Durant Issue - \$268,746 | | | | | |
| Due May 1, | | | | | |
| 2010 | 3.37 | \$ 15,668 | \$ - | \$ 3,204 | \$ 18,872 |
| 2011 | 3.37 | 16,414 | - | 2,458 | 18,872 |
| 2012 | 3.37 | 17,195 | - | 1,676 | 18,871 |
| 2013 | 3.37 | 94,451 | - | 32,348 | 126,799 |
| Total | | <u>\$ 143,728</u> | <u>\$ -</u> | <u>\$ 39,686</u> | <u>\$ 183,414</u> |

The State School Aid Act, as amended by Public Act 142 of 1997 provided appropriations as part of a settlement to school districts involved in the Durant litigation as well as schools not involved in the litigation. The Michigan Municipal Bond Authority (MMBA) issued bonds for those districts that elected to receive a lump sum amount from the MMBA rather than receive part of the settlement in fifteen annual payments.

Shepherd Public School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2009

| Maturity Date | Interest Rate (%) | Principal Due | Interest Due | | Total |
|---------------------------------------|-------------------|----------------------|----------------------|----------------------|----------------------|
| | | | November | May | |
| 2008 Bond Issue - \$31,895,000 | | | | | |
| 2010 | 3.50% | \$ 630,000 | \$ 691,663 | \$ 691,662 | \$ 2,013,325 |
| 2011 | 3.50% | 775,000 | 680,638 | 680,637 | 2,136,275 |
| 2012 | 3.50% | 890,000 | 667,075 | 667,075 | 2,224,150 |
| 2013 | 3.50% | 975,000 | 651,500 | 651,500 | 2,278,000 |
| 2014 | 5.00% | 1,025,000 | 634,438 | 634,437 | 2,293,875 |
| 2015 | 5.00% | 1,075,000 | 608,813 | 608,812 | 2,292,625 |
| 2016 | 4.00% | 1,125,000 | 581,938 | 581,937 | 2,288,875 |
| 2017 | 5.00% | 1,025,000 | 559,438 | 559,437 | 2,143,875 |
| 2018 | 5.00% | 1,025,000 | 533,813 | 533,812 | 2,092,625 |
| 2019 | 4.00% | 1,025,000 | 508,188 | 508,187 | 2,041,375 |
| 2020 | 4.00% | 1,050,000 | 487,688 | 487,687 | 2,025,375 |
| 2021 | 4.00% | 1,075,000 | 466,688 | 466,687 | 2,008,375 |
| 2022 | 4.00% | 1,100,000 | 445,188 | 445,187 | 1,990,375 |
| 2023 | 5.00% | 1,150,000 | 423,188 | 423,187 | 1,996,375 |
| 2024 | 5.00% | 1,175,000 | 394,438 | 394,437 | 1,963,875 |
| 2025 | 5.00% | 250,000 | 365,063 | - | - |
| 2025 | 4.25% | 950,000 | - | 365,062 | 1,930,125 |
| 2026 | 5.00% | 250,000 | 338,625 | - | - |
| 2026 | 4.25% | 950,000 | - | 338,625 | 1,877,250 |
| 2027 | 4.25% | 1,225,000 | 312,188 | 312,187 | 1,849,375 |
| 2028 | 4.25% | 1,250,000 | 286,156 | 286,156 | 1,822,312 |
| 2029 | 5.00% | 500,000 | 259,594 | - | - |
| 2029 | 4.38% | 775,000 | - | 259,593 | 1,794,187 |
| 2030 | 5.00% | 500,000 | 230,141 | - | - |
| 2030 | 4.38% | 775,000 | - | 230,140 | 1,735,281 |
| 2031 | 4.38% | 600,000 | 200,688 | - | - |
| 2031 | 5.00% | 675,000 | - | 200,687 | 1,676,375 |
| 2032 | 4.38% | 595,000 | 170,688 | - | - |
| 2032 | 5.00% | 685,000 | - | 170,687 | 1,621,375 |
| 2033 | 4.38% | 1,275,000 | 140,547 | 140,547 | 1,556,094 |
| 2034 | 4.38% | 1,275,000 | 112,656 | 112,656 | 1,500,312 |
| 2035 | 4.38% | 1,275,000 | 84,766 | 84,766 | 1,444,532 |
| 2036 | 4.38% | 1,300,000 | 56,875 | 56,875 | 1,413,750 |
| 2037 | 4.38% | 1,300,000 | 28,438 | 28,438 | 1,356,876 |
| Total | | \$ 31,525,000 | \$ 10,921,119 | \$ 10,921,100 | \$ 53,367,219 |

For some years, there are two principal payments shown. This is due to a change in interest rates during the fiscal year.