Ashley Community School District
Ashley, Michigan

Financial Statements
With Supplementary Information
June 30, 2017

Roslund Prestage & Company
Certified Public Accountants

525 WEST WARWICK DRIVE, SUITE A, ALMA, MICHIGAN 48801

Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Education
Ashley Community School District

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ashley Community School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in

the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
October 4, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Ashley Community School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2017. 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 Position and the Statement of Activities on pages 1 and 2 provide information concerning the operation of the District as a whole. This reporting model takes into consideration the cost of capital assets of the district, as well as, reflects the District's operations on the accrual basis of accounting similar to that used in industry. Most notable is the fact that capital assets are not recorded as an expense at the time of purchase. Instead, under this model, capital assets are depreciated over their expected life. Accumulated depreciation is recorded as an offset to capital assets. This reporting model is intended to present a clearer picture of the cost of utilizing capital assets in the District's operations. This model generally has a long-term focus.

Fund Financial Statements

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

Reconciliation

The statements on pages 4 and 7 reconcile the differences between the District-Wide Financial Statements and the Fund Financial Statements.

Trust and Agency Funds

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

II. Condensed Government-Wide Financial Information

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

Current assets increased over the prior year due to an increase in the cash on hand at June 30, 2017. Current assets increased by $1,863,957, mostly due to the passage of a bond in an election on November 8, 2016 for the purpose of remodeling the school building, purchasing school buses, and developing and improving the site. The ensuing sale of bonds in the spring of 2017 brought in $2,269,968 to the District accounts. At June 30th, $1,921,145 of those funds was on hand as cash or cash equivalents. Comparing existing funds, the General Fund had slightly fewer current assets, while the Food Service and Debt Service Fund each held slightly more current assets. The District had less cash on hand, but an increase in the amount owed from other governmental units from the prior year, mainly due to the reimbursement owed for the expenditure of Title I & II funds.

The decrease in capital assets net of depreciation indicates that capital assets are depreciating at a faster rate than they are being replaced. This was expected since the District does not make large purchases of fixed assets every year. The District added $92,876 of capital assets during the year while current year depreciation was $159,591.

The current liabilities decreased from the prior year by $61,536, primarily due to decreased short-term notes payable. The District continues to borrow fewer funds each year to finance school operations ($160,000 less in 2016-17) as the District's financial position in the General Fund continued to improve. Accrued expenses and accounts payable decreased as well. However, bond payable due within one year increased $110,000 with the addition of more long-term debt for the bond project.

Noncurrent liabilities also increased due to the addition of the long-term debt. The bonds payable due beyond one year increased to $5,040,000, an increase of $1,890,000. The District also had an increase in the net pension liability and loans payable. The District also recognized and reported a larger proportionate share of the state's pension plan liability (MPSERS), amounting to $192,103 more net pension liability. The District's balances in the School Loan Revolving Fund and School Bond Loan Fund increased by a total of $96,169 during the period.

Total net position for governmental activities declined by $201,599. Total assets improved by $1,796,466 while total liabilities increased $2,135,421. The deferred outflow – retirement contributions increased $157,366 while the deferred inflow – MPSERS plan activity, net of amortization increased by $126,629.

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

Table 1
Comparative Summary of Assets, Liabilities, and Net Position
At June 30, 2017 and 2016

	2017	2016	Difference
Current Assets	$2,954,568	$1,091,387	$1,863,181
Noncurrent Assets	3,802,201	3,868,916	-66,715
Total Assets	$6,756,769	$4,960,303	$1,796,466
Deferred Outflows of Resources	$570,581	$413,215	$157,366
Current Liabilities	$1,070,135	$1,131,671	-$61,536
Noncurrent Liabilities	10,077,188	7,880,231	2,196,957
Total Liabilities	$11,147,323	$9,011,902	$ 2,135,421
Deferred Inflows of Resources	$126,629	$106,619	$20,010
Investment in Capital Assets (Net of Related Debt)	$165,828	-$378,355	$544,183
Restricted	79,438	53,276	26,162
Unrestricted	-4,191,868	-3,419,924	-771,944
Total Net Position	-$3,946,602	-$3,745,003	-$201,599

Total revenues reported on the Statement of Activities increased from the previous year. Charges for Services decreased by $8,490, as tuition payments, athletics revenues, and food service charges were all slightly down. Operating Grants and Contributions increased by $15,710 overall. Grants for instruction increased as the district received more revenue from Title I and the REAP grants, and slightly more from the National School Lunch Program and through the use of USDA Commodities. The District received $95,109 in Title I revenue, which was an increase of $12,343 from the previous year, and $14,581 in REAP revenue, which was $2,238 more than in 2015-16. Title II revenue decreased $2,144 during the same period. Food service operating grants for lunch and breakfast programs increased $1,531 while USDA Commodities revenue increased $2,191.

Table 2
Comparative Summary of Program, General, and Total Revenues
Years Ended June 30, 2017 and 2016

	2017	2016	Difference
Charges for Services	$69,192	$77,682	-$8,490
Operating Grants and Contributions	244,783	229,073	15,710
Total Program Revenues	$313,975	$306,755	$7,220
Property Taxes	$525,385	$519,616	$5,769
State Aid Not Restricted to Specific Purposes	2,310,589	2,248,018	62,571
Intermediate sources	61,683	43,517	18,166
Interest and Investment Earnings	5,573	392	5,181
Other General Revenues	33,991	33,000	991
Total General Revenues	$2,937,221	$2,844,543	$92,678
Total Revenues	$3,251,196	$3,151,298	$99,898

Total expenses increased rather significantly from the previous year. Instruction costs decreased primarily due to reduced payroll costs from employee turnover. Support services increased as expenditures for guidance, social services, general administration, school administration, pupil transportation, and technology increased more than decreases in the areas of operations and maintenance and business services. The purchase of a new bus in the capital project fund also increased total expenses.

Table 3
Comparative Summary of Program Expenses by Function and Total Expenses
Years Ended June 30, 2017 and 2016

	2017	2016	Difference
Instruction	$1,435,794	$1,476,664	-$40,870
Support Services	1,209,672	1,045,046	164,626
Food Service	138,824	154,316	-15,492
Facilities Construction	197,759	-	197,759
Interest and Fees on Long-term Debt	311,155	235,187	75,968
Depreciation – Unallocated	159,591	160,917	-1,326
Total Expenses	$3,452,795	$3,072,130	$380,665

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

Governmental Activities

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

Table 4
Comparative Summary of Net Position and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016	Difference
Net Position – Beginning	-$3,745,003	-$3,824,171	$ 79,168
Increase (Decrease) in Net Position	-201,599	79,168	-280,767
Net Position – Ending	-$3,946,602	-$3,745,003	

The District normally operates under the philosophy that it should neither increase or decrease fund balance from one year to the next based on the Fund Financial Statements (modified accrual). To significantly 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.

During the current year, the District continued to experience a slight decrease in student enrollment. The District, however, continued to see the results of prior year budget reductions and savings from staff turnover and was able to slightly increase fund balance in the general fund for the third consecutive year. The District is moving toward the often recommended goal of a fund balance of greater than 10% (as a percentage of overall expenditures).

The increase in Net Position is a function of the difference between the District-Wide Financial Statements and the Fund Financial Statements. The reconciliation between these two methods is presented on page 7. One major difference between the two models is the depreciation of capital assets of $159,591. These purchases are recorded as assets on the District-Wide Financial Statements and depreciated over their useful lives. On the Fund Financial Statements the acquisitions are recorded as expenditures at the time of purchase. Other major differences include the payment of principal on outstanding bonds ($248,186) and proceeds from the School Loan Revolving Fund ($92,611).

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:

Instruction	Tuition payments, Title IA grant, Title IIA grant, and REAP grant.
Support Services	Library agreement, Athletic gate receipts, Season passes, Other revenues
Food Service	Lunch and other food sales, State 31d School Lunch funds, and National School Breakfast and Lunch funds.

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

IV. Significant Transactions and Changes in Individual Funds

The overall financial position of the individual governmental funds of the District changed significantly from the previous year for the General Fund and Food Service Fund.

The General Fund realized an increase in fund equity due to keeping expenditures under control, despite declining revenue from state sources.

The Food Service Fund realized an increase in fund equity due to decreases in food costs and equipment repairs. The increase improved the fund balance tenfold.

New Capital Projects and Debt Service Funds were created to handle the activity for the bonds and construction projects related to the passage of the election for general obligation bonds mentioned earlier.

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

	Revenues and Other Financing Sources	Net Change in Fund Balance From Prior Year	Percent Change in Fund Balance as a Percent of Revenues and Other Financing Sources
General	$2,688,256	70,360	2.62%
Food Service	146,511	7,816	5.33%
Debt Service	431,558	23,068	5.35%
Capital Projects	2,245,075	1,921,145	%

General Fund

Approximately 81% of the General Fund budget is spent on salaries and benefits. Since this represents such a large portion of the budget, every attempt is made to adjust staffing levels and settle bargaining agreements to maintain or reduce this percentage to a sustainable amount. Staff reductions are much more difficult in small districts because the reduction in one teacher can have such a drastic impact on class size. During the past few years, the District has been able to eliminate deficit spending by controlling costs in staffing, as well as other areas. As the District returns to more stable financial standing, the District may need to invest in some of these areas.

Food Service Fund

The Food Service Fund for the District ended the year with a larger fund balance, as spent down some of the balance built in previous years. The District made use of commodity foods available through the USDA and also kept other food costs under control.

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 with a maximum levy of 7.0 mills. Since the maximum tax levy does not generate sufficient revenues to pay the principal and interest payments, the District participates in the School Bond Loan Fund and will receive loans from this fund to fill the shortfall in the revenues until the tax levy equals or exceeds the debt service requirements for a given year. The District will then begin to pay back the state the amount borrowed plus interest.

V. Changes to Budget and Comparison to Actual Results

It is required by State law to adopt the original budget before the beginning of the fiscal year. For the fiscal year ended June 30, 2017 the original budget was adopted on June 20, 2016. The original budget is adopted two months before school is in session and, therefore, many assumptions are made in constructing the budget for unknowns such as the number of students the District 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, 2017 are as follows:

General Fund

Changes from Original Budget to Final Budget

Local Sources – The budget for property tax revenue was increased to reflect actual amounts received. Other local revenue expectations were also changed to reflect actual amounts.

State Sources – The budget for state revenues was increased to reflect updated enrollment data, and additional categorical funding from the State.

Federal Sources – The budget was increased to reflect the actual Title IA grant allocation and account for carryover funds from the prior year.

Instruction – The budget was increased to reflect increased expenditures for salary and benefits due to the negotiation of contracts and other staff raises.

Added Needs – The final budget included actual Title I & II expenditures and updating special education costs that were unknown at the time of the original budget.

Business Services – The budget was increased to account for lower costs for worker compensation insurance, unemployment compensation, interest on the State Aid Anticipation Loan, and dues and fees.

Operations and Maintenance – The budget was increased to reflect increases in building repairs and maintenance supplies.

Pupil Transportation – The original budget was increased to cover additional wages and benefits, as well as vehicle repairs and vehicle parts.

Variances between Final Budget and Actual Amounts

Local Sources – Actual property tax collections were slightly less than anticipated.
Added Needs – Actual benefits costs were slightly higher than anticipated.
School Administration – The final budget included higher costs for retirement and other areas that were not paid out during the fiscal year.
Operations & Maintenance – Final utility costs came in less anticipated.
Transportation – Final salary expenses including accruals were higher than anticipated.

Food Service Fund

Changes from Original Budget to Final Budget

The final budget was adopted to reflect to actual activity during the year.

Variances between Final Budget and Actual Amounts

As the final budget was adopted to reflect to actual activity during the year, there were no variances between the final budget and actual amounts.

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 16. The significant additions and disposals are described as follows:

The District added two assets during the year, an $86,891 bus and $5,985 football grand stands. The District disposed of equipment, computers, and image projectors with a book cost of $88,921 during the year.

Long-Term Debt

Detailed notes for the long-term debts are on page 16.

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

One of the most significant factors facing Ashley Community Schools continues to be the economic condition of the State of Michigan. With state funding the primary source of revenue, the district monitors the state's periodic revenue-estimating conference in order to project revenue for the upcoming fiscal year's budget. In addition, local student enrollment is another revenue producing factor that the district monitors. For budgeting purposes, an estimated student count is based on the district's enrollment history and a detailed enrollment projection.

The District has encountered significant challenges in regards to maintaining a stable enrollment. The District experienced a loss of 95 students during the five year period from 2010 to 2014. The losses to the district have slowed, but any further reduction would result in a loss of state funding and have a negative impact to the district's primary source of revenue.

Looking forward to fiscal year ending June 30, 2018, the District has taken a conservative approach by basing the budget on a small reduction of students and factoring in the $120 per student State funding increase. Staffing will remain relatively at the same level as in 2016-17. The district has a bargaining agreement through June 30, 2019 but will begin negotiations in the spring of 2019 for the 2019-20 school year and beyond.

Request for Information

This financial report is designed to provide our stakeholders with a general overview of the district's finances and to show the district's accountability for the funding it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Ashley Community Schools, 104 N. New Street, Ashley, Michigan, 48806.

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Ashley Community School District
Statement of Net Position
June 30, 2017

Assets	
Current assets	
Cash and investments	$ 2,383,074
Accounts receivable	2,355
Due from other governmental units	561,232
Inventory	6,799
Prepaid expenditures	1,108
Total current assets	2,954,568
Noncurrent assets	
Capital assets being depreciated, net	3,802,201
Total assets	6,756,769
Deferred outflows of resources	
Deferred outflow - related to pension	570,581
Liabilities	
Current liabilities	
Accounts payable	24,068
Due to other govt units	45,123
Accrued interest	34,307
Accrued expenses	235,074
Short-term note payable	380,000
Bonds payable due within one year	350,000
Compensated absences due within one year	1,563
Total current liabilities	1,070,135
Non-current liabilities	
Bonds payable due beyond one year	5,040,000
Bond premiums	167,518
Compensated absences due beyond one year	8,860
School loan revolving fund payable	1,098,719
School bond loan fund payable	115,576
Net pension liability	3,646,515
Total non-current liabilities	10,077,188
Total liabilities	11,147,323
Deferred inflows of resources	
Deferred inflow - related to pension	11,241
Deferred inflow - 147c allocation	115,388
Total deferred inflows of resources	126,629
Net position	
Net investment in capital assets	165,828
Restricted for:	
Debt service	57,789
Food service	21,649
Unrestricted	(4,191,868)
Total net position	$ (3,946,602)

The notes are an integral part of these financial statements.

Ashley Community School District
Statement of Activities
For the Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes Net Position
Governmental activities:				
Instruction	$ 1,435,794	$ 1,088	$ 125,851	$ (1,308,855)
Support services	1,209,672	45,332	-	(1,164,340)
Food service	138,824	22,772	118,932	2,880
Facilities construction	197,759	-	-	(197,759)
Interest and fees on long-term debt	311,155	-	-	(311,155)
Depreciation - unallocated	159,591	-	-	(159,591)
Total school district	$ 3,452,795	$ 69,192	$ 244,783	(3,138,820)
General revenues:				
Property taxes				525,385
State sources				2,310,589
Intermediate sources				61,683
Interest and investment earnings				5,573
Other revenues				33,991
Total general revenues				2,937,221
Change in net position				(201,599)
Net position - beginning of year				(3,745,003)
Net position - end of year				$ (3,946,602)

FUND FINANCIAL STATEMENTS

Ashley Community School District
Balance Sheet - Governmental Funds
June 30, 2017

	Major Funds			Non-Major Funds		
	General	2014 Refunding Debt Service	Capital Projects	Food Service	2017 Bond Debt Service	Totals
Assets						
Cash and investments	$ 364,492	$ 57,789	$ 1,921,145	$ 9,673	$ 29,975	$ 2,383,074
Accounts receivable	2,355	-	-	-	-	2,355
Due from other funds	12,621	-	-	-	-	12,621
Due from other governmental units	556,055	-	-	5,177	-	561,232
Inventory	-	-	-	6,799	-	6,799
Prepaid expenditures	1,108	-	-	-	-	1,108
Total assets	$ 936,631	$ 57,789	$ 1,921,145	$ 21,649	$ 29,975	$ 2,967,189
Liabilities						
Accounts payable	$ 23,413	$ -	$ -	$ 655	$ -	$ 24,068
Due to other funds	-	250	-	12,371	-	12,621
Due to other govt units	37,185	7,938	-	-	-	45,123
Accrued expenses	235,074	-	-	-	-	235,074
Short-term note payable	380,000	-	-	-	-	380,000
Total liabilities	675,672	8,188	-	13,026	-	696,886
Fund balances						
Non-spendable	1,108	-	-	6,799	-	7,907
Restricted	-	49,601	1,921,145	-	29,975	2,000,721
Unassigned	259,851	-	-	1,824	-	261,675
Total fund balances	260,959	49,601	1,921,145	8,623	29,975	2,270,303
Total liabilities and fund balances	$ 936,631	$ 57,789	$ 1,921,145	$ 21,649	$ 29,975	$ 2,967,189

The notes are an integral part of these financial statements.

Ashley Community School District
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Position of Governmental Activities on the Statement of Net Position
June 30, 2017

Total fund balance - governmental funds		$	2,270,303
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Add:	Cost of capital assets		6,550,371
Deduct:	Accumulated depreciation		(2,748,170)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:			
Deduct:	2014 refunding bonds payable		(3,150,000)
Deduct:	2014 refunding bond premium		(139,213)
Deduct:	2017 building & site bonds payable		(2,240,000)
Deduct:	2017 building & site bonds premium		(28,305)
Deduct:	School loan revolving fund payable		(1,098,719)
Deduct:	School bond loan fund payable		(115,576)
Deduct:	Accrued interest on long-term liabilities		(34,307)
Other amounts reported in the Statement of Activities that do not require current financial resources consist of:			
Add:	Deferred outflow - related to pension		570,581
Deduct:	Compensated absences payable		(10,423)
Deduct:	Net pension liability		(3,646,515)
Deduct:	Deferred inflow - related to pension		(11,241)
Revenue in support of pension contribution made subsequent to the measurement date:			
Deduct:	Deferred inflow - 147c allocation		(115,388)
Total net position - governmental activities		$	(3,946,602)

Ashley Community School District
Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds
For the Year Ended June 30, 2017

	Major Funds			Non-Major Funds		
	General	2014 Refunding Debt Service	Capital Projects	Food Service	2017 Bond Debt Service	Totals
Revenues						
Local sources	$ 274,827	$ 331,209	$ 5,075	$ 23,023	$ 7	$ 634,141
State sources	2,225,895	4,276	-	4,556	-	2,234,727
Federal sources	125,851	-	-	118,932	-	244,783
Other sources	61,683	-	-	-	-	61,683
Total revenues	2,688,256	335,485	5,075	146,511	7	3,175,334
Expenditures						
Instruction						
Basic programs	1,257,240	-	-	-	-	1,257,240
Added needs	247,596	-	-	-	-	247,596
Total instruction	1,504,836	-	-	-	-	1,504,836
Support services						
Pupil	106,967	-	-	-	-	106,967
Instructional staff	47,712	-	-	-	-	47,712
General administration	131,062	-	-	-	-	131,062
School administration	183,689	-	-	-	-	183,689
Business services	42,054	644	67	-	-	42,765
Operation and maintenance	289,856	-	-	-	-	289,856
Pupil transportation	202,015	-	87,016	-	-	289,031
Central	31,083	-	-	-	-	31,083
Athletics	78,493	-	-	-	-	78,493
Total support services	1,112,931	644	87,083	-	-	1,200,658
Food service	-	-	-	138,824	-	138,824
Facilities construction	-	-	197,759	-	-	197,759
Debt service - principal	-	240,000	-	-	-	240,000
Debt service - interest and other	-	167,846	39,088	-	-	206,934
Total expenditures	2,617,767	408,490	323,930	138,824	-	3,489,011
Revenues over (under) expenditures	70,489	(73,005)	(318,855)	7,687	7	(313,677)

Ashley Community School District
Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds
For the Year Ended June 30, 2017

	Major Funds			Non-Major Funds		
	General	2014 Refunding Debt Service	Capital Projects	Food Service	2017 Bond Debt Service	Totals
Other financing sources (uses)						
Proceeds from SBLF & SLRF	$ -	$ 96,073	$ -	$ -	$ -	$ 96,073
Proceeds from bond issuance	-	-	2,240,000	-	29,968	2,269,968
Transfers in	-	-	-	129	-	129
Transfers out	(129)	-	-	-	-	(129)
Total other financing sources (uses)	(129)	96,073	2,240,000	129	29,968	2,366,041
Net change in fund balances	70,360	23,068	1,921,145	7,816	29,975	2,052,364
Fund balance - beginning of year	190,599	26,533	-	807	-	217,939
Fund balance - end of year	$ 260,959	$ 49,601	$ 1,921,145	$ 8,623	$ 29,975	$ 2,270,303

The notes are an integral part of these financial statements.

Ashley Community 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, 2017

Net change in fund balances - total governmental funds		$ 2,052,364
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Add:	Capital outlay	92,876
Deduct:	Depreciation expense	(159,591)
Payment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).		
Add:	2014 bond payment	240,000
Add:	2014 bond premium amortization	8,186
Add:	2017 bond premium amortization	1,663
Deduct:	Change in accrual interest on long-term liabilities	(17,901)
Deduct:	Change in school loan revolving fund payable	(92,611)
Deduct:	Change in school bond loan fund payable	(3,558)
Deduct:	Proceeds from issuance of 2017 bonds	(2,269,968)
Revenue in support of pension contribution made subsequent to the measurement date:		
Deduct:	Change in deferred inflow - 147c allocation	(20,211)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Add:	Change in deferred outflow - related to pension	157,366
Add:	Change in accrual for compensated absences	1,688
Deduct:	Change in net pension liability	(192,103)
Add:	Change in deferred inflow - related to pension	201
Change in net position of governmental activities		$ (201,599)

Ashley Community School District
Statement of Net Position – Fiduciary Fund
June 30, 2017

Assets		
Cash and cash equivalents	$	46,841
Liabilities		
Due to student and other groups		46,841
Net position		
Restricted	$	-

The notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The District is governed by Board of Education members which have the responsibility and control over all activities related to public school education within the District. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America.

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

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds. Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following major governmental funds:

- The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District accounts for the 2014 Refunding Debt in the debt service fund.

- The *capital projects funds* account for the receipt of bond proceeds, transfers from the general fund (as applicable), and the acquisition of fixed assets or construction of capital projects.

The District reports the following non-major governmental funds:

- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service in the special revenue funds.

- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District accounts for the 2017

Bond in the debt service fund.

The District reports the following fiduciary funds:

- The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

Measurement Focus and Basis of Accounting
The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Budgetary Basis of Accounting
Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.

Violations, if any, are noted in the required supplementary information section.

- Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30. The District does not consider these amendments to be significant.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents
The District's cash and cash equivalents are considered to be demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments
Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

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

Prepaid items
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Due from/to other funds
During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Capital Assets
Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their 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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress if any are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings & Additions	15 – 50
Machinery & Equipment	5 – 20
Furniture	5 – 10
Vehicles	10 – 25

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has the following items that qualify for reporting in this category:

- Related to pension - A deferred outflow is recognized for pension related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualifies for reporting in this category:

- Related to pension - Future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.
- 147c allocation - Restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Unearned Revenue

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Defined Benefit Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public

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

Net Position and Fund Balances

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

Net Position – Restrictions

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

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

Fund Balance

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.
- *Committed fund balance* - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- *Assigned fund balance* - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- *Unassigned fund balance* - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Property Tax Revenue

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

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

State Aid Revenue

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

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

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

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

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS
At June 30th, the carrying amount of the District's cash, cash equivalents and investments were as follows:

Description	Amount
Petty Cash	400
Checking, Savings, & Money Market Accounts	466,120
Investments - MILAF	1,916,554
Total	2,383,074

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2017, the fair value of the District’s investments is the same as the value of the pool shares.

The other pooled investment fund is Michigan Class. Michigan Class is considered a local government investment pool of "qualified" investments for Michigan School Districts. Michigan Class is not regulated nor is it registered with the SEC. Michigan Class reports as of year-end, the fair value of the District's investments is the same as the value of the pooled shares.

MILAF, as defined by the GASB, are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures. Michigan Class is recorded at fair value and are subject to fair value disclosures.

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

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

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

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2017, $249,234 of the District’s bank balance of $499,234 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The fiduciary fund balances are not included in the above balances.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Fair value measurement: The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.

- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Michigan Class investments are subject to the fair value measurement and are level 2. 1 day maturity equals 0.0027, one year equals 1.00

Investment Type	**Fair Value**	**Weighted Average Maturity**	**Standard & Poor's Rating**	**%**
MILAF External Investment pool-Cash Mgmt Class	20,062	0.216 yrs	AAAm	1.05%
MILAF External Investment pool-MIMAX	1,896,492	0.216 yrs	AAAm	98.95%
Total	1,916,554			

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

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

Receivable fund	Amount	Payable fund	Amount
General Fund	12,621	Food Service	12,371
		2014 Refunding Debt	250
Total	12,621	Total	12,621

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS
As of June 30th, due from other governmental units is comprised of the following amounts:

Description	Amount
State aid	385,681
Federal grants and other pass-through agencies	143,645
Other	31,906
Total	561,232

No allowance for doubtful accounts is considered necessary.

NOTE 5 - CAPITAL ASSETS
A summary of changes in the District's capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets being depreciated				
Buildings & Additions	5,893,694	-	-	5,893,694
Machinery & Equipment	310,833	-	(88,921)	221,912
Furniture	86,210	5,985	-	92,195
Vehicles	255,679	86,891	-	342,570
Total capital assets being depreciated	6,546,416	92,876	(88,921)	6,550,371
Accumulated depreciation				
Buildings & Additions	(2,138,225)	(136,869)	-	(2,275,094)
Machinery & Equipment	(262,603)	(8,886)	88,921	(182,568)
Furniture	(45,398)	(3,199)	-	(48,597)
Vehicles	(231,274)	(10,637)	-	(241,911)
Total accumulated depreciation	(2,677,500)	(159,591)	88,921	(2,748,170)
Capital assets being depreciated, net	3,868,916	(66,715)	-	3,802,201

Depreciation for the year ended June 30, 2017 totaled $159,591. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 6 - ACCRUED EXPENSES
Accrued expenses as of year-end include amounts due for accrued wages, retirement, FICA, employee benefit insurances, and termination benefits (if any). Accrued wages represent the remaining balance on teacher contracts to be paid during the summer and other salaries and wages earned as of June 30th.

NOTE 7 - DEBT

Short-term debt
On August 22, 2016, the District borrowed $380,000 in the form of a State Aid Anticipation Note for the purpose of providing funds for school operations. The interest rate is stated at 0.97% and the maturity date is August 21, 2017.

On August 21, 2017 (after the end of the fiscal year), the District borrowed $255,000 in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 1.42% and is payable on August 20, 2018. This loan was acquired after the end of the fiscal year and, therefore, is not shown as a current liability.

Long-term debt

2014 Refunding Bond Issue

During fiscal year 2014, the District issued $3,840,000 in 2014 refunding bonds with an average interest rate of 3.86 percent. The refunding bonds were used to pay $3,845,000 in 2004 bonds with an average interest rate of 4.35 percent. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the District's long-term obligations. The refunding reduced total debt service payments by approximately $621,533, which represents an economic gain of approximately $536,123.

2017 School Building and Site Bonds

During fiscal year 2017, the District issued $2,240,000 of general obligation bonds for the purpose of purpose of remodeling the school building; purchasing school buses; and developing and improving the site. The interest rate ranges from 3.0% to 3.5%. Principal and interest paymets are shown on the Schedule of Long-Term Debt in the back of this report

School Bond Loan Fund and School Loan Revolving Fund

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

Summary of Debt Transactions

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

	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Short-term debt	540,000	380,000	(540,000)	380,000	380,000
Long-term debt					
Compensated abs	12,111	129	(1,817)	10,423	1,563
2014 Refunding Bonds	3,390,000	-	(240,000)	3,150,000	250,000
2017 Building & Site Bonds	-	2,240,000	-	2,240,000	100,000
School Bond Loan Fund	112,018	3,558	-	115,576	-
School Bond Revolving	1,006,108	92,611	-	1,098,719	-
Total long-term debt	4,520,237	2,336,298	(241,817)	6,614,718	351,563

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2017, are shown in the *Schedule of Long-term Debt*.

NOTE 8 - NET INVESTMENT IN CAPITAL ASSETS

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

Net investment in capital assets	Amount
Capital asset being depreciated, net	3,802,201
Capital related general obligation bonds	(5,390,000)
Unamortized premium on bond refunding	(167,518)
Unspent bond proceeds held in the capital projects fund	1,921,145
Net investment in capital assets	165,828

NOTE 9 - OPERATING LEASES

The District has entered into an operating lease for a floor cleaner and copier. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the financial statements. Lease expense for the fiscal year was approximately $5,175. The future minimum lease obligations as of:

Year Ending June 30	Amount
2018	1,349
2019	1,349
2020	1,349
2021	450

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District participates in commercial insurance for 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 11 - RETIREMENT AND POST RETIREMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at http://michigan.gov/mpsers-cafr.

Benefits Provided

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan name	Plan Type	Plan status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% -7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan). As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - September 30, 2017	15.27% - 19.03%

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Required and actual contributions to the plan for the years ended June 30, 2017 and 2016 were $341,115 and $341,852 respectively. These amounts include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (72.88% for pension and 27.12% for OPEB). The District UAAL/147c contributions for the years ended June 30, 2017 and 2016 were $115,388 and $95,177 respectively.

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

Pension Liabilities

At June 30, 2017, the District reported a liability of $3,646,515 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating districts, actuarially determined. At September 30, 2016 and 2015, the District's proportion is shown in the table below.

MPSERS (Plan) Non-university employers	September 30, 2016	September 30, 2015
Total Pension Liability	67,917,445,078	66,312,041,902
Plan Fiduciary Net Position	42,968,263,308	41,887,015,147
Net Pension Liability	24,949,181,763	24,425,026,755
Proportionate share	0.01461577%	0.01414290%
Net Pension Liability for the District	3,646,515	3,454,412

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017 and 2016, the District recognized pension expense of approximately $383,626 and $304,452 respectively. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate, these amounts have been recorded as a deferred outflow as of June 30, 2017.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	45,445	(8,642)
Changes of assumptions	57,010	-
Net difference between projected and actual plan investments earnings	60,605	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	122,037	(2,599)

District's contributions subsequent to the measurement date	285,484	-
Total	570,581	(11,241)

$285,484, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Description	Amount
June 30, 2018	64,784
June 30, 2019	60,018
June 30, 2020	120,229
June 30, 2021	28,825

Actuarial Assumptions

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 2.5%

Mortality assumptions – RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2020 using projection scale AA for men and women were used.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2015. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension plan investments - The rate was **8%** (**7%** Pension Plus Plan) net of investment and administrative expenses was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.90%
Alternate Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate and Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short Term Investment Pools	2.00%	0.00%

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

Discount rate - The discount rate used to measure the total pension liability was **8%** (**7%** for Pension Plus Plan). The discount rate did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent (7% for Pension Plus Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	4,695,793	3,646,515	2,761,872

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2016 Comprehensive Annual Financial Report.

Payable to the Pension Plan - At year end the School District is current on all required pension plan payments. At June 30, 2017, the District reported a payable of $48,040 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017, consisting of pension contribution payable plus any other amounts owed to the pension plan including the UAAL payments for July and August 2017.

Benefit Provisions - Other Postemployment

Introduction
Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012
Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Employer Contributions
The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015, 2.2% to 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015, and from 6.4% to 6.83% of covered payroll for the period from October 1, 2015 through September 30, 2016 5.69% to 5.91% of covered payroll for the period from October 1, 2016 through September 30, 2017 dependent upon the employee's date of hire and plan election.

The District's contributions to the plan for retiree healthcare benefits for the years ended June 30, 2017, 2016, and 2015 were $71,086, $66,747, and $69,799, respectively.

NOTE 12 - TRANSFERS
During the year the following transfers were made between funds:

- The transfer of $129 from the general fund to the food service fund for the purpose of using at-risk funds to support the breakfast program.

NOTE 13 - TAX ABATEMENTS
Effective for the year ended June 30, 2017 the District is required to disclose significant tax abatements as required by GASB statement 77 (Tax abatements).

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Amount
Elba Township	18,432

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS
GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, establishes requirements for governments that provide their employees with OPEB through a trust and replaces *GASB Statement No. 45* for those government employers. The most significant change is that governments will now be required to recognize their net OPEB liability, which is the difference between the total OPEB liability (the portion of the present value of projected benefit payments that is attributed to past periods) and the value of OPEB assets available to pay pension benefits. Additional note disclosure and the first two RSI schedules from *GASB 74* will be required. This requirement also applies to cost sharing, multiple-employer plans and plans that are not administered through a trust. Unlike pension plans, which most governments have been funding for quite a while, many OPEB plans are severely underfunded, and the liability to be recorded will be significant.

The statement mirrors the pension requirements of *GASB 68*. Most changes in the net OPEB liability will be included in current period expense. Other components, such as changes in economic assumptions, will be recognized over a closed period equal to the expected remaining service lives of all employees that are provided benefits.

Differences between expected and actual investment rate of return will be recognized in expense over a closed five-year period. The pronouncement will be effective for years ending June 30, 2018.

GASB Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

REQUIRED SUPPLEMENTARY INFORMATION

Ashley Community School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with final budget
Revenues				
Local sources	$ 230,161	$ 276,769	$ 274,827	$ (1,942)
State sources	2,218,327	2,226,810	2,225,895	(915)
Federal sources	111,150	126,482	125,851	(631)
Other sources	44,546	61,535	61,683	148
Total revenues	2,604,184	2,691,596	2,688,256	(3,340)
Expenditures				
Instruction				
Basic programs	1,256,161	1,275,851	1,257,240	18,611
Added needs	245,112	245,439	247,596	(2,157)
Total instruction	1,501,273	1,521,290	1,504,836	16,454
Support services				
Pupil	88,109	106,924	106,967	(43)
Instructional staff	45,587	50,337	47,712	2,625
General administration	126,240	131,863	131,062	801
School administration	178,402	189,653	183,689	5,964
Business services	34,240	43,576	42,054	1,522
Operation and maintenance	290,495	299,074	289,856	9,218
Pupil transportation	192,138	197,489	202,015	(4,526)
Central	22,400	33,064	31,083	1,981
Athletics	60,300	79,858	78,493	1,365
Total support services	1,037,911	1,131,838	1,112,931	18,907
Total expenditures	2,539,184	2,653,128	2,617,767	35,361
Revenues over (under) expenditures	65,000	38,468	70,489	32,021
Other financing sources (uses)				
Transfers out	-	(2,550)	(129)	(2,421)
Net change in fund balances	65,000	35,918	70,360	29,600
Fund balance - beginning of year	190,599	190,599	190,599	-
Fund balance - end of year	$ 255,599	$ 226,517	$ 260,959	$ 29,600

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

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability	**Plan year Sept 30, 2016**	**Plan year Sept 30, 2015**	**Plan year Sept 30, 2014**
Reporting unit's proportion of net pension liability (%)	0.01461577%	0.01414292%	0.01389860%
Reporting unit's proportionate share of net pension liability	$ 3,646,515	$ 3,454,412	$ 3,061,376
Reporting unit's covered employee payroll	$ 1,220,939	$ 1,191,634	$ 1,183,770
Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	298.66%	289.89%	258.61%
Plan fiduciary net position as a percentage of total pension liability	63.01%	62.92%	66.20%

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

Schedule of the Reporting Unit's Contributions	**Fiscal year June 30, 2017**	**Fiscal year June 30, 2016**	**Fiscal year June 30, 2015**
Statutorily required contributions	$ 335,669	$ 332,819	$ 263,680
Contributions in relation to statutorily required contributions	335,669	332,819	263,680
Contribution deficiency (excess)	$ -	$ -	$ -
Reporting unit’s covered-employee payroll	$ 1,184,021	$ 1,197,257	$ 1,215,043
Contributions as a percentage of covered-employee payroll	28.35%	27.80%	21.70%

Note: Amounts were determined as of 6/30 of each year.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms
Changes of assumptions: There were no changes of benefit assumptions

OTHER SUPPLEMENTARY INFORMATION

Ashley Community School District
Schedule of Long-Term Debt
June 30, 2017

Fiscal Year Ended June 30,	Interest Rate (%)	Annual Principal Due	Interest Due November	Interest Due May	Total
2014 Refunding Bonds - $3,840,000					
2018	4.00%	$ 250,000	$ 60,825	$ 60,825	$ 371,650
2019	4.00%	260,000	55,825	55,825	371,650
2020	4.00%	270,000	50,625	50,625	371,250
2021	4.00%	280,000	45,225	45,225	370,450
2022	4.00%	290,000	39,625	39,625	369,250
2023	4.00%	150,000	33,825	33,825	217,650
2024	4.00%	150,000	30,825	30,825	211,650
2025	3.30%	150,000	27,825	27,825	205,650
2026	3.30%	150,000	25,350	25,350	200,700
2027	3.50%	150,000	22,875	22,875	195,750
2028	3.50%	150,000	20,250	20,250	190,500
2029	3.75%	150,000	17,625	17,625	185,250
2030	3.75%	150,000	14,813	14,812	179,625
2031	4.00%	150,000	12,000	12,000	174,000
2032	4.00%	150,000	9,000	9,000	168,000
2033	4.00%	150,000	6,000	6,000	162,000
2034	4.00%	150,000	3,000	3,000	156,000
		3,150,000	475,513	475,512	4,101,025
2017 Building & Site Bonds - $2,240,000					
2018	3.00%	100,000	42,097	35,913	178,010
2019	3.00%	100,000	34,413	34,413	168,826
2020	3.00%	100,000	32,913	32,913	165,826
2021	3.00%	100,000	31,413	31,413	162,826
2022	3.00%	100,000	29,913	29,913	159,826
2023	3.00%	130,000	28,413	28,413	186,826
2024	3.00%	130,000	26,463	26,463	182,926
2025	3.00%	130,000	24,513	24,513	179,026
2026	3.00%	140,000	22,563	22,563	185,126
2027	3.00%	140,000	20,463	20,463	180,926
2028	3.25%	140,000	18,188	18,188	176,376
2029	3.25%	140,000	15,913	15,913	171,826
2030	3.25%	150,000	13,638	13,638	177,276
2031	3.25%	160,000	11,200	11,199	182,399
2032	3.50%	160,000	8,400	8,400	176,800
2033	3.50%	160,000	5,600	5,600	171,200
2034	3.50%	160,000	2,800	2,800	165,600
		2,240,000	368,903	362,718	2,971,621

Five year groupings

Year 1		350,000	102,922	96,738
Year 2		360,000	90,238	90,238
Year 3		370,000	83,538	83,538
Year 4		380,000	76,638	76,638
Year 5		390,000	69,538	69,538
Years 6-10		1,420,000	263,115	263,115
Years 11-15		1,500,000	141,027	141,025
Years 16-20		620,000	17,400	17,400
		5,390,000	844,416	838,230

Ashley Community School District
Schedule of Long-Term Debt
June 30, 2017

Fiscal Year Ended June 30,	Principal Balance	Interest	June 30th Balance Due
School Bond Loan Fund			
1998	$ 21,492	$ 776	$ 22,268
1999	21,387	997	44,652
2000	25,689	4,100	74,441
2001	10,041	4,006	88,488
2002	18,752	4,244	111,484
2003	-	3,800	115,284
2004	(31,262)	(18,738)	65,284
2004	-	2,434	67,718
2005	-	2,005	69,723
2006	-	2,846	72,569
2007	-	3,444	76,013
2008	-	3,416	79,429
2009	-	3,753	83,182
2010	-	4,710	87,892
2011	-	4,546	92,438
2012	-	4,493	96,931
2013	-	4,224	101,155
2014	-	3,562	104,717
2015	-	3,611	108,328
2016	-	3,690	112,018
2017	-	3,558	115,576
	66,099	49,477	

As of June 30th, the interest rate was 3.13323%.

Fiscal Year Ended June 30,	Principal Balance	Interest	June 30th Balance Due
School Loan Revolving Fund			
2006	54,000	492	54,492
2007	132,454	5,502	192,448
2008	143,559	11,078	347,085
2009	39,933	17,453	404,471
2010	84,427	22,757	511,655
2011	76,476	20,844	608,975
2012	86,028	19,553	714,556
2013	64,611	23,675	802,842
2014	59,410	29,770	892,022
2015	18,970	30,981	941,973
2016	31,304	32,831	1,006,108
2017	59,807	32,804	1,098,719
	850,979	247,740	

As of June 30th, the interest rate was 3.13323%.

Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education
Ashley Community School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ashley Community School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 4, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
October 4, 2017