Ashley Community School District
Ashley, Michigan

Financial Statements
With Supplemental Information
June 30, 2015

RPC
Roslund Prestage & Company
Certified Public Accountants

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

Ashley Community School District
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June 30, 2015

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Ashley Community Schools

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 Schools (the District), as of and for the year ended June 30, 2015, 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, 2015, 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.

Change in Accounting Principle
As discussed in the notes to the financial statements, during the year the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27.* As a result of the implementation of this Statement, the financial statements have been changed to reflect the new presentation required by GASB Statement No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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, is 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information 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 22, 2015 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 22, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ashley Community School District
Management Discussion and Analysis
For the Year Ended June 30, 2015

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, 2015. 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 6 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 change 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 the increase in cash balances at June 30, 2015. This increase is attributed to the reduction in payroll and general fund expenditures put in place over the past two years.

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 $8000 of capital assets during the year while current year depreciation was $165,165.

The current liabilities decreased from the prior year by $26,872, primarily due to decreased accrued expenses and short-term notes payable. The district borrowed fewer funds to finance school operations as the district's financial position in the General fund improved over the prior year.

Noncurrent liabilities increased significantly due to the addition of the net pension liability, as required by GASB 68. The district recognized and reported a proportionate share of the state's pension plan liability (MPSERS). The district's net position from June 30, 2014 was restated by $(3,029,381). Without this change, the district would have seen a decrease in non-current liabilities of $189,506. The amounts owed to the School Loan Revolving Fund and the School Bond Loan Fund increased by $49,951 and $3,611, but non-current Bonds payable decreased by $230,000 and Bond premium decreased by $8,671.

Total net position for governmental activities decreased significantly due to the restatement for the net pension liability in the amount of $(3,029,381). The amount is the cumulative difference (as of June 30, 2014) between the net pension liability of $(3,254,728) and the deferred outflow – retirement contributions of $225,347. The district actually experienced an increase in net position of $109,803 for the fiscal year.

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, 2015 and 2014

	2015	2014	Difference
Current Assets	$1,077,773	$1,020,061	$57,712
Noncurrent Assets	3,988,945	4,146,109	-157,164
Total Assets	$5,066,718	$5,166,170	$99,452
Deferred Outflows of Resources	$239,776	$0	$239,776
Current Liabilities	$1,263,842	$1,263,714	-$26,872
Noncurrent Liabilities	7,668,343	4,796,473	2,871,870
Total Liabilities	$8,905,185	$6,060,187	$2,844,998
Deferred Inflows of Resources	$225,478	$0	$225,478
Investment in Capital Assets (Net of Related Debt)	-$457,022	-$500,888	$43,866
Restricted	51,533	108,197	-56,644
Unrestricted	-3,333,476	-501,326	-2,832,150
Total Net Position	-$3,738,945	-$894,017	-$2,844,928

Total revenues reported on the Statement of Activities varied slightly from the previous year. Charges for Services increased by $66,530, due to the inclusion of library rental fees and RESD payments. Operating Grants and Contributions decreased slightly as the aforementioned revenue was reclassified, but the district received more revenue from federal grant for Title I and Title II. The district received $103,148 in Title I revenue and $36,743 in Title II revenue, which was an increase of $58,766 from the previous year.

Table 2
Comparative Summary of Program, General, and Total Revenues
Years Ended June 30, 2015 and 2014

	2015	2014	Difference
Charges for Services	$120,946	$54,416	$66,530
Operating Grants and Contributions	262,270	270,372	-8,102
Total Program Revenues	$383,216	$324,788	$58,428
Property Taxes	$468,665	$462,806	$5,859
State Aid Not Restricted to Specific Purposes	2,214,293	2,138,630	75,663
Interest and Investment Earnings	473	666	-193
Other General Revenues	35,493	19,621	15,872
Total General Revenues	$2,718,924	$2,621,723	$97,201
Total Revenues	$3,102,140	$2,946,511	$155,629

Total expenses increased slightly from the previous year. Instruction costs decreased primarily due to reduced payroll costs from employee turnover. Support services increased overall as expenditures for guidance, grant related spending, general administration, and business services increased, while decreases occurred in the areas of operations and maintenance and school administration. Interest and Fees decreased as the prior year's costs were related to refinancing the 2004 Bond Issue.

Table 3
Comparative Summary of Program Expenses by Function and Total Expenses
Years Ended June 30, 2015 and 2014

	2015	2014	Difference
Instruction	$1,507,865	$1,523,431	-$15,566
Support Services	933,345	811,203	122,142
Food Service	141,145	108,703	32,442
Athletics	63,657	53,984	9,673
Interest and Fees on Long-term Debt	191,732	279,362	-87,630
Other Expenses	0	5,914	-5,914
Depreciation – Unallocated	165,164	163,845	1,319
Total Expenses	$3,002,908	$2,946,442	$56,466

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, 2015 and 2014

	2015	2014	Difference
Net Position – Beginning	-$3,923,401	-$894,086*	-$3,029,315
Increase (Decrease) in Net Position	99,232	69	99,163
Net Position – Ending	-$3,824,169	-$894,017*	

*prior to restatement

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 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 experienced a small decrease in student enrollment. The District, however, continued to see the results of prior year budget reductions and was able to end the year with a positive fund balance in the general fund.

The decrease in Net Position is a function of the difference between the District-Wide Financial Statements and the Fund Financial Statements. The reconciliation between these two methods is presented on page 6. One major difference between the two models is the depreciation of capital assets of $165,164. 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 differences include the payment of principal on outstanding bonds ($228,671) and proceeds from the School Bond Loan Fund ($18,970).

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	Special Education tax levy (from intermediate school district), Title IA grant, Title IIA grant, and REAP grant.
Support Services	Library agreement
Food Service	Hot lunch sales, State Hot Lunch funds, and Federal Hot Lunch funds.
Athletics	Gate receipts, Season passes, Other revenues.

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 Hot Lunch Fund.

The General Fund realized a significant increase in fund equity due to keeping expenditures under control, as well as the increase in revenues.

The Hot Lunch Fund realized a slight increase in fund equity due to an increase in student lunch sales. The district also increased the use of commodities, resulting in a decrease in the cost of food, and also saw an increase in Federal revenues related to an increase in program eligible students.

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	$2,647,627	146,854	5.55%
Food Service	143,875	3,397	2.36%
Debt Service	310,638	-63,241	-20.36%

General Fund

Approximately 80% 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 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. The district has been able to reduce this percentage the past few years. The

Food Service Fund

The Food Service Fund for the District ended the year with a small fund balance, as it was able to control food costs through increased use of commodity foods coupled with an increase in Federal revenues due to increased eligibility under the program.

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, 2015 the original budget was adopted on June 16, 2014. 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 we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. The significant variances for the fiscal year ended June 30, 2015 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. Some accounts were reclassified to align with the state's accounting manual.

State Sources – The budget for state revenues was increased to reflect a three-year blend in student enrollment and additional preschool revenue for additional slots allocated to the district.

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

Other Sources – The budget was increased to reflect actual revenues from the intermediate school district in association with the Vocational Education millage and actual Medicaid reimbursements.

Added Needs – The original budget included expenditures for an additional At-Risk teacher.

Pupil – The budget was amended to account for the actual expenditures related to the counselor position.

Business Services – The original budget was increased for worker compensation insurance, unemployment compensation insurance, interest on the State Aid Anticipation Loan and taxes abated/written off.

Operations and Maintenance – The original budget was increased to reflect an increase in building repairs and maintenance costs and to include property insurance costs.

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.
State Sources – State GSRP grant of $19,504 was not recognized as those funds were not spent by year end.
Federal Sources – Federal grants of $10,987 were not recognized as those funds were not spent by year end.

Food Service Fund

Changes from Original Budget to Final Budget

The original budget was not amended during the year.

Variances between Final Budget and Actual Amounts

Local Sources – revenues from lunch sales increased significantly from the budgeted amount because of increased participation in the hot lunch/breakfast program.
Federal Sources – federal revenues from lunch sales were up from the budgeted amount because the budget was understated.
Food Service – The actual expenditures for food service were higher due to increased participation in the food service program.

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

There were no additions or disposals during the year.

Long-Term Debt

Detailed notes for the long-term debts are on page 15.

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 seem to have slowed, but any further reduction would result in a loss of state funding.

Looking forward to fiscal year ending June 30, 2016, the District has taken a conservative approach by basing the budget on a small reduction of students and factoring in the $140 per student State funding increase. Staffing will remain relatively at the same level as in 2014-15. The district has not yet completed negotiations for the 2015-2016 school year.

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.

DISTRICT-WIDE
FINANCIAL STATEMENTS

Ashley Community School District
Statement of Net Position
June 30, 2015

Assets	
Current assets	
Cash and cash equivalents	$ 628,752
Due from other governmental units	440,689
Inventory	7,180
Prepaid expenditures	1,152
Total current assets	1,077,773
Noncurrent assets	
Capital assets less accumulated depreciation	3,988,945
Total assets	5,066,718
Deferred Outflows of Resources	
Deferred outflow - retirement contributions	239,776
Liabilities	
Current liabilities	
Accounts payable	28,656
Due to other govt units	22,877
Accrued interest	17,556
Accrued expenses	207,479
Unearned revenue	3,404
Short-term note payable	725,000
Bonds payable due within one year	230,000
Compensated absences due within one year	1,870
Total current liabilities	1,236,842
Non-current liabilities	
Bonds payable due beyond one year	3,390,000
Bond premium	156,070
Compensated absences due beyond one year	10,596
School loan revolving fund payable	941,973
School bond loan fund payable	108,328
Net pension liability	3,061,376
Total non-current liabilities	7,668,343
Total liabilities	8,905,185
Deferred Inflows of Resources	
Deferred inflow - MPSERS plan activity, net of amortization	225,478
Net position	
Net investment in capital assets	(457,022)
Restricted for:	
Debt service	28,570
Food service	22,983
Unrestricted	(3,418,700)
Total net position	$ (3,824,169)

The notes are an integral part of these financial statements.

Ashley Community School District
Statement of Activities
For the Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes Net Position
Governmental activities:				
Instruction	$ 1,507,865	$ 44,495	$ 153,909	$ (1,309,461)
Support services	933,345	24,000	-	(909,345)
Food service	141,145	29,676	108,361	(3,108)
Athletics	63,657	22,775	-	(40,882)
Interest and fees on long-term debt	191,732	-	-	(191,732)
Depreciation - unallocated	165,164	-	-	(165,164)
Total school district	$ 3,002,908	$ 120,946	$ 262,270	(2,619,692)
General revenues:				
Property taxes				468,665
State sources				2,214,293
Interest and investment earnings				473
Other revenues				35,493
Total general revenues				2,718,924
Change in net position				99,232
Net position - beginning of year, as restated for net pension liability				(3,923,401)
Net position - end of year				$ (3,824,169)

FUND FINANCIAL STATEMENTS

Ashley Community School District
Balance Sheet - Governmental Funds
June 30, 2015

	Major Funds		Non-major Fund	
	General	Debt Service	Food Service	Totals
Assets				
Cash and cash equivalents	$ 587,608	$ 28,570	$ 12,574	$ 628,752
Due from other funds	13,780	-	-	13,780
Due from other governmental units	437,460	-	3,229	440,689
Inventory	-	-	7,180	7,180
Prepaid expenditures	1,152	-	-	1,152
Total assets	$ 1,040,000	$ 28,570	$ 22,983	$ 1,091,553
Liabilities				
Accounts payable	$ 24,468	$ -	$ 4,188	$ 28,656
Due to other funds	-	737	13,043	13,780
Due to other govt units	22,877	-	-	22,877
Accrued expenses	207,479	-	-	207,479
Unearned revenue	3,404	-	-	3,404
Short-term note payable	725,000	-	-	725,000
Total liabilities	983,228	737	17,231	1,001,196
Fund balances				
Non-spendable	1,152	-	7,180	8,332
Restricted	-	27,833	-	27,833
Unassigned	55,620	-	(1,428)	54,192
Total fund balances	56,772	27,833	5,752	90,357
Total liabilities and fund balances	$ 1,040,000	$ 28,570	$ 22,983	$ 1,091,553

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
For the Year Ended June 30, 2015

Total fund balance - governmental funds		$	90,357
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		6,505,528
Deduct:	Accumulated depreciation		(2,516,583)
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 bonds payable		(3,620,000)
Deduct:	2014 bond premium		(156,070)
Deduct:	School loan revolving fund payable		(941,973)
Deduct:	School bond loan fund payable		(108,328)
Deduct:	Accrued interest on long-term liabilities		(17,556)
Other liabilities			
Add:	Deferred outflow - retirement contributions		239,776
Deduct:	Compensated absences payable		(12,466)
Deduct:	Net pension liability		(3,061,376)
Deduct:	Change in deferred inflow - MPSERS plan activity (net of amortization)		(225,478)
Total net position - governmental activities		$	(3,824,169)

Ashley Community School District
Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds
For the Year Ended June 30, 2015

	Major Funds		Non-major Fund	
Revenues	General	Debt Service	Food Service	Totals
Local sources	$ 241,072	$ 310,638	$ 29,371	$ 581,081
State sources	2,208,151	-	6,143	2,214,294
Federal sources	153,909	-	108,361	262,270
Other sources	44,495	-	-	44,495
Total revenues	2,647,627	310,638	143,875	3,102,140
Expenditures				
Instruction				
Basic programs	1,199,241	-	-	1,199,241
Added needs	304,100	-	-	304,100
Total instruction	1,503,341	-	-	1,503,341
Support services				
Pupil	86,613	-	-	86,613
Instructional staff	95,429	-	-	95,429
General administration	104,737	-	-	104,737
School administration	155,647	-	-	155,647
Business services	61,093	237	-	61,330
Operation and maintenance	258,709	-	-	258,709
Pupil transportation	166,493	-	-	166,493
Central	4,387	-	-	4,387
Athletics	63,657	-	-	63,657
Total support services	996,765	237	-	997,002
Food service	-	-	141,145	141,145
Debt service - principal	-	220,000	-	220,000
Debt service - interest and other	-	172,612	-	172,612
Total expenditures	2,500,106	392,849	141,145	3,034,100
Revenues over (under) expenditures	147,521	(82,211)	2,730	68,040
Other financing sources (uses)				
Transfer in	-	-	667	667
Transfer out	(667)	-	-	(667)
Proceeds from revolving fund	-	18,970	-	18,970
Revenues and other sources over (under) expenditures and other uses	146,854	(63,241)	3,397	87,010
Fund balance - beginning of year	(90,082)	91,074	2,355	3,347
Fund balance - end of year	$ 56,772	$ 27,833	$ 5,752	$ 90,357

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, 2015

Net change in fund balances - total governmental funds		$	87,010
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		8,000
Deduct:	Depreciation expense		(165,164)
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		220,000
Add:	2014 bond premium amortization		8,671
Add:	Decrease in accrual interest on long-term liabilities		6,801
Deduct:	Increase in accrued interest on school loan revolving fund		(30,981)
Deduct:	Increase in accrued interest on school bond loan fund		(3,611)
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 - retirement contributions		14,429
Add:	Decrease in accrual for compensated absences		5,173
Deduct:	Change in deferred inflow - MPSERS plan activity (net of amortization)		(225,478)
Add:	Decrease in net pension liability		193,352
Proceeds from long-term debt issuance is an other financial source in the governmental funds, but not in the statement of activities (where it increases long-term debt).			
Deduct:	Proceeds from school loan revolving fund		(18,970)
Change in net position of governmental activities		$	99,232

Ashley Community School District
Statement of Net Position – Fiduciary Fund
For the Year Ended June 30, 2015

Assets		
Cash and cash equivalents	$	32,550
Liabilities		
Due to student and other groups		32,550
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 accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District. All amount shown are in dollars.

Reporting Entity
The District is governed by a seven member Board of Education which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities. 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 accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

District-Wide and Fund Financial Statements
The District-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All of the District-wide activities are considered governmental activities.

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Fund Financial Statements **-** The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

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

The District reports the following major governmental funds:

- The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The debt service fund is used to record tax, interest and other revenue for payment of principal and other expenditures on the long-term debt.

The District reports the following non-major governmental funds:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The school service funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The school service funds maintained by the District is the food service fund.

Additionally, the District reports the following fund types:

- Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary fund net position and results of operations are not included in the District-wide statements. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a student activity fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

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

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

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The District's deposits are in accordance with statutory authority.

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

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

Property Tax Revenue
Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied 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 interest and penalties may be assessed by the collecting entity.

The District levied 18.0 mills for school general operations on the non-homestead taxable value. The District also levied an additional 7.0 mills for the 2014 debt on all property in the District for the purpose of debt service.

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

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

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

USDA donated commodities are recorded as a unearned revenue and inventory when received based on their fair market value as determined by the U.S. Department of Agriculture. Revenues and expenditures are then recognized when the commodities are used.

The amount of inventories at year end, including USDA donated commodities, was not significant and, therefore, was not recorded in the financial statements.

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

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

The District does not have infrastructure-type assets.

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

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

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

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

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

Compensated Absences
Employees who are not teachers are awarded vacation based on years of employment. The school board's policy does not allow for the accumulation of vacation days. The vacation pay liability is not reflected in the financial statements because it does not exceed a normal year's accumulation.

The District has various policies for earning sick days. Sick days are earned at the rate of ten (10) days annually. A maximum of 90 days may be accumulated by teachers. All others accumulate up to a maximum of 40 days. Retiring teachers must have at least ten (10) years of service to receive payment for sick leave. They will then be paid for unused accumulated sick days at a rate of $15.00 per day, or $1,350 maximum. All other employees receive nothing upon retirement or termination of employment. The sick leave liability as of June 30, 2015 is $12,466.

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 District-wide financial statements, and revenue is recognized.

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category which relates to the retirement contributions paid to MPSERS after MPSERS' year-end of September 30.

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

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

Fund Balance
Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. 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's Capital Projects and Debt Service fund balances are considered restricted. 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.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2015. The District does not consider these amendments to be significant.

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

NOTE 3 – CASH AND CASH EQUIVALENTS
At June 30, 2015, the carrying amount of the District's cash, deposits and investments was as follows:

Description	Amount
Petty Cash	400
Checking, Savings, Money Market Accounts	628,353
Total	628,753

At year-end, the carrying amount of the District's deposits was $628,353 and the bank balance was $564,013. Of the bank balance, $250,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

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

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

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

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

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

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

NOTE 4 - ACCOUNTS RECEIVABLE
These receivables consist of various amounts owed to the District that are due from non-governmental units.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES
The amounts of interfund receivables and payables at June 30th are as follows:

Receivable fund	Amount	Payable fund	Amount
General Fund	13,780	General Fund	-
Food Service Fund	-	Food Service Fund	13,043
Debt Service Fund	-	Debt Service Fund	737
Total	13,780	Total	13,780

NOTE 6 - DUE FROM OTHER GOVERNMENTAL UNITS
As of June 30th, due from other governmental units is comprised of the following amounts:

Description	Amount
State of Michigan – State Aid	385,554
State of Michigan – Title I	12,129
Midland ESA – GSRP	38,305
U.S. Department of Education	1,472
State of Michigan – State Aid (Food Service)	3,229
Total	440,689

NOTE 7 - CAPITAL ASSETS
A summary of changes in the District's capital assets follows:

Capital Assets	**Beginning Balance**	**Additions**	**Disposals**	**Ending Balance**
Buildings & Additions	5,893,694	-	-	5,893,694
Equipment	269,945	-	-	269,945
Vehicles	357,553	8,000	(109,874)	255,679
Furniture	86,210	-	-	86,210
Total Capital Assets	6,607,402	8,000	(109,874)	6,505,528
Accumulated Depreciation				
Buildings & Additions	(1,864,487)	(136,869)	-	(2,001,355)
Equipment	(239,158)	(13,401)	-	(252,559)
Vehicles	(321,322)	(9,913)	109,874	(221,361)
Furniture	(36,326)	(4,982)	-	(41,308)
Total Accumulated Depreciation	(2,461,293)	(165,165)	109,874	(2,516,583)
Net Capital Assets	4,146,109	(157,165)	-	3,988,945

Depreciation for the year ended June 30, 2015 totaled $165,165. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 8 - ACCRUED EXPENSES
Accrued expenses includes accrued wages and related liabilities. Accrued wages as of June 30th consist mainly of the remaining balance owed on teacher contracts to be paid during the summer months. This also includes amounts earned by other employees as of year-end but not paid until after year-end. Accrued expenses as of June 30th are as follows:

Description	Amount
Accrued wages	128,721
Retirement payable	32,565
Retirement payable – 147 (c)	19,847
Health insurance payable	12,412
Accrued FICA	9,314
Accrued interest on short-term note payable	4,620
Totals	$ 207,479

NOTE 9 - DUE TO OTHER GOVERNMENTAL UNITS
Due to other governmental units as of June 30th are as follows:

Description	Amount
Elba Township – Refund of Industrial Facilities Tax	21,012

NOTE 10 - SHORT-TERM NOTE PAYABLE
On August 20, 2014, the District borrowed $725,000 in the form of a State Aid Anticipation Note for the purpose of providing funds for school operations. The interest rate is stated at 3.00% and the maturity date is August 20, 2015.

On August 20, 2015 (after the end of the current fiscal year), the District borrowed $540,000 in the form of a State Aid Anticipation Note for the purpose of providing funds for school operations. The interest rate is stated at 0.98% and the maturity date is August 22, 2016.

NOTE 11 - LONG-TERM DEBT
The District issues bonds, notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds and refunding bonds are direct obligations and pledge the full faith and credit of the District. Other long-term obligations include compensated absences.

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.

See 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.

See bond payment schedules included in the back of this report.

Changes to Long-Term Debt
The long-term obligations currently outstanding are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Less: Current Portion	Total due after one year
Compensated Abs.	17,639	-	(5,173)	12,466	1,870	10,596
2014 Refunding Bonds	3,840,000	-	(220,000)	3,620,000	230,000	3,390,000
School Bond Loan Fund	104,717	3,611	-	108,328	-	108,328
School Bond Revolving	892,022	49,951	-	941,973	-	941,973
Total	4,854,378	53,562	(225,173)	4,682,767	231,870	4,450,897

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2015 are included in the Schedule of Long-Term Debt in the back of this report.

NOTE 12 - FUND BALANCE

Fund balance in the Food Service Fund is restricted for food service. Fund balance in the Debt Service Fund is restricted for debt service.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEM

Organization

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

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act. There are 685 participating employers. The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report.

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

Membership

At September 30, 2014, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	181,489
Survivor benefits	16,855
Disability benefits	6,168
Total	204,512
Inactive plan members entitled to but not yet receiving benefits:	16,979
Active plan members:	
Vested	108,934
Non-vested	101,843
Total	210,777
Total plan members	432,268

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. 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.

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

Member Contributions
Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when 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. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987, through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first $5,000; 3.6% of $5,001 through $15,000; 4.3% of all wages over $15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first $5,000; 3.6% of $5,001 through $15,000; 6.4% of all wages over $15,000.

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

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Their options are described in detail under Pension Reform 2012 beginning on page 23. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employer Contributions
Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

<u>Summary of Significant Accounting Policies</u>
Basis of Accounting and Presentation
The System's financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. The reserves are described below and details are provided in the supporting schedules.

GASB Statement No. 67, which was adopted during the year ended September 30, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB Statement No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosures regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances.

Reserves
Reserve for Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Retired Benefit Payments for regular and disability retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Employer Contributions representing unclaimed funds.

Members no longer contribute to this reserve except to purchase eligible service credit or repay previously refunded contributions. At September 30, 2014, the balance in this reserve was $1.5 billion for the plan as a whole.

Reserve for Pension Plus Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Pension Plus Retired Benefit Payments for regular retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Pension Plus Employer Contributions representing unclaimed funds. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was $59.5 million for the plan as a whole.

Reserve for Member Investment Plan - This reserve represents MIP contributions and interest less refunds and transfers to the Reserve for Retired Benefit Payments. At September 30, 2014, the balance in this reserve was $4.7 billion for the plan as a whole.

Reserve for Employer Contributions - This reserve represents all reporting unit contributions, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually. Amounts are transferred annually to the Reserve for Retired Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was ($25.8) billion for the plan as a whole.

Reserve for Pension Plus Employer Contributions - This reserve represents all reporting unit contributions for Pension Plus members, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually at a rate of 7%. Amounts are transferred annually to the Reserve for Retired Pension Plus Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was $55.5 million for the plan as a whole.

Reserve for Retired Benefit Payments - This reserve represents payments of future retirement benefits to current retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was $44.6 billion for the plan as a whole.

Reserve for Retired Pension Plus Benefit Payments - This reserve represents payments of future retirement benefits to current Pension Plus retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Pension Plus Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. Currently, there are no participants qualified to retire under this program. At September 30, 2014, the balance in this reserve was $0 for the plan as a whole.

Reserve for Undistributed Investment Income - This reserve represents all investment earnings. Interest is transferred annually to the other reserves. Administrative expenses of the System are paid from the Reserve for Administrative Expenses, which is credited with amounts from the Reserve for Undistributed Investment Income to cover the expenses. For ease of reporting and understanding, the two reserves are presented as one reserve in the supporting schedules. Public Act 143 of 1997 established a stabilization subaccount within the Reserve for Undistributed Investment Income to which any over funding is credited. As of September 30, 2014, the balance in the subaccount was zero. At September 30, 2014, the balance in this reserve was $18.6 billion for the plan as a whole.

Reserve for Health (OPEB) Related Benefits - This reserve is credited with employee and employer contributions for retirees' health, dental, and vision benefits. Starting in fiscal year 2013, the employer contribution is based on a prefunded basis and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. In addition, in fiscal year 2014, federal funding for Medicare Part D and Employer Group Waiver Plan (EGWP) was paid directly to a third party vendor. The third party vendor uses the EGWP funding for any claims submitted and bills the system for any remaining claims outstanding. Premiums for health, dental and vision benefits are paid from this reserve. At September 30, 2014, the balance in this reserve was $3.5 billion for the plan as a whole.

Reporting Entity

The System is a pension and other employee benefit trust fund of the State. As such, the System is considered part of the State and is included in the State's Comprehensive Annual Financial Report as a pension and other employee benefit trust fund. The System and its Board are not financially accountable for any other entities or other organizations.

Benefit Protection

Public Act 100 of 2002 was passed by the Michigan Legislature to protect pension benefits of public employees from alienation (being transferred). Alienation is attachment, garnishment, levy, execution, bankruptcy or other legal process except for divorce orders or eligible domestic relation orders. The statutes governing the System contained an "antialienation" clause to provide for this protection; however, many smaller public pension systems did not have the benefit of this protection. Therefore, Public Act 100 of 2002 was passed to establish legal protection of pension assets that encompasses all public employees.

Fair Value of Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. The fair value of private investments is based on the net asset value reported in the financial statements of the respective investment entity. The net asset value is determined in accordance with governing documents of the investment entity, and is subject to an independent annual audit. Securities purchased with cash collateral under securities lending activities are recorded at estimated fair value. Other investments not having an established market are recorded at estimated fair value.

Investment Income

Dividend and interest income is recognized on the accrual basis. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date (the date upon which the transaction is initiated), except for purchase and sale of mortgages, real estate, and alternative investments which are recorded as of the settlement date (the date upon which the transaction is ultimately completed). The effect of recording such transactions as of the settlement date does not materially affect the financial statements.

Costs of Administering the System

Each year a restricted general fund appropriation is requested to fund the on-going business operations of the System. These administrative costs are ultimately funded by the System through the regular transfer of funds from the System to the State's general fund based on either a direct cost or allocation basis depending on the nature of the expense. Costs of administering the System are financed by undistributed investment income of the System.

Property and Equipment

Office space is leased from the State on a year to year basis. Office equipment is capitalized if the value exceeds $5,000. These assets are recorded at cost and are reported net of depreciation in the Statement of Pension Plan and Other Postemployment Benefit Plan Fiduciary Net Position. Such assets are depreciated on a straight-line basis over 10 years. As of September 30, 1998, all capitalized equipment was fully depreciated. No additional equipment has been capitalized for the System since that date.

Related Party Transactions

Leases and Services - The System leases operating space and purchases certain administrative, data processing, legal and investment services from the State. The space and services are not otherwise available by competitive bid.

Cash - At September 30, 2014, the System had $246.7 million in a common cash investment pool maintained for various State operating funds. The participating funds in the common cash pool earn interest at various rates depending upon prevailing short-term interest rates. Earnings from these activities amounted to ($0.6) thousand for the year ended September 30, 2014.

Contributions and Funding Status

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Reporting units 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. For retirement and OPEB benefits, the unfunded(overfunded) actuarial accrued liability as of the September 30, 2014 valuation will be amortized over a 22 year period for the 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	18.34 - 19.61 %
Member Investment Plan	3.0 - 7.0	18.34 - 19.61
Pension Plus	3.0 - 6.4	18.11
Defined Contribution	0.0	15.44 - 16.61

The System may reconcile with actuarial requirements annually. If the system reconciles in a year, any funding excess or deficiency for pension benefits is smoothed over a maximum of 5 years, with at least one-fifth (20%) of the funding excess or deficiency included in the subsequent year’s contribution. This payment is not recognized as a payable or receivable in the accounting records. If the System does not reconcile in a year, any funding excess or deficiency for pension benefits is accounted for in subsequent required contributions over the remaining amortization period. For fiscal year 2014, the System did not reconcile.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System’s members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in fiscal year 1998, and payments began in fiscal year 1999.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members’ paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2014, there were 16,503 agreements for the plan as a whole. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.0 years for 2014. The short-term receivable was $29.7 million and the discounted long-term receivable was $83.6 million at September 30, 2014 for the plan as a whole.

Net Pension Liability

Measurement of the MPSERS Net Pension Liability

The plan’s net pension liability is to be measured as the total pension liability, less the amount of the pension plan’s fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer’s contribution requirement).

MPSERS (Plan) Net Pension Liability – As of September 30, 2014

Total Pension Liability	$ 65,160,887,182
Plan Fiduciary Net Position	$ 43,134,384,072
Net Pension Liability	$ 22,026,503,110

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.20%
Net Pension Liability as a Percentage of Covered-Employee Payroll	250.11%

Year 1 MPSERS GASB 68 implementation recognizes a 0.00% change in the reporting unit's proportionate share between beginning net pension liability and ending net pension liability.

MPSERS (Plan) Net Pension Liability
As of October 1, 2013

Total Pension Liability	$ 62,859,499,994
Plan Fiduciary Net Position	$ 39,427,686,072
Net Pension Liability	$ 23,431,813,922

Proportionate Share of Reporting Unit's Net Pension Liability
At September 30, 2014, the Reporting Unit reported a liability of $3,061,376 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The Reporting Unit's proportionate share of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, the Reporting Unit's proportionate share percent was 0.01390 percent.

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	4.8 %
Alternative Investment Pools	18.0	8.5
International Equity	16.0	6.1
Fixed Income Pools	10.5	1.5
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	15.5	6.3
Short Term Investment Pools	2.0	(0.2)
Total	100.0	

*Long term rate of return does not include 2.5% inflation

Rate of Return
For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 12.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
As required by GASB Statement No. 68, the following presents the reporting unit's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the reporting unit'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:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	**Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%**	**1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%**
$ 4,036,157	$ 3,061,376	$ 2,240,108

Timing of the Valuation
An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures.

Actuarial Valuations and Assumptions
Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions
Actuarial Assumptions

Wage Inflation Rate:	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% Year 12

Mortality:

RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the 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 total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures, including the experience study.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2014 MPSERS Comprehensive Annual Financial Report.

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

For the year ended June 30, 2015, the Reporting Unit recognized total pension expense of $233,552. At June 30, 2015, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	-
Changes of assumptions	112,958
Net difference between projected and actual earnings on pension plan investments	(338,436)
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	-
Deferred inflow - MPSERS plan activity, net of amortization	(225,478)
Reporting Unit contributions subsequent to the measurement date	239,776

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

Plan Year Ended Sept. 30	Amount:
2015	(55,236)
2016	(55,236)
2017	(55,236)
2018	(59,770)

Included in the amounts paid above, the District received $105,723 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2015.

Other Postemployment Benefits

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, is currently funded on a cash disbursement basis. Beginning fiscal year 2013, it will be 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. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Upon retirement, pension and other post-retirement benefits are paid by the State of Michigan from funding provided by the District.

NOTE 14 – RISK MANAGEMENT
The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The District has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 16 - TRANSFERS
General Fund transferred $667 to the Food Service Fund to pay for costs associated with the operation of the school breakfast program.

NOTE 17 – RESTATEMENT OF NET POSITION
As of June 30, 2015, the beginning net position was restated as follows:

Restatement of Net Position	Balance June 30, 2014 Previously Reported	Restatement	Balance June 30, 2014 As Restated
Net Position	(894,020)	(3,029,381)	(3,923,401)

The beginning net position was restated to reflect the implementation of GASB 68. Net position was restated by $(3,029,381) which is the cumulative difference (as of June 30, 2014) between the net pension liability of $(3,254,728) and the deferred outflow – retirement contributions of $225,347. Note 13 - Employee Retirement System contains additional information regarding the implementation of GASB 68.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
PROSPECTIVE 10-YEAR TREND INFORMATION

Ashley Community School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with final budget
Revenues				
Local sources	$ 185,476	$ 245,773	$ 241,072	$ (4,701)
State sources	2,046,921	2,226,090	2,208,151	(17,939)
Federal sources	139,207	164,896	153,909	(10,987)
Other sources	66,000	45,446	44,495	(951)
Total revenues	2,437,604	2,682,205	2,647,627	(34,578)
Expenditures				
Instruction				
Basic programs	1,177,907	1,199,327	1,199,241	86
Added needs	332,531	290,693	304,100	(13,407)
Total instruction	1,510,438	1,490,020	1,503,341	(13,321)
Support services				
Pupil	52,901	86,043	86,613	(570)
Instructional staff	56,691	96,778	95,429	1,349
General administration	112,672	102,163	104,737	(2,574)
School administration	145,407	156,724	155,647	1,077
Business services	34,950	61,912	61,093	819
Operation and maintenance	250,716	260,176	258,709	1,467
Pupil transportation	144,906	177,661	166,493	11,168
Central	2,100	4,100	4,387	(287)
Athletics	55,755	60,521	63,657	(3,136)
Total support services	856,098	1,006,078	996,765	9,313
Outgoing transfers	-	-	667	(667)
Total expenditures	2,366,536	2,496,098	2,500,773	(4,675)
Revenues over (under) expenditures	71,068	186,107	146,854	(39,253)
Fund balance - beginning of year	(90,082)	(90,082)	(90,082)	-
Fund balance - end of year	$ (19,014)	$ 96,025	$ 56,772	$ (39,253)

Ashley Community School District
Budgetary Comparison Schedule for the Food Service Fund
For the Year Ended June 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance with final budget
Revenues				
Local sources	$ 22,054	$ 22,054	$ 29,371	$ 7,317
State sources	2,819	2,819	6,143	3,324
Federal sources	85,959	85,959	108,361	22,402
Total revenues	110,832	110,832	143,875	33,043
Expenditures				
Food service	108,703	108,703	141,145	(32,442)
Total expenditures	108,703	108,703	141,145	(32,442)
Revenues over (under) expenditures	2,129	2,129	2,730	601
Other financing sources (uses)				
Transfer in	228	228	667	439
Revenues and other sources over (under) expenditures and other uses	2,357	2,357	3,397	1,040
Fund balance - beginning of year	2,355	2,355	2,355	-
Fund balance - end of year	$ 4,712	$ 4,712	$ 5,752	$ 1,040

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability		**Plan year Sept 30, 2014**
Reporting unit's proportion of net pension liability (%)		0.01390%
Reporting unit's proportionate share of net pension liability	$	3,061,376
Reporting unit's covered employee payroll	$	1,183,770
Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%)		258.6%
Plan fiduciary net position as a percentage of total pension liability		66.2%

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

Schedule of the Reporting Unit's Contributions		**Fiscal year June 30, 2015**
Statutorily required contributions	$	263,680
Contributions in relation to statutorily required contributions		263,680
Contribution deficiency (excess)	$	-
Reporting unit’s covered-employee payroll	$	1,215,043
Contributions as a percentage of covered-employee payroll		21.7%

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

SCHEDULE OF LONG-TERM DEBT

Ashley Community School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2015

Fiscal Year Ended June 30,	Interest Rate (%)	Annual Principal Due	Interest Due November	Interest Due May	Total
2014 Refunding Bonds - $3,840,000					
2016	4.00%	$ 230,000	$ 70,225	$ 70,225	$ 370,450
2017	4.00%	240,000	65,625	65,625	371,250
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
		$ 3,620,000	$ 611,363	$ 611,362	$ 4,842,725

Five year groupings			
Year 1	$ 230,000	$ 70,225	$ 70,225
Year 2	240,000	65,625	65,625
Year 3	250,000	60,825	60,825
Year 4	270,000	55,825	55,825
Year 5	260,000	50,625	50,625
Years 6-10	1,020,000	177,325	177,325
Years 11-15	750,000	100,913	100,912
Years 16-20	600,000	30,000	30,000
	$ 3,620,000	$ 611,363	$ 611,362

Ashley Community School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2015

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
	$ 66,099	$ 42,229	

As of June 30, 2015, the interest rate was 3.41183%.

During the year ended June 30, 2004 the District made a $50,000 payment on this loan, of which $31,262 was applied to principal.

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
	$ 759,868	$ 182,105	

As of June 30, 2015, the interest rate was 3.41183%.