Ashley Community School District
Ashley, Michigan

Financial Statements
With Supplementary Information
June 30, 2018

Roslund Prestage & Company
Certified Public Accountants

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

Table of Contents

Page Number

Independent Auditor's Report

Management's Discussion and Analysis .... I - X

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Position 1

Statement of Activities 2

Fund Financial Statements:

Balance Sheet – Governmental Funds 3

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Position of Governmental Activities on the Statement of Net Position 4

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 5

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 6

Fiduciary Fund:

Statement of Net Position 7

Notes to the Financial Statements .... 8 - 25

Required Supplementary Information

Budgetary Comparison Schedule 26

Prospective 10-year trend information - Pension 27

Prospective 10-year trend information - OPEB 28

Other Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds 29

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds 30

Schedule of Long-Term Debt .... 31 - 32

Government Auditing Standards Report 33

Roslund Prestage & Company
Certified Public Accountants

Independent Auditor's Report

To the Board of Education
Ashley Community School District

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ashley Community School District (the District), as of and for the year ended June 30, 2018, 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, 2018, 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, the District adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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. 75. 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 required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018, 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.
Certified Public Accountants

October 5, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Ashley Community School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2018. 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 changes in assets, liabilities, and net position from the previous year for the government-wide financial statements were significant.

Current assets decreased over the prior year due to a decrease in the cash on hand at June 30, 2018. Current assets decreased by $1,563,368, as the District spent down funds from the 2016 bond for the purpose of remodeling the school building, purchasing school buses, and developing and improving the site. At June 30th, only $431,010 was on hand as cash or cash equivalents, compared to $1,921,145 at the end of the prior year. In addition to the Capital Projects Funds, the General Fund and Food Service each held slightly more current assets, while both Debt Service Funds had less. The District had less cash on hand in total as well as less in the amount owed from other governmental units.

The increase in capital assets net of depreciation indicates that capital assets are being added or replaced at a faster rate than they are depreciating. This was expected since the passage of the 2017 Bond allowed the District to make large purchases and renovate existing fixed assets. The District added $1,706,856 of capital assets during the year while current year depreciation was $164,708.

The current liabilities decreased from the prior year by $92,278, primarily due to decreased short-term notes payable. The District continues to borrow fewer funds each year to finance school operations ($125,000 less in 2017-18) as the District's financial position in the General Fund continued to improve. Accrued interest decreased $4228 for the same reason. However, accounts payable, accrued expenses, and current bonds payable increased during this period by $6,052, $19,843 and $ 10,000 respectively.

Noncurrent liabilities also decreased due to the payment of long-term debt. The bonds payable due beyond one year decreased to $4,680,000, a decrease of $360,000. The District also had an increase in the net pension liability and loans payable. The District recognized and reported a larger proportionate share of the state's pension plan liability (MPSERS), amounting to $52,835 more net pension liability. The District's balances in the School Loan Revolving Fund and School Bond Loan Fund increased by a total of $135,214 during the period.

Total net position for governmental activities decreased significantly due to the restatement for the net other post-employment benefit (OPEB) liability in the amount of $(1,247,083). The amount is the cumulative difference between the net OPEB liability of $(1,343,414) and the deferred outflow – related to OPEB of $96,331. The district would have experienced an increase in net position of $193,642 for the fiscal year without the restatement.

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, 2018 and 2017

	2018	2017	Difference
Current Assets	$1,391,200	$2,954,568	$1,563,368
Noncurrent Assets	5,320,211	3,802,201	1,518,010
Total Assets	$6,711,411	$6,756,769	-$45,358
Deferred Outflows of Resources	$909,266	$570,581	$338,685
Current Liabilities	$971,857	$1,070,135	-$98,278
Noncurrent Liabilities	11,169,388	10,077,188	1,092,150
Total Liabilities	$12,141,195	$11,147,323	$ 993,872
Deferred Inflows of Resources	$479,525	$126,629	$352,896
Investment in Capital Assets (Net of Related Debt)	$553,557	$165,828	$387,729
Restricted	49,250	79,438	-30,188
Unrestricted	-5,602,850	-4,191,868	-1,410,982
Total Net Position	-$5,000,043	-$3,946,602	-$1,053,441

Total revenues reported on the Statement of Activities remained basically the same from the previous year. Charges for Services increased by only $1,556, as tuition payments and athletics revenues were up but offset by a decrease in food service charges. Operating Grants and Contributions increased by $10,994 overall. Grants for instruction decreased overall as the district received less revenue from Title I and Title II, but slightly more in REAP and Title IV grants. The District received $25,495 less in Title I revenue than the previous year, and $9,090 less in Title II funds. Conversely, the district has $4,892 more in REAP grant revenue and received Title IV revenue for the first time in the amount of $10,000. Grants for Food Service increased as the district had more revenue from the National School Lunch Program and through the use of USDA Commodities. Operating grants for lunch and breakfast programs increased approximately $12,400 and $14,100 while USDA Commodities revenue increased $431.

Table 2
Comparative Summary of Program, General, and Total Revenues
Years Ended June 30, 2018 and 2017

	2018	2017	Difference
Charges for Services	$70,748	$69,192	$1,556
Operating Grants and Contributions	255,777	244,783	10,994
Total Program Revenues	$326,525	$313,975	$12,550
Property Taxes	$589,665	$525,385	$64,280
State Aid Not Restricted to Specific Purposes	2,227,710	2,310,589	-82,879
Intermediate sources	79,579	61,683	17,896
Interest and Investment Earnings	12,228	5,573	6,655
Other General Revenues	33,538	33,991	-453
Total General Revenues	$2,942,720	$2,937,221	$5,499
Total Revenues	$3,269,245	$3,251,196	$18,049

Total expenses increased rather significantly from the previous year. Instruction costs increased primarily due to increased payroll costs. Support services decreased as expenditures for guidance, social services, general administration, pupil transportation, athletics, and technology increased more than decreases in the areas of school administration, operations and maintenance and business services. The District also did not purchase a new bus as it had in the prior year.

Table 3
Comparative Summary of Program Expenses by Function and Total Expenses
Years Ended June 30, 2018 and 2017

	2018	2017	Difference
Instruction	$1,576,580	$1,435,794	$140,786
Support Services	936,009	1,209,672	-273,663
Community Services	3,400	-	3,400
Food Service	157,704	138,824	18,880
Facilities Construction	11,783	197,759	-185,976
Interest and Fees on Long-term Debt	225,419	311,155	-85,736
Depreciation – Unallocated	164,708	159,591	5,117
Total Expenses	$3,075,603	$3,452,795	-$377,192

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, 2018 and 2017

	2018	2017		Difference
Net Position – Beginning	-$5,193,685	-$3,745,003	*	$ 1,448,682
Increase (Decrease) in Net Position	193,642	-201,599		395,241
Net Position – Ending	-$5,000,043	-$3,946,602	*	

*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 significantly increase fund balance is an indication that taxpayer money is not being fully utilized for the education of the children. To decrease fund equity is not sustainable for the long-term and would result in cuts to programs in the future. To operate at break-even allows the full utilization of resources to finance education in a sustainable fashion.

During the current year, the District saw an increase in the per-pupil foundation allowance while having relatively the same enrollment. The District also implemented cost-saving changes, including changes to the property and casualty insurance and health insurance offered to employees. These factors helped the District to increase fund balance in the general fund for the fourth consecutive year and reach the recommended goal of a fund balance of greater than 10% (as a percentage of overall expenditures).

The increase in Net Position is a function of the difference between the District-Wide Financial Statements and the Fund Financial Statements. The reconciliation between these two methods is presented on page 6. One major difference between the two models is the depreciation of capital assets of $164,708. These purchases are recorded as assets on the District-Wide Financial Statements and depreciated over their useful lives. On the Fund Financial Statements the acquisitions are recorded as expenditures at the time of purchase. Other major differences include the payment of principal on outstanding bonds ($359,854) and proceeds from the School Loan Revolving Fund ($131,578).

Statement of Activities

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

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

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

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

IV. Significant Transactions and Changes in Individual Funds

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

The General Fund realized an increase in fund equity due an increase in revenues and keeping expenditures under control.

The Food Service Fund realized an increase in fund equity due to increases in Federal revenue and controlling costs. The increase more than doubled the fund balance.

The Capital Projects spent nearly 79% of the prior year fund balance to accomplish the construction projects related to the passage of the election for general obligation bonds.

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	$2,741,912	$67,360	2.44%
Food Service	170,129	12,425	7.30%
Debt Service	540,834	-48,565	-8.98%
Capital Projects	11,353	-1,490,135	

General Fund

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

Food Service Fund

The Food Service Fund for the District ended the year with a 13.4% fund balance. This is a major improvement considering the fund was a less than 1% just two years ago. The district reduced costs and improved sales and served more Federal reimbursable meals. The District made use of commodity foods available through the USDA.

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 levy of 8.4 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, 2018 the original budget was adopted on June 26, 2017. The original budget is adopted two months before school is in session and, therefore, many assumptions are made in constructing the budget for unknowns such as the number of students the District will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. The significant variances for the fiscal year ended June 30, 2018 are as follows:

General Fund

Changes from Original Budget to Final Budget

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

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

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

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

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

Instructional Staff – The budget was increased to account for revised Title II expenditures.

General Administration – The budget was increased for legal and audit services, as well as health insurance and miscellaneous expenditures.

Operations and Maintenance – The budget was decreased to reflect actual costs expected to occur.

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.
Federal Sources – Reimbursable Title II grants were not expended prior to the end of the fiscal year.
Basic Programs – Retirement expenses were not as high as expected and some Title II grant funds were not expended prior to the end of the fiscal year.
Added Needs – Some Title II grant funds were not expended prior to the end of the fiscal year, but will be prior to the end of the grant cycle.
School Administration – The final budget included higher costs for retirement and other areas that were not paid out during the fiscal year.
Operations & Maintenance – Final utility costs came in less anticipated.

Food Service Fund

Changes from Original Budget to Final Budget

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

Variances between Final Budget and Actual Amounts

As the final budget was adopted to reflect to actual activity during the year, there were minimal variances between the final budget and actual amounts. Federal reimbursements for June were higher than anticipated.

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

The District added multiple assets during the year, including improvements to the buildings totaling $1,679,279 and technology equipment, wrestling mats, and a mower totaling $27,576. The District disposed of a parking lot as part of other renovations, with a book cost of $24,137 during the year.

Long-Term Debt

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

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

One of the most significant factors facing Ashley Community Schools continues to be the economic condition of the State of Michigan and specifically Gratiot County and the surrounding area. 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. Enrollment has stabilized, but any further reduction would result in a loss of state funding and have a negative impact to the district's primary source of revenue. Lack of available housing and jobs within the local economy are factors that could affect enrollment.

Looking forward to fiscal year ending June 30, 2019, the District has taken a conservative approach by basing the budget on a small reduction of students and factoring in the $240 per student State funding increase. Staffing will remain relatively at the same level as in 2017-18. The district has a bargaining agreement through June 30, 2019.

Request for Information

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

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Ashley Community School District
Statement of Net Position
June 30, 2018

Assets	
Current assets	
Cash and investments	$ 914,078
Due from other governmental units	470,541
Inventory	2,809
Prepaid expenditures	3,772
Total current assets	1,391,200
Noncurrent assets	
Capital assets not being depreciated	1,618,979
Capital assets being depreciated, net	3,701,232
Total noncurrent assets	5,320,211
Total assets	6,711,411
Deferred outflows of resources	
Deferred outflow - related to pension	841,274
Deferred outflow - related to other post-employment benefits	67,992
Total deferred outflows of resources	909,266
Liabilities	
Current liabilities	
Accounts payable	30,120
Due to other governmental units	40,123
Accrued interest	30,079
Accrued expenses	254,917
Short-term note payable	255,000
Bonds payable due within one year	360,000
Compensated absences due within one year	1,618
Total current liabilities	971,857
Non-current liabilities	
Bonds payable due beyond one year	4,680,000
Bond premiums being amortized, net	157,664
Compensated absences due beyond one year	9,169
School loan revolving fund payable	1,230,297
School bond loan fund payable	119,212
Net pension liability	3,699,350
Net other post-employment benefit liability	1,273,646
Total non-current liabilities	11,169,338
Total liabilities	12,141,195
Deferred inflows of resources	
Deferred inflow - related to pension	261,202
Deferred inflow - related to other post-employment benefits	43,064
Deferred inflow - 147c allocation	175,259
Total deferred inflows of resources	479,525
Net position	
Net investment in capital assets	553,557
Restricted for:	
Food service	21,048
Debt service	31,011
Capital projects	431,010
Unrestricted	(6,036,669)
Total net position	$ (5,000,043)

The notes are an integral part of these financial statements.

Ashley Community School District
Statement of Activities
For the Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes Net Position
Governmental activities:				
Instruction	$ 1,576,580	$ 2,215	$ 109,525	$ (1,464,840)
Support services	936,009	47,989	-	(888,020)
Community service	3,400	-	-	(3,400)
Food service	157,704	20,544	146,252	9,092
Facilities construction	11,783	-	-	(11,783)
Interest and fees on long-term debt	225,419	-	-	(225,419)
Depreciation - unallocated	164,708	-	-	(164,708)
Total school district	$ 3,075,603	$ 70,748	$ 255,777	(2,749,078)
General revenues:				
Property taxes				589,665
State sources				2,227,710
Intermediate sources				79,579
Interest and investment earnings				12,228
Other revenues				33,538
Total general revenues				2,942,720
Change in net position				193,642
Net position - beginning of year, as restated for net OPEB liability				(5,193,685)
Net position - end of year				$ (5,000,043)

FUND FINANCIAL STATEMENTS

Ashley Community School District
Balance Sheet - Governmental Funds
June 30, 2018

	Major Funds		Total	
	General	Capital Projects	Nonmajor Funds	Totals
Assets				
Cash and investments	$ 427,832	$ 431,010	$ 55,236	$ 914,078
Due from other governmental units	468,186	-	2,355	470,541
Inventory	-	-	2,809	2,809
Prepaid expenditures	3,772	-	-	3,772
Total assets	$ 899,790	$ 431,010	$ 60,400	$ 1,391,200
Liabilities				
Accounts payable	$ 29,717	$ -	$ 403	$ 30,120
Due to other governmental units	32,185	-	7,938	40,123
Accrued expenses	254,917	-	-	254,917
Short-term note payable	255,000	-	-	255,000
Total liabilities	571,819	-	8,341	580,160
Fund balances				
Non-spendable	3,772	-	2,809	6,581
Restricted	-	431,010	49,250	480,260
Unassigned	324,199	-	-	324,199
Total fund balances	327,971	431,010	52,059	811,040
Total liabilities and fund balances	$ 899,790	$ 431,010	$ 60,400	$ 1,391,200

Ashley Community School District
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Position of Governmental Activities on the Statement of Net Position
June 30, 2018

Total fund balance - governmental funds	$	811,040
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		8,212,250
Deduct: Accumulated depreciation		(2,892,039)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:		
Deduct: 2014 refunding bonds payable		(2,900,000)
Deduct: 2017 building & site bonds payable		(2,140,000)
Deduct: 2014 refunding bond premium, net		(131,024)
Deduct: 2017 building & site bonds premium, net		(26,640)
Deduct: School loan revolving fund payable		(1,230,297)
Deduct: School bond loan fund payable		(119,212)
Deduct: Accrued interest on long-term liabilities		(30,079)
Other amounts reported in the Statement of Activities that do not require current financial resources consist of:		
Add: Deferred outflow - related to pension		841,274
Add: Deferred outflow - related to other post-employment benefits		67,992
Deduct: Compensated absences payable		(10,787)
Deduct: Net pension liability		(3,699,350)
Deduct: Net other post-employment benefit liability		(1,273,646)
Deduct: Deferred inflow - related to pension		(261,202)
Deduct: Deferred inflow - related to other post-employment benefits		(43,064)
Revenue in support of pension contribution made subsequent to the measurement date:		
Deduct: Deferred inflow - 147c allocation		(175,259)
Total net position - governmental activities	$	(5,000,043)

Ashley Community School District
Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

	Major Funds		Total	
	General	Capital Projects	Nonmajor Funds	Totals
Revenues				
Local sources	$ 273,244	$ 11,353	$ 421,581	$ 706,178
State sources	2,279,564	-	8,018	2,287,582
Federal sources	109,525	-	146,252	255,777
Other sources	79,579	-	-	79,579
Total revenues	2,741,912	11,353	575,851	3,329,116
Expenditures				
Instruction				
Basic programs	1,269,013	-	-	1,269,013
Added needs	283,826	-	-	283,826
Total instruction	1,552,839	-	-	1,552,839
Support services				
Pupil	112,363	-	-	112,363
Instructional staff	53,682	-	-	53,682
General administration	132,514	-	-	132,514
School administration	181,200	-	-	181,200
Business services	33,897	-	-	33,897
Operation and maintenance	279,053	-	-	279,053
Pupil transportation	210,537	-	-	210,537
Central	35,379	-	-	35,379
Athletics	80,039	-	-	80,039
Total support services	1,118,664	-	-	1,118,664
Community service	3,397	-	-	3,397
Food service	-	-	157,704	157,704
Facilities construction	-	1,501,488	-	1,501,488
Debt service - principal	-	-	350,000	350,000
Debt service - interest and other	-	-	239,399	239,399
Total expenditures	2,674,900	1,501,488	747,103	4,923,491
Revenues over (under) expenditures	67,012	(1,490,135)	(171,252)	(1,594,375)
Other financing sources (uses)				
Proceeds from SBLF & SLRF	-	-	135,112	135,112
Net change in fund balances	67,012	(1,490,135)	(36,140)	(1,459,263)
Fund balance - beginning of year	260,959	1,921,145	88,199	2,270,303
Fund balance - end of year	$ 327,971	$ 431,010	$ 52,059	$ 811,040

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, 2018

Net change in fund balances - total governmental funds		$ (1,459,263)
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	1,706,856
Deduct:	Depreciation expense	(164,708)
Deduct:	Loss on disposal of capital assets	(24,138)
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	250,000
Add:	2017 bond payment	100,000
Add:	2014 bond premium amortization	8,189
Add:	2017 bond premium amortization	1,665
Add:	Change in accrual interest on long-term liabilities	4,228
Deduct:	Change in school loan revolving fund payable	(131,578)
Deduct:	Change in school bond loan fund payable	(3,636)
Revenue in support of pension contribution made subsequent to the measurement date:		
Deduct:	Change in deferred inflow - 147c allocation	(59,871)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Add:	Change in deferred outflow - related to pension	270,693
Deduct:	Change in deferred outflow - related to other post-employment benefits	(28,339)
Deduct:	Change in accrual for compensated absences	(364)
Deduct:	Change in net pension liability	(52,835)
Add:	Change in net other post-employment benefit liability	69,768
Deduct:	Change in deferred inflow - related to pension	(249,961)
Deduct:	Change in deferred inflow - related to other post-employment benefits	(43,064)
Change in net position of governmental activities		$ 193,642

Ashley Community School District
Statement of Net Position – Fiduciary Fund
June 30, 2018

		Agency Fund
Assets		
Cash and cash equivalents	$	56,039
Liabilities		
Due to student and other groups		56,039
Net position		
Restricted	$	-

The notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The accounting policies of the Ashley Community School District (the District) conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District. All amounts shown are in dollars.

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following non-major governmental funds:

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

- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District accounts for the 2014 Refunding Debt and 2017 Bond in the debt service fund.

The District reports the following fiduciary funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

Assets	Years
Construction in Process	Not depreciated
Buildings & Additions	15 – 50
Machinery & Equipment	5 – 20
Furniture	5 – 10
Vehicles	10 – 25

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

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

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

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

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

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources.

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

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

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

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

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

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

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

The District levied the following amounts per $1,000 of assessed valuation. The District levied 18.00 mills for school general operations on the non-homestead taxable value. The District also levied an additional 8.40 mills on all property in the District for the purpose of debt service.

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

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

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

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

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

Description	Amount
Petty Cash	400
Checking, Savings, & Money Market Accounts	465,260
Investments - MILAF	448,418
Total	914,078

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2018, the fair value of the District’s investments is the same as the value of the pool shares.

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

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

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

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

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

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, $280,024 of the District's bank balance of $530,024 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The fiduciary fund balances are not included in the above balances.

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

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

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

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

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

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

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

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

Investment Type	**Fair Value**	**Weighted Average Maturity**	**Standard & Poor's Rating**	**%**
MILAF External Investment pool-Cash Mgmt Class	24,581	0.238 yrs	AAAm	5.48%
MILAF External Investment pool-MIMAX	423,837	0.238 yrs	AAAm	94.52%
Total	448,418			

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

NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS
As of June 30th, due from other governmental units is comprised of the following amounts:

Description	Amount
State aid	390,857
Federal grants and other pass-through agencies	79,684
Total	470,541

No allowance for doubtful accounts is considered necessary.

NOTE 4 - CAPITAL ASSETS
A summary of changes in the District's capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated				
Construction in process	-	1,618,979	-	1,618,979
Total capital assets not being depreciated	-	1,618,979	-	1,618,979
Capital assets being depreciated				
Buildings & Additions	5,893,694	60,300	(44,977)	5,909,017
Machinery & Equipment	221,912	27,577	-	249,489
Furniture	92,195	-	-	92,195
Vehicles	342,570	-	-	342,570
Total capital assets being depreciated	6,550,371	87,877	(44,977)	6,593,271
Accumulated depreciation				
Buildings & Additions	(2,275,094)	(135,300)	20,839	(2,389,555)
Machinery & Equipment	(182,568)	(9,676)	-	(192,244)
Furniture	(48,597)	(3,797)	-	(52,394)
Vehicles	(241,911)	(15,935)	-	(257,846)
Total accumulated depreciation	(2,748,170)	(164,708)	20,839	(2,892,039)
Net capital assets being depreciated	3,802,201	(76,831)	(24,138)	3,701,232
Net capital assets	3,802,201	1,542,148	(24,138)	5,320,211

Depreciation for the year ended June 30, 2018 totaled $164,708. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - ACCRUED EXPENSES
Accrued expenses as of year-end include amounts due for accrued wages, retirement, FICA, employee benefit insurances, and termination benefits (if any). Accrued wages represent the remaining balance on teacher contracts to be paid during the summer and other salaries and wages earned as of June 30th.

NOTE 6 - DEBT
Short-term debt
On August 21, 2017, the District borrowed $255,000 in the form of a State Aid Anticipation Note for the purpose of providing funds for school operations. The interest rate is stated at 1.42% and the maturity date is August 20, 2018.

On August 20, 2018 (after the end of the fiscal year), the District borrowed $220,000 in the form of a State Aid Anticipation note for the purpose of providing funds for school operations. The interest rate is stated at 3.05% and is payable on August 20, 2019. This loan was acquired after the end of the fiscal year and, therefore, is not shown as a current liability.

Long-term debt

2014 Refunding Bond Issue

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

2017 School Building and Site Bonds

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

School Bond Loan Fund and School Loan Revolving Fund

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

Summary of Debt Transactions

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

	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Short-term debt	380,000	255,000	(380,000)	255,000	255,000
Long-term debt					
Compensated abs	10,423	1,927	(1,563)	10,787	1,618
2014 Refunding Bonds	3,150,000	-	(250,000)	2,900,000	260,000
2017 Building & Site Bonds	2,240,000	-	(100,000)	2,140,000	100,000
School Bond Loan Fund	115,576	3,636	-	119,212	-
School Bond Revolving	1,098,719	131,578	-	1,230,297	-
Total long-term debt	4,520,237	137,141	(351,563)	6,400,296	361,618

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2018, are shown in the *Schedule of Long-term Debt*.

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS

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

Net investment in capital assets	Amount
Capital assets not being depreciated	1,618,979
Capital asset being depreciated, net	3,701,232
Capital related general obligation bonds	(5,040,000)
Unamortized premium on bond refunding	(157,664)
Unspent bond proceeds held in the capital projects fund	431,010
Net investment in capital assets	553,557

NOTE 8 - OPERATING LEASES
The District has entered into an operating lease for a copier. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the financial statements. Lease expense for the fiscal year was approximately $1,349. The future minimum lease obligations as of:

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

NOTE 9 - RISK MANAGEMENT
The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District participates in commercial insurance for property loss, torts, errors and omissions, and employee injuries (workers' compensation). The District has purchased commercial insurance for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 10 - RETIREMENT BENEFITS

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

The System'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, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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

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

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

District contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for the plan's fiscal year 2017.

Benefit Structure	Member	District
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the District were $334,833 for the year ended September 30, 2017.

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

At June 30, 2018, the District reported a liability of $3,699,350 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net pension liability was determined by dividing each District's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable Districts during the measurement period. At September 30, 2017, the District's proportion was 0.0001427535%, which was a decrease of -0.00034042% from its proportion measured as of September 30, 2016.

For the year ending June 30, 2018, the District recognized pension expense of $399,695. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	32,150	18,152
Changes of Assumptions	405,293	-
Net difference between projected and actual earnings on pension plan investments	-	176,853
Changes in proportion and differences between District contributions and proportionate share of contributions	85,257	66,197
District contributions subsequent to the measurement date	318,574	-
Total	841,274	261,202

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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 (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2018	83,646
2019	142,372
2020	52,684
2021	(17,204)

Actuarial Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District 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 District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid):	7.5%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- *Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: [4.5188 for non-university employers or 1.1222 for university employers]*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
Total	100.0%	
Long-term rates of return are net of administrative expenses and 2.3% inflation.		

Rate of Return
For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. 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 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (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 District 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 District's proportionate share of the net pension liability to changes in the discount rate
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
4,819,023	3,699,350	2,756,657
* The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.		

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
At year end the District is current on all required pension plan payments. At June 30, 2018, the District reported a payable of $43,479 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018, consisting of pension contribution payable plus any other amounts owed to the pension plan including the UAAL payments for July and August 2018.

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE)

Plan Description

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

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, 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 healthcare 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for plan's fiscal year 2017.

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	5.91%
Personal Healthcare Fund (PHF)	0.00%	5.69%

Required contributions to the OPEB plan from the District were $111,975 for the year ended September 30, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of $1,273,646 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the District's proportion was 0.0001438259%, which was the same percentage as its proportion measured as of October 1, 2016.

For the year ending June 30, 2018, the District recognized OPEB expense of $85,191. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	-	13,561
Changes of Assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	29,498
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5
Employer contributions subsequent to the measurement date	67,992	-
Total	67,992	43,064

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2018	(10,406)
2019	(10,406)
2020	(10,406)
2021	(10,406)
2022	(1,440)

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Healthcare Cost Trend Rate:	7.5% 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. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- *Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: [5.4744 for non-university employers or 1.4186 for university employers]*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on OPEB 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 OPEB 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 OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
Total	100.0%	
*Long-term rates of return are net of administrative expenses and 2.3% inflation.		

Rate of Return
For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. 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 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. 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 OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate
The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
1,491,808	1,273,646	1,088,495

Sensitivity of the District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate
The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend	1% Increase
1,078,607	1,273,646	1,495,099

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan
At year end the District is current on all required OPEB plan payments. At June 30, 2018, the District reported a payable of $23,826 for the outstanding amount of contributions to the OPEB plan required for the year ended June

30, 2018, consisting of OPEB contribution payable plus any other amounts owed to the OPEB plan including the UAAL payments for July and August 2018.

NOTE 12 - TAX ABATEMENTS
Effective for the year ended June 30, 2018 the District is required to disclose significant tax abatements as required by GASB statement 77 (Tax abatements).

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

Municipality	Amount
Elba Township	18,432

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

There are no significant abatements made by the District.

NOTE 13 – RESTATEMENT OF NET POSITION
As of June 30, 2018, the beginning net position was restated as follows:

Description of Restatement	Beginning Balance Previously Reported	Restatement	Beginning Balance As Restated
Net Position	(3,946,602)	(1,247,083)	(5,193,685)

The beginning net position was restated to reflect the implementation of GASB 75. Net position was restated by $(1,247,083) which is the cumulative difference (as of June 30, 2017) between the net OPEB liability of $(1,343,414) and the deferred outflow – related to OPEB of $96,331. NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE) contains additional information regarding the implementation of GASB 75.

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS
GASB Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for the District's 2019-2020 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

GASB Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for the District's 2020-2021 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

Ashley Community School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	final budget
Revenues				
Local sources	$ 267,025	$ 290,088	$ 273,244	$ (16,844)
State sources	2,229,333	2,275,720	2,279,564	3,844
Federal sources	100,495	119,961	109,525	(10,436)
Other sources	58,784	79,659	79,579	(80)
Total revenues	2,655,637	2,765,428	2,741,912	(23,516)
Expenditures				
Instruction				
Basic programs	1,290,996	1,284,166	1,269,013	15,153
Added needs	251,041	290,138	283,826	6,312
Total instruction	1,542,037	1,574,304	1,552,839	21,465
Support services				
Pupil	109,277	112,238	112,363	(125)
Instructional staff	44,762	63,993	53,682	10,311
General administration	126,206	135,377	132,514	2,863
School administration	182,053	185,339	181,200	4,139
Business services	34,176	34,226	33,897	329
Operation and maintenance	287,803	285,003	279,053	5,950
Pupil transportation	191,487	211,884	210,537	1,347
Central	32,964	37,006	35,379	1,627
Athletics	73,384	80,425	80,039	386
Total support services	1,082,112	1,145,491	1,118,664	26,827
Community service	10,000	3,397	3,397	-
Total expenditures	2,634,149	2,723,192	2,674,900	48,292
Revenues over (under) expenditures	21,488	42,236	67,012	24,776
Other financing sources (uses)				
Transfers in (out)	250	-	-	-
Net change in fund balances	21,738	42,236	67,012	24,776
Fund balance - beginning of year	260,959	260,959	260,959	-
Fund balance - end of year	$ 282,697	$ 303,195	$ 327,971	$ 24,776

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

Schedule of the District's Proportionate Share of the Net Pension Liability	**Plan year Sept 30, 2017**	**Plan year Sept 30, 2016**	**Plan year Sept 30, 2015**	**Plan year Sept 30, 2014**
District's proportion of net pension liability (%)	0.01427535%	0.01461577%	0.01414292%	0.01389860%
District's proportionate share of net pension liability	$ 3,699,350	$ 3,646,515	$ 3,454,412	$ 3,061,376
District's covered employee payroll	$ 1,243,894	$ 1,220,939	$ 1,191,634	$ 1,183,770
District's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	297.40%	298.66%	289.89%	258.61%
Plan fiduciary net position as a percentage of total pension liability	63.27%	63.01%	62.92%	66.20%

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

Schedule of the District's Pension Contributions	**Fiscal year June 30, 2018**	**Fiscal year June 30, 2017**	**Fiscal year June 30, 2016**	**Fiscal year June 30, 2015**
Statutorily required pension contributions	$ 374,062	$ 335,669	$ 332,819	$ 263,680
Contributions in relation to statutorily required pension contributions	374,062	335,669	332,819	263,680
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District’s covered-employee payroll	$ 1,335,292	$ 1,184,021	$ 1,197,257	$ 1,215,043
Contributions as a percentage of covered-employee payroll	28.01%	28.35%	27.80%	21.70%

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

Notes to Required Supplementary Information

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

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

Schedule of the District's Proportionate Share of the Net OPEB Liability	Plan year Sept 30, 2017
District's proportion of net OPEB liability (%)	0.01438259%
District's proportionate share of net OPEB liability	$ 1,273,646
District's covered employee payroll	$ 1,243,894
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll (%)	102.39%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

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

Schedule of the District's Contributions	Fiscal year June 30, 2018
Statutorily required contributions	$ 92,378
Contributions in relation to statutorily required contributions	92,378
Contribution deficiency (excess)	$ -
District’s covered-employee payroll	$ 1,335,292
Contributions as a percentage of covered-employee payroll	6.92%

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

Notes to Required Supplementary Information

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

OTHER SUPPLEMENTARY INFORMATION

Ashley Community School District
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2018

	Non-Major Funds			Total
	Food Service	2014 Refunding Debt Service	2017 Bond Debt Service	Nonmajor Funds
Assets				
Cash and investments	$ 16,287	$ 26,626	$ 12,323	$ 55,236
Due from other governmental units	2,355	-	-	2,355
Inventory	2,809	-	-	2,809
Prepaid expenditures	-	-	-	-
Total assets	$ 21,451	$ 26,626	$ 12,323	$ 60,400
Liabilities				
Accounts payable	$ 403	$ -	$ -	$ 403
Due to other govt units	-	7,938	-	7,938
Accrued expenses	-	-	-	-
Short-term note payable	-	-	-	-
Total liabilities	403	7,938	-	8,341
Fund balances				
Non-spendable	2,809	-	-	2,809
Restricted	18,239	18,688	12,323	49,250
Unassigned	-	-	-	-
Total fund balances	21,048	18,688	12,323	52,059
Total liabilities and fund balances	$ 21,451	$ 26,626	$ 12,323	$ 60,400

Ashley Community School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Non-Major Funds			Total
	Food Service	2014 Refunding Debt Service	2017 Bond Debt Service	Nonmajor Funds
Revenues				
Local sources	$ 20,599	$ 272,238	$ 128,744	$ 421,581
State sources	3,278	4,740	-	8,018
Federal sources	146,252	-	-	146,252
Other sources	-	-	-	-
Total revenues	170,129	276,978	128,744	575,851
Expenditures				
Food service	157,704	-	-	157,704
Debt service - principal	-	250,000	100,000	350,000
Debt service - interest and other	-	159,570	79,829	239,399
Total expenditures	157,704	409,570	179,829	747,103
Revenues over (under) expenditures	12,425	(132,592)	(51,085)	(171,252)
Other financing sources (uses)				
Proceeds from SBLF & SLRF	-	101,679	33,433	135,112
Net change in fund balances	12,425	(30,913)	(17,652)	(36,140)
Fund balance - beginning of year	8,623	49,601	29,975	88,199
Fund balance - end of year	$ 21,048	$ 18,688	$ 12,323	$ 52,059

Ashley Community School District
Schedule of Long-Term Debt
June 30, 2018

Fiscal Year Ended June 30,	Interest Rate (%)	Annual Principal Due	Interest Due November	Interest Due May	Total
2014 Refunding Bonds - $3,840,000					
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
		2,900,000	414,688	414,687	3,729,375
2017 Building & Site Bonds - $2,240,000					
2019	3.00%	100,000	34,413	34,413	168,826
2020	3.00%	100,000	32,913	32,913	165,826
2021	3.00%	100,000	31,413	31,413	162,826
2022	3.00%	100,000	29,913	29,913	159,826
2023	3.00%	130,000	28,413	28,413	186,826
2024	3.00%	130,000	26,463	26,463	182,926
2025	3.00%	130,000	24,513	24,513	179,026
2026	3.00%	140,000	22,563	22,563	185,126
2027	3.00%	140,000	20,463	20,463	180,926
2028	3.25%	140,000	18,188	18,188	176,376
2029	3.25%	140,000	15,913	15,913	171,826
2030	3.25%	150,000	13,638	13,638	177,276
2031	3.25%	160,000	11,200	11,199	182,399
2032	3.50%	160,000	8,400	8,400	176,800
2033	3.50%	160,000	5,600	5,600	171,200
2034	3.50%	160,000	2,800	2,800	165,600
		2,140,000	326,806	326,805	2,793,611
Five year groupings					
Year 1		360,000	90,238	90,238	
Year 2		370,000	83,538	83,538	
Year 3		380,000	76,638	76,638	
Year 4		390,000	69,538	69,538	
Year 5		280,000	62,238	62,238	
Years 6-10		1,430,000	239,315	239,315	
Years 11-15		1,520,000	114,189	114,187	
Years 16-20		310,000	5,800	5,800	
		5,040,000	741,494	741,492	

Ashley Community School District
Schedule of Long-Term Debt
June 30, 2018

Fiscal Year Ended June 30,	Principal Balance	Interest	June 30th Balance Due
School Bond Loan Fund			
1998	$ 21,492	$ 776	$ 22,268
1999	21,387	997	44,652
2000	25,689	4,100	74,441
2001	10,041	4,006	88,488
2002	18,752	4,244	111,484
2003	-	3,800	115,284
2004	(31,262)	(18,738)	65,284
2004	-	2,434	67,718
2005	-	2,005	69,723
2006	-	2,846	72,569
2007	-	3,444	76,013
2008	-	3,416	79,429
2009	-	3,753	83,182
2010	-	4,710	87,892
2011	-	4,546	92,438
2012	-	4,493	96,931
2013	-	4,224	101,155
2014	-	3,562	104,717
2015	-	3,611	108,328
2016	-	3,690	112,018
2017	-	3,558	115,576
2018	-	3,636	119,212
	66,099	53,113	

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

Fiscal Year Ended June 30,	Principal Balance	Interest	June 30th Balance Due
School Loan Revolving Fund			
2006	54,000	492	54,492
2007	132,454	5,502	192,448
2008	143,559	11,078	347,085
2009	39,933	17,453	404,471
2010	84,427	22,757	511,655
2011	76,476	20,844	608,975
2012	86,028	19,553	714,556
2013	64,611	23,675	802,842
2014	59,410	29,770	892,022
2015	18,970	30,981	941,973
2016	31,304	32,831	1,006,108
2017	59,807	32,804	1,098,719
2018	96,204	35,374	1,230,297
	947,183	283,114	

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

Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education
Ashley Community School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ashley Community School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 5, 2018.

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

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

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

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

Purpose of this Report

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

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
October 5, 2018