

Ashley Community School District
Ashley, Michigan

Financial Statements
With Supplementary Information
June 30, 2019



Ashley Community School District
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June 30, 2019

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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, 2019, 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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2019, 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,

A handwritten signature in cursive script that reads "Roslund, Prestage & Company, P.C.".

Roslund, Prestage and Company, P.C.
Certified Public Accountants

October 4, 2019

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**



Ashley Community School District
Management Discussion and Analysis
For the Year Ended June 30, 2019

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, 2019. 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.

Ashley Community School District
Management Discussion and Analysis
For the Year Ended June 30, 2019

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, 2019. Current assets decreased by \$150,772, as the District continued to spend down funds from the 2017 bond for the purpose of remodeling the school building, purchasing school buses, and developing and improving the site. At June 30th, only \$230,261 was on hand as cash or cash equivalents, compared to \$431,010 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 maintained almost the same amount. 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 \$213,896 of capital assets during the year while current year depreciation was \$183,398.

The current liabilities decreased from the prior year by \$43,015, primarily due to decreased due to other governmental units and short-term notes payable. The District continues to borrow fewer funds each year to finance school operations (\$35,000 less in 2018-19) as the District's financial position in the General Fund continued to improve. Accrued interest decreased \$2,233 for the same reason. However, accrued expenses increased during this period by \$35,248.

Noncurrent liabilities also decreased due to the payment of long-term debt. The bonds payable due beyond one year decreased to \$4,320,000, a decrease of \$360,000. The District also continued to have increases in the net pension liability and loans payable. The District recognized and reported a larger proportionate share of the state's pension plan liability (MPERS), amounting to \$487,159 more net pension liability. The District's balances in the School Loan Revolving Fund and School Bond Loan Fund increased by a total of \$165,193 during the period.

Total net position for governmental activities stayed relatively the same, ticking up to (\$4,916,735), an improvement of \$83,308.

Ashley Community School District
Management Discussion and Analysis
For the Year Ended June 30, 2019

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Difference</u>
Current Assets	\$1,240,428	\$1,391,200	-\$150,772
Noncurrent Assets	5,348,568	5,320,211	28,357
Total Assets	<u>\$6,588,996</u>	<u>\$6,711,411</u>	<u>-\$122,415</u>
Deferred Outflows of Resources	<u>\$1,579,207</u>	<u>\$909,266</u>	<u>\$669,941</u>
Current Liabilities	\$928,842	\$971,857	-\$43,015
Noncurrent Liabilities	11,284,484	11,169,338	115,146
Total Liabilities	<u>\$12,213,326</u>	<u>\$12,141,195</u>	<u>\$ 72,131</u>
Deferred Inflows of Resources	<u>\$871,612</u>	<u>\$479,525</u>	<u>\$392,087</u>
Investment in Capital Assets (Net of Related Debt)	\$751,019	\$553,557	\$197,462
Restricted	307,415	49,250	258,165
Unrestricted	-5,975,169	-5,602,850	-372,319
Total Net Position	<u>-\$4,916,735</u>	<u>-\$5,000,043</u>	<u>\$83,308</u>

Total revenues reported on the Statement of Activities increased from the previous year. Charges for Services increased by \$9,886, as tuition payments were up but offset by a decrease in and athletics revenues. Food service charges remained the same. Operating Grants and Contributions increased by \$15,378 overall. Grants for instruction increased overall as the district received slightly less revenue from REAP, Title I and Title IV, but more in Safe Routes to School (SRTS) and Title II grants. The District received \$2,579 less in Title I revenue than the previous year, \$5,261 less in Title IV funds, and \$1,682 less in REAP funds. Conversely, the district received \$19,553 more in Title II grant revenue and \$2,845 in SRTS revenue. Operating Grants for lunch and breakfast programs increased approximately \$2,502 while USDA Commodities revenue increased \$568.

Ashley Community School District
Management Discussion and Analysis
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Table 2
Comparative Summary of Program, General, and Total Revenues
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Difference</u>
Charges for Services	\$80,634	\$70,748	\$9,886
Operating Grants and Contributions	271,155	255,777	15,378
Total Program Revenues	<u>\$351,789</u>	<u>\$326,525</u>	<u>\$25,264</u>
Property Taxes	\$627,657	\$589,665	\$37,992
State Aid Not Restricted to Specific Purposes	2,365,722	2,227,710	138,012
Intermediate sources	71,670	79,579	-7,909
Interest and Investment Earnings	8,671	12,228	-3,557
Other General Revenues	42,280	33,538	8,742
Total General Revenues	<u>\$3,116,000</u>	<u>\$2,942,720</u>	<u>\$173,280</u>
Total Revenues	<u>\$3,467,789</u>	<u>\$3,269,245</u>	<u>\$198,544</u>

Total expenses increased rather significantly from the previous year. Instruction costs increased primarily due to increased payroll costs. Support services increased as expenditures for guidance, social services, general administration, school administration, operations and maintenance, pupil transportation, and technology increased more than decreases in the areas of instructional support, business services, and athletics. Depreciation was allocated across expenses in 2019, but was not in 2018, which caused greater difference across instruction, support services, and community services.

Table 3
Comparative Summary of Program Expenses by Function and Total Expenses
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Difference</u>
Instruction	\$1,809,509	\$1,576,580	\$232,929
Support Services	1,196,221	936,009	260,212
Community Services	6,875	3,400	3,475
Food Service	149,658	157,704	-8,046
Facilities Construction	4,508	11,783	-7,275
Interest & Fees on Long-term Debt	215,570	225,419	-9,849
Other	2,140	0	2,140
Depreciation – Unallocated	0	164,708	-164,708
Total Expenses	<u>\$3,384,481</u>	<u>\$3,075,603</u>	<u>\$308,878</u>

Ashley Community School District
 Management Discussion and Analysis
 For the Year Ended June 30, 2019

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Difference</u>
Net Position – Beginning	-\$5,000,043	-\$5,193,685	\$ 193,642
Increase (Decrease) in Net Position	<u>83,308</u>	<u>193,642</u>	-110,334
Net Position – Ending	-\$4,916,735	-\$5,000,043	

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. After many years of cutting costs and eliminating expenses, the District worked on strategic planning and investing in people and needed technology, equipment and programs. These investments were made while slowly growing the fund balance in the general fund for the fifth consecutive year and continue toward the goal of a fund balance of greater than 15% (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 \$183,398. 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 (\$369,854) and proceeds from the School Loan Revolving Fund (\$161,243).

Ashley Community School District
Management Discussion and Analysis
For the Year Ended June 30, 2019

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 almost half of the prior year fund balance to accomplish remaining construction projects related to the passage of the election for general obligation bonds.

Ashley Community School District
 Management Discussion and Analysis
 For the Year Ended June 30, 2019

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

	Revenues and Other Financing <u>Sources</u>	Net Change in Fund Balance <u>From Prior Year</u>	Percent Change in Fund Balance as a Percent of Revenues and Other Financing <u>Sources</u>
General	\$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 78% 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 was able to eliminate deficit spending by controlling costs in staffing, as well as other areas. As the District has returned to a more stable financial standing, the District has begun to re-invest in some of these areas.

Food Service Fund

The Food Service Fund for the District ended the year with a 30.5% fund balance. This is a major improvement considering the fund was a less than 1% just three 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

Ashley Community School District
Management Discussion and Analysis
For the Year Ended June 30, 2019

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

The District is required by State law to adopt the original budget before the beginning of the fiscal year. For the fiscal year ended June 30, 2019 the original budget was adopted on June 25, 2018. 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, 2019 are as follows:

General Fund

Changes from Original Budget to Final Budget

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

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

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

Instruction – The budget was increased to reflect increased expenditures for salary and benefits due to the negotiation of contracts and other staff raises, as well as to account for staffing updates.

Instructional Staff – The budget was reduced to account for revised Title II expenditures and other grant expenditures.

General Administration – The budget was increased for legal services and other purchased services.

School Administration – The budget was increased for costs related to retroactive benefits specified in the principal contract.

Operations and Maintenance – The budget was increased to reflect the \$17,000 cost to upgrade the phone system.

Pupil Transportation – The original budget was increased to cover contracted service driver costs.

Ashley Community School District
Management Discussion and Analysis
For the Year Ended June 30, 2019

Variances between Final Budget and Actual Amounts

Local Sources – Actual property tax collections from one township were less than anticipated.

Federal Sources – Reimbursable Title IV grants were not expended prior to the end of the fiscal year.

Basic Programs – Some Title II grant funds were not expended prior to the end of the fiscal year.

General Administration – Audit and purchased services were less than budgeted.

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. Use of USDA commodities was 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 pages 15-16. The significant additions and disposals are described as follows:

The District added multiple assets during the year, including improvements to the buildings totaling \$193,871 and an upgraded phone system and playground equipment totaling \$20,025. The District disposed of the former phone system with a book cost of \$19,260 during the year.

Long-Term Debt

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

Ashley Community School District
Management Discussion and Analysis
For the Year Ended June 30, 2019

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 the fiscal year ending June 30, 2020, the District used a slightly more optimistic approach by basing the budget on the same number of students and factoring in a \$180 per student State funding increase. Staffing will remain relatively at the same level as in 2018-19. Early indications are that enrollment will be lower, but the per pupil amount will be \$240 additional.

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, 2019

Assets

Current assets	
Cash and investments	\$ 717,206
Accounts receivable	2,665
Due from other governmental units	513,174
Inventory	3,262
Prepaid expenditures	4,121
Total current assets	1,240,428
Noncurrent assets	
Capital assets not being depreciated	136,284
Capital assets being depreciated, net	5,212,284
Total noncurrent assets	5,348,568
Total assets	6,588,996

Deferred outflows of resources

Deferred outflow - related to pension	1,374,327
Deferred outflow - related to other post-employment benefits	204,880
Total deferred outflows of resources	1,579,207

Liabilities

Current liabilities	
Accounts payable	29,025
Accrued interest	27,846
Accrued expenses	290,165
Short-term note payable	220,000
Bonds payable due within one year	370,000
Compensated absences due within one year	1,806
Total current liabilities	938,842
Non-current liabilities	
Bonds payable due beyond one year	4,310,000
Bond premiums being amortized, net	147,810
Compensated absences due beyond one year	10,232
School loan revolving fund payable	1,391,540
School bond loan fund payable	123,162
Net pension liability	4,186,509
Net other post-employment benefit liability	1,105,231
Total non-current liabilities	11,274,484
Total liabilities	12,213,326

Deferred inflows of resources

Deferred inflow - related to pension	432,606
Deferred inflow - related to other post-employment benefits	284,709
Deferred inflow - 147c allocation	154,297
Total deferred inflows of resources	871,612

Net position

Net investment in capital assets	751,019
Restricted for:	
Food service	45,582
Debt service	31,572
Capital projects	230,261
Unrestricted	(5,975,169)
Total net position	\$ (4,916,735)

Ashley Community School District
Statement of Activities
For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 1,809,509	\$ 20,703	\$ 122,401	\$ (1,666,405)
Support services	1,196,221	39,617	-	(1,156,604)
Community service	6,875	-	-	(6,875)
Food service	149,658	20,314	148,754	19,410
Facilities construction	4,508	-	-	(4,508)
Interest and fees on long-term debt	215,570	-	-	(215,570)
Loss on disposal of capital assets	2,140	-	-	(2,140)
Total school district	<u>\$ 3,384,481</u>	<u>\$ 80,634</u>	<u>\$ 271,155</u>	<u>(3,032,692)</u>
General revenues:				
Property taxes				627,657
State sources				2,365,722
Intermediate sources				71,670
Interest and investment earnings				8,671
Other revenues				42,280
Total general revenues				<u>3,116,000</u>
Change in net position				83,308
Net position - beginning of year				<u>(5,000,043)</u>
Net position - end of year				<u>\$ (4,916,735)</u>

FUND FINANCIAL STATEMENTS



Ashley Community School District
Balance Sheet - Governmental Funds
June 30, 2019

	Major Funds			Total Nonmajor Funds	Totals
	General	2014 Refunding Debt Service	Capital Projects		
Assets					
Cash and investments	\$ 420,809	\$ 20,442	\$ 230,261	\$ 45,694	\$ 717,206
Accounts receivable	2,311	-	-	354	2,665
Due from other governmental units	505,772	-	-	7,402	513,174
Inventory	-	-	-	3,262	3,262
Prepaid expenditures	4,121	-	-	-	4,121
Total assets	\$ 933,013	\$ 20,442	\$ 230,261	\$ 56,712	\$ 1,240,428
Liabilities					
Accounts payable	\$ 29,025	\$ -	\$ -	\$ -	\$ 29,025
Accrued expenses	290,165	-	-	-	290,165
Short-term note payable	220,000	-	-	-	220,000
Total liabilities	539,190	-	-	-	539,190
Fund balances					
Non-spendable	4,121	-	-	3,262	7,383
Restricted	-	20,442	230,261	53,450	304,153
Committed for vehicle purchase	20,000	-	-	-	20,000
Unassigned	369,702	-	-	-	369,702
Total fund balances	393,823	20,442	230,261	56,712	701,238
Total liabilities and fund balances	\$ 933,013	\$ 20,442	\$ 230,261	\$ 56,712	\$ 1,240,428

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, 2019

Total fund balance - governmental funds	\$	701,238
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Add: Cost of capital assets		8,406,885
Deduct: Accumulated depreciation		(3,058,317)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:</p>		
Deduct: 2014 refunding bonds payable		(2,640,000)
Deduct: 2017 building and site bonds payable		(2,040,000)
Deduct: 2014 refunding bond premium, net		(122,835)
Deduct: 2017 building and site bonds premium, net		(24,975)
Deduct: School loan revolving fund payable		(1,391,540)
Deduct: School bond loan fund payable		(123,162)
Deduct: Accrued interest on long-term liabilities		(27,846)
<p>Other amounts reported in the Statement of Activities that do not require current financial resources consist of:</p>		
Add: Deferred outflow - related to pension		1,374,327
Add: Deferred outflow - related to other post-employment benefits		204,880
Deduct: Compensated absences payable		(12,038)
Deduct: Net pension liability		(4,186,509)
Deduct: Net other post-employment benefit liability		(1,105,231)
Deduct: Deferred inflow - related to pension		(432,606)
Deduct: Deferred inflow - related to other post-employment benefits		(284,709)
<p>Revenue in support of pension contribution made subsequent to the measurement date:</p>		
Deduct: Deferred inflow - 147c allocation		(154,297)
		(154,297)
Total net position - governmental activities	\$	(4,916,735)

Ashley Community School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2019

	Major Funds			Total Nonmajor Funds	Totals
	General	2014 Refunding Debt Service	Capital Projects		
Revenues					
Local sources	\$ 314,126	\$ 285,318	\$ 7,607	\$ 152,190	\$ 759,241
State sources	2,333,806	5,832	-	5,122	2,344,760
Federal sources	122,401	-	-	148,754	271,155
Other sources	71,670	-	-	-	71,670
Total revenues	2,842,003	291,150	7,607	306,066	3,446,826
Expenditures					
Instruction					
Basic programs	1,324,383	-	-	-	1,324,383
Added needs	287,804	-	-	-	287,804
Total instruction	1,612,187	-	-	-	1,612,187
Support services					
Pupil	118,808	-	-	-	118,808
Instructional staff	50,404	-	-	-	50,404
General administration	141,564	-	-	-	141,564
School administration	197,016	-	-	-	197,016
Business services	33,287	-	-	-	33,287
Operation and maintenance	282,508	-	-	-	282,508
Pupil transportation	214,376	-	-	-	214,376
Central	37,061	-	-	-	37,061
Athletics	72,380	-	-	-	72,380
Total support services	1,147,404	-	-	-	1,147,404
Community service	6,513	-	-	-	6,513
Food service	-	-	-	149,658	149,658
Facilities construction	10,047	-	208,356	-	218,403
Debt service - principal	-	260,000	-	100,000	360,000
Debt service - interest and other	-	155,422	-	72,117	227,539
Total expenditures	2,776,151	415,422	208,356	321,775	3,721,704
Revenues over (under) expenditures	65,852	(124,272)	(200,749)	(15,709)	(274,878)
Other financing sources (uses)					
Proceeds from SBLF & SLRF	-	126,026	-	39,050	165,076
Net change in fund balances	65,852	1,754	(200,749)	23,341	(109,802)
Fund balance - beginning of year	327,971	18,688	431,010	33,371	811,040
Fund balance - end of year	\$ 393,823	\$ 20,442	\$ 230,261	\$ 56,712	\$ 701,238

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, 2019

Net change in fund balances - total governmental funds \$ (109,802)

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	213,895
Deduct:	Depreciation expense	(183,398)
Deduct:	Loss on disposal of capital assets	(2,140)

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	260,000
Add:	2017 bond payment	100,000
Add:	2014 bond premium amortization	8,189
Add:	2017 bond premium amortization	1,665
Add:	Change in accrued interest on long-term liabilities	2,233
Deduct:	Change in school loan revolving fund payable	(161,243)
Deduct:	Change in school bond loan fund payable	(3,950)

Revenue in support of pension contribution made subsequent to the measurement date:

Add:	Change in deferred inflow - 147c allocation	20,962
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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	533,053
Add:	Change in deferred outflow - related to other post-employment benefits	136,888
Deduct:	Change in accrual for compensated absences	(1,251)
Deduct:	Change in net pension liability	(487,159)
Add:	Change in net other post-employment benefit liability	168,415
Deduct:	Change in deferred inflow - related to pension	(171,404)
Deduct:	Change in deferred inflow - related to other post-employment benefits	(241,645)

Change in net position of governmental activities \$ 83,308

Ashley Community School District
Statement of Net Position – Fiduciary Fund
June 30, 2019

	Agency Fund
Assets	
Cash and cash equivalents	\$ 63,510
Liabilities	
Due to student and other groups	63,510
Net position	
Restricted	\$ -

NOTES TO THE FINANCIAL STATEMENTS



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Basis of Presentation - Government-wide Financial Statements

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District accounts for the 2014 Refunding Debt as a major debt service fund.
- The *capital projects funds* account for the receipt of bond proceeds, transfers from the general fund (as applicable), and the acquisition of fixed assets or construction of capital projects.

The District reports the following non-major governmental funds:

- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service in the special revenue funds.
- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District accounts for the 2017 Bond as a non-major 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 is valued at cost using the first-in/first-out (FIFO) method and consists of expendable supplies. 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 acquisition 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.

Ashley Community School District
Notes to the Financial Statements
June 30, 2019

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 and additions	15 – 50
Equipment	5 – 20
Furniture	5 – 10
Vehicles	10 – 25

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a related expense is recognized in the current year.

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 qualify 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

Ashley Community School District
Notes to the Financial Statements
June 30, 2019

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 17.3904 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 and Money Market Accounts	490,647
Investments - MILAF	226,159
Total	717,206

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 year-end, 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.

Ashley Community School District
Notes to the Financial Statements
June 30, 2019

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, 2019, \$274,573 of the District's bank balance of \$524,573 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

Ashley Community School District
Notes to the Financial Statements
June 30, 2019

Investment Type	Fair Value	Weighted Average Maturity	Standard and Poor's Rating	%
MILAF External Investment pool-Cash Mgmt Class	25,120	0.1647	AAAm	11%
MILAF External Investment pool-MIMAX	201,039	0.1647	AAAm	89%
Total	226,159			

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	401,307
Federal grants and other pass-through agencies	111,867
Total	513,174

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	Transfers	Ending Balance
Capital assets not being depreciated					
Construction in process	1,618,979	-	-	(1,482,695)	136,284
Total capital assets not being depr.	1,618,979	-	-	(1,482,695)	136,284
Capital assets being depreciated					
Buildings and additions	5,909,017	193,871	-	1,482,695	7,585,582
Equipment	249,489	20,025	(19,260)	-	250,254
Furniture	92,195	-	-	-	92,195
Vehicles	342,570	-	-	-	342,570
Total capital assets being depr.	6,593,271	213,896	(19,260)	1,482,695	8,270,601
Accumulated depreciation					
Buildings and additions	(2,389,555)	(151,200)	-	-	(2,540,755)
Equipment	(192,244)	(12,465)	17,120	-	(187,589)
Furniture	(52,394)	(3,798)	-	-	(56,192)
Vehicles	(257,846)	(15,935)	-	-	(273,781)
Total accumulated depreciation	(2,892,039)	(183,398)	17,120	-	(3,058,317)
Net capital assets being depreciated					
	3,701,232	30,498	(2,140)	1,482,695	5,212,284
Net capital assets	5,320,211	30,498	(2,140)	-	5,348,568

Ashley Community School District
Notes to the Financial Statements
June 30, 2019

Depreciation for the year ended June 30, 2019 totaled \$183,398 and was allocated as follows:

Governmental Activities	Amount
Instruction	156,071
Support services	27,027
Community services	300
Total depreciation	183,398

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 20, 2018, 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 the maturity date is August 20, 2019. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms.

On August 20, 2019 (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 1.85% and is payable on August 20, 2020. This loan was acquired after the end of the fiscal year and, therefore, is not shown as a current liability.

	Beginning Balance	Additions	(Deletions)	Ending Balance
Short-term debt	255,000	220,000	(255,000)	220,000

Premiums and Discounts

Debt may be issued at par value, with a premium (applicable to debt issued in excess of par value) or at a discount (applicable to debt issued at amounts less than the par value). Premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

The changes in premium and discounts during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance
2014 refunding bond premium, net	131,024	-	(8,189)	122,835
2017 building and site bonds premium, net	26,640	-	(1,665)	24,975
Total premium and discounts	157,664	-	(9,854)	147,810

Ashley Community School District
Notes to the Financial Statements
June 30, 2019

Long-term debt

	Amount
General obligation bonds:	
2014 Refunding Bonds due in annual installments of \$150,000 to \$290,000 through May 1, 2034 with an interest rate from 3.30% to 4.00%	2,640,000
2017 School building and site bonds due in annual installments of \$100,000 to \$160,000 through May 1, 2035 with an interest rate from 3.00% to 3.50%	2,040,000
Total general obligation bonds:	4,680,000
 Direct borrowings and direct placements:	
School Bond Loan Fund – repayment terms and current interest rate discussed in related note below. Balance due includes principal balance of \$66,099 and accrued interest of \$57,063.	123,162
School Loan Revolving Fund – repayment terms and current interest rate discussed in related note below. Balance due includes principal balance of \$1,066,024 and accrued interest of \$325,516.	1,391,540
Total direct borrowings and direct placements:	1,514,702

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 remodeling the school building; purchasing school buses; and developing and improving the site. The interest rate ranges from 3.0% to 3.5%.

School Bond Loan Fund and School Loan Revolving Fund

Borrowing from the State of Michigan - School Bond Loan Fund and The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the District, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate at June 30th was 3.44%.

Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.0 mills. The school district is required to levy 7.0 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 8.4 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

Ashley Community School District
Notes to the Financial Statements
June 30, 2019

Summary of Long-Term Debt

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

	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Long-term debt					
Compensated absences	10,787	2,869	(1,618)	12,038	1,806
General obligation bonds	5,040,000	-	(360,000)	4,680,000	370,000
Direct borrowings and direct placements	1,349,509	165,193	-	1,514,702	-
Total long-term debt	6,400,296	165,193	(361,618)	6,206,740	371,806

The requirements to pay principal and interest on the long-term debt outstanding at June 30, 2019, are shown below:

Year Ended June 30	General Obligation Bonds	
	Principal	Interest
2020	370,000	83,538
2021	380,000	76,638
2022	390,000	69,538
2023	280,000	62,238
2024	280,000	57,288
2025-2029	1,440,000	215,565
2030-2034	1,540,000	86,451
Total long-term debt	4,680,000	651,256

School Bond Loan Fund and School Loan Revolving Fund (included in direct borrowing and direct placement on the summary of long-term debt) are not subject to annual principal and interest payments and therefore are not included in the schedule above.

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	136,284
Capital asset being depreciated, net	5,212,284
Capital related general obligation bonds	(4,680,000)
Unamortized premium on bond refunding	(147,810)
Unspent bond proceeds held in the capital projects fund	230,261
Net investment in capital assets	751,019

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
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 and 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

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.

Ashley Community School District
Notes to the Financial Statements
June 30, 2019

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018.

Benefit Structure	Member	District
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from the District were \$379,217 for the year ended September 30, 2018.

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

At June 30, 2019, the District reported a liability of \$4,186,509 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The Districts' proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the Districts' proportion was 0.0139263%, which was a decrease of -0.00034910% from its proportion measured as of September 30, 2017.

For the year ending June 30, 2019, the District recognized pension expense of \$521,797. At June 30, 2019, 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	19,426	30,423
Changes of Assumptions	969,592	-
Net difference between projected and actual earnings on pension plan investments	-	286,251
Changes in proportion and differences between District contributions and proportionate share of contributions	48,477	115,932
District contributions subsequent to the measurement date	336,832	-
Total	1,374,327	432,606

Ashley Community School District
Notes to the Financial Statements
June 30, 2019

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. 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)	
2019	267,575
2020	179,646
2021	111,321
2022	46,347

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, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	7.05%
- Pension Plus Plan:	7.00%
- Pension Plus Plan 2:	6.00%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
- Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active Members	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: 4.5304*
- *Recognition period for assets in years: 5.0000*
- *Full actuarial assumptions are available in the 2018 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0	9.2
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
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, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. 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 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 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 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 7.05% (7.0% for the Hybrid Plan), as well as what 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 6.05% / 6.0% / 5.0%	Current Single Discount Rate Assumption 7.05% / 7.0% / 6.0%	1% Increase 8.05% / 8.0% / 7.0%
5,496,563	4,186,509	3,098,067

* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans. University employers provide only the Basic and MIP plans.

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, 2019, the District reported a payable of \$62,105 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019, consisting of pension contribution payable plus any other amounts owed to the pension plan including the UAAL payments for July and August 2019.

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 and 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.

Ashley Community School District
Notes to the Financial Statements
June 30, 2019

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, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2018.

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	6.44%
Personal Healthcare Fund (PHF)	0.00%	6.13%

Required contributions to the OPEB plan from the District were \$90,251 for the year ended September 30, 2018.

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

At June 30, 2019, the District reported a liability of \$1,105,231 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the district's proportion was 0.0139041%, which was a decrease of -0.00047850% from its proportion measured as of October 1, 2017.

For the year ending June 30, 2019, the District recognized OPEB expense of \$46,014. At June 30, 2019, 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	-	205,712
Changes of assumptions	117,045	-
Net difference between projected and actual earnings on OPEB plan investments	-	42,477
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	36,520
Employer contributions subsequent to the measurement date	87,835	-
Total	204,880	284,709

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, 2020.

Ashley Community School District
Notes to the Financial Statements
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)	
2019	(40,324)
2020	(40,324)
2021	(40,324)
2022	(31,655)
2023	(15,037)

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, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	7.15%
Projected Salary Increases:	2.75 – 11.5%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.0% Year 12
Mortality:	
- Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP- 2017 from 2006.
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 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: 5.6018 for non-university employers.
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2018 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0	9.2
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
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, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. 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 7.15% 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 7.15%. 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 7.15%, 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 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
1,326,807	1,105,231	918,858

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 Rate	1% Increase
909,040	1,105,231	1,330,302

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

The District reported payables to the defined benefit OPEB plan in the amount of \$14,055 as of June 30, 2019.

NOTE 12 - TAX ABATEMENTS

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	19,402

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 – CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability for the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 14 – ECONOMIC DEPENDENCE

The District receives over 80% of its General Fund revenues from the Michigan Department of Education. Due to the significance of this revenue source, the District is considered to be economically dependent.

NOTE 15 - 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

Ashley Community School District
Notes to the Financial Statements
June 30, 2019

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, 2019

	Budgeted Amounts		Actual	Variance with final budget
	Original	Final		
Revenues				
Local sources	\$ 279,196	\$ 325,560	\$ 314,126	\$ (11,434)
State sources	2,295,744	2,339,244	2,333,806	(5,438)
Federal sources	116,564	129,817	122,401	(7,416)
Other sources	79,659	72,187	71,670	(517)
Total revenues	2,771,163	2,866,808	2,842,003	(24,805)
Expenditures				
Instruction				
Basic programs	1,269,142	1,331,952	1,324,383	7,569
Added needs	290,859	290,213	287,804	2,409
Total instruction	1,560,001	1,622,165	1,612,187	9,978
Support services				
Pupil	111,742	117,447	118,808	(1,361)
Instructional staff	82,473	52,898	50,404	2,494
General administration	144,348	149,104	141,564	7,540
School administration	182,926	199,881	197,016	2,865
Business services	34,226	33,347	33,287	60
Operation and maintenance	288,444	298,323	282,508	15,815
Pupil transportation	211,043	215,631	214,376	1,255
Central	42,605	42,152	37,061	5,091
Athletics	81,874	75,653	72,380	3,273
Total support services	1,179,681	1,184,436	1,147,404	37,032
Community service	-	6,390	6,513	(123)
Facilities construction	-	10,047	10,047	-
Total expenditures	2,739,682	2,823,038	2,776,151	46,887
Revenues over (under) expenditures	31,481	43,770	65,852	22,082
Fund balance - beginning of year	327,971	327,971	327,971	-
Fund balance - end of year	\$ 359,452	\$ 371,741	\$ 393,823	\$ 22,082

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 NPL	Plan year Sept 30, 2018	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 (%)	0.0139263%	0.0142754%	0.0146158%	0.0141429%	0.01389860%
District's proportionate share of net pension liability	\$ 4,186,509	\$ 3,699,350	\$ 3,646,515	\$ 3,454,412	\$ 3,061,376
District's covered employee payroll	\$ 1,329,281	\$ 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 (%)	314.95%	297.40%	298.66%	289.89%	258.61%
Plan fiduciary net position as a percentage of total pension liability	62.36%	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, 2019	Fiscal year June 30, 2018	Fiscal year June 30, 2017	Fiscal year June 30, 2016	Fiscal year June 30, 2015
Statutorily required pension contributions	\$ 363,738	\$ 374,062	\$ 335,669	\$ 332,819	\$ 263,680
Contributions in relation to statutorily required pension contributions	363,738	374,062	335,669	332,819	263,680
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,271,635	\$ 1,335,292	\$ 1,184,021	\$ 1,197,257	\$ 1,215,043
Contributions as a percentage of covered-employee payroll	28.60%	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, 2018	Plan year Sept 30, 2017
District's proportion of net OPEB liability (%)	0.0139041%	0.0143826%
District's proportionate share of net OPEB liability	\$ 1,105,231	\$ 1,273,646
District's covered employee payroll	\$ 1,329,281	\$ 1,243,894
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll (%)	83.15%	102.39%
Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%

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

Schedule of the District's Contributions	Fiscal year June 30, 2019	Fiscal year June 30, 2018
Statutorily required OPEB contributions	\$ 99,938	\$ 92,378
Contributions in relation to statutorily required OPEB contributions	99,938	92,378
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 1,271,635	\$ 1,335,292
Contributions as a percentage of covered-employee payroll	7.86%	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, 2019

	Non-Major Funds		Total Nonmajor Funds
	Food Service	2017 Bond Debt Service	
Assets			
Cash and investments	\$ 34,564	\$ 11,130	\$ 45,694
Accounts receivable	354	-	354
Due from other governmental units	7,402	-	7,402
Inventory	3,262	-	3,262
Total assets	<u>\$ 45,582</u>	<u>\$ 11,130</u>	<u>\$ 56,712</u>
Fund balances			
Non-spendable	\$ 3,262	\$ -	\$ 3,262
Restricted	42,320	11,130	53,450
Total fund balances	<u>45,582</u>	<u>11,130</u>	<u>56,712</u>
Total liabilities and fund balances	<u>\$ 45,582</u>	<u>\$ 11,130</u>	<u>\$ 56,712</u>

Ashley Community School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Non-Major Funds		Total Nonmajor Funds
	Food Service	2017 Bond Debt Service	
Revenues			
Local sources	\$ 20,316	\$ 131,874	\$ 152,190
State sources	5,122	-	5,122
Federal sources	148,754	-	148,754
Total revenues	174,192	131,874	306,066
Expenditures			
Food service	149,658	-	149,658
Debt service - principal	-	100,000	100,000
Debt service - interest and other	-	72,117	72,117
Total expenditures	149,658	172,117	321,775
Revenues over (under) expenditures	24,534	(40,243)	(15,709)
Other financing sources (uses)			
Proceeds from SBLF & SLRF	-	39,050	39,050
Net change in fund balances	24,534	(1,193)	23,341
Fund balance - beginning of year	21,048	12,323	33,371
Fund balance - end of year	\$ 45,582	\$ 11,130	\$ 56,712



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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 4, 2019.

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.

A handwritten signature in dark ink that reads "Roslund, Prestage & Company, P.C." in a cursive script.

Roslund, Prestage and Company, P.C.
October 4, 2019