

Airport
Community
Schools



Year Ended
June 30, 2015

Financial
Statements

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AIRPORT COMMUNITY SCHOOLS

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	6
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation - Fund Balances of Governmental Funds to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation - Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	20
Statement of Fiduciary Assets and Liabilities	22
Notes to Financial Statements	24
Required Supplementary Information	
MPERS Cost-Sharing Multiple-Employer Plan:	
Schedule of the District's Proportionate Share of the Net Pension Liability	42
Schedule of District Contributions	43
Combining Nonmajor Fund Financial Statements	
Combining Balance Sheet - Nonmajor Governmental Funds	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	47
Combining Balance Sheet - Nonmajor Capital Project Funds	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds	49



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INDEPENDENT AUDITORS' REPORT

October 30, 2015

Board of Education
Airport Community Schools
Carleton, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Airport Community Schools (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' 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 auditors' 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, the major fund, and the aggregate remaining fund information of Airport Community Schools as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

As described in Note 18, the District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by us 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 combining fund financial statements are 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 under separate cover our report dated October 30, 2015 on our consideration of Airport Community Schools' 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.

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AIRPORT COMMUNITY SCHOOLS

Management's Discussion and Analysis

This section of Airport Community Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit report which consists of the financial statements and other supplemental information that presents all the District's activities.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Airport Community Schools financially as a whole. The government-wide financial statements provide information about the activities of the District as a whole and presents both a short-term and a long-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements report the District's operations in more detail than the government-wide financial statements by providing information about the District's most significant fund - the general fund, and with all other funds presented in one column as nonmajor funds. The remaining statement, the Statement of Fiduciary Assets and Liabilities, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents. The following summary indicates how the various parts of this annual report are arranged:

Management's Discussion and Analysis (MD&A) (Required Supplementary Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information

Reporting the District as a Whole - Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District as a whole in a manner similar to private-sector business. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting which takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the District.

AIRPORT COMMUNITY SCHOOLS

Management's Discussion and Analysis

Reporting the District's Most Significant Fund - Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. However, the District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues. The District's two types of funds, governmental and fiduciary, use different accounting approaches as further described below.

Governmental funds - Most of the District's services are reported in governmental funds. Governmental fund reporting focuses on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a district's near-term financing requirements. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation format in the financial section.

The District adopts an annual appropriated budget for its general and special revenue funds. A budgetary statement has been provided herein for the general fund to demonstrate compliance with the general fund budget.

Fiduciary funds - The District is the trustee, or fiduciary, for its student activity funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension plan immediately following the notes to the financial statements. The combining fund statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

AIRPORT COMMUNITY SCHOOLS

Management's Discussion and Analysis

Government-wide Financial Analysis

Recall that the Statement of Net Position provides the perspective of the District as a whole. The following table provides a summary of the District's net position as of June 30, 2015:

	Governmental Activities	
	2015	2014
Current and other assets	\$ 6,592,376	\$ 6,416,682
Capital assets, net	19,845,736	20,159,296
Total assets	26,438,112	26,575,978
Deferred outflows of resources	4,538,088	61,155
Long-term liabilities	15,708,665	16,466,459
Other liabilities	32,904,500	2,933,001
Total liabilities	48,613,165	19,399,460
Deferred inflows of resources	3,336,950	-
Net position:		
Net investment in capital assets	5,678,632	5,278,507
Restricted	808,323	737,277
Unrestricted (deficit)	(27,460,870)	1,221,889
Total net position	\$(20,973,915)	\$ 7,237,673

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. In addition to expanded disclosure requirements, the District is required to report its proportionate share of the MPSERS net pension liability on the statement of net position. This change has resulted in a negative total net position of governmental activities of (\$20,973,915). Of this amount, (\$27,460,870) is unrestricted net position (deficit) and \$808,323 is restricted for other purposes. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

AIRPORT COMMUNITY SCHOOLS

Management's Discussion and Analysis

The results of this year's operations for the District as a whole are reported in the Statement of Activities (see table below), which shows the changes in net position for the fiscal year ended June 30, 2015:

	Governmental Activities	
	2015	2014
Program revenues:		
Charges for services	\$ 830,396	\$ 644,521
Operating grants	4,861,923	5,279,262
General revenues:		
Property taxes	3,971,397	4,068,797
Unrestricted state aid	16,634,650	15,609,592
Other general revenues	177,674	113,835
Gain on sale of capital assets	-	308,363
Total revenues	<u>26,476,040</u>	<u>26,024,370</u>
Expenses:		
Instruction	13,474,816	13,573,640
Supporting services	8,527,611	8,606,683
Community service	418,448	496,641
Athletics	459,445	409,230
Food service	1,040,655	1,119,391
Interest on long-term debt	614,387	724,579
Unallocated depreciation	589,534	396,271
Total expenses	<u>25,124,896</u>	<u>25,326,435</u>
Change in net position	1,351,144	697,935
Net position:		
Beginning of year	7,237,673	6,539,738
Restatement for implementation of GASB 68	(29,562,732)	-
End of year	<u><u>\$(20,973,915)</u></u>	<u><u>\$ 7,237,673</u></u>

As indicated above, the cost of all of our governmental activities this year was \$25.1 million. Of the \$25.1 million, \$5.7 million was subsidized by revenue generated from charges for services and grants, with the remaining costs financed with general revenues. The District experienced a \$1,351,144 increase in net position during fiscal year 2014-2015.

Fund Financial Analysis

As noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being held accountable for the resources taxpayers and others provide to it and may give more insight into the District's overall financial health.

AIRPORT COMMUNITY SCHOOLS

Management's Discussion and Analysis

As the District completed this year, the governmental funds reported a combined fund balance of \$3,970,769 which is an increase of \$388,751 from last year. The increase is directly linked to no wage increase for the 2014-15 fiscal year.

	General Fund	Nonmajor Funds	Totals
Net change in fund balances	\$ 463,877	\$ (75,126)	\$ 388,751
Fund balances, beginning of year	2,320,957	1,261,061	3,582,018
Fund balances, end of year	<u>\$ 2,784,834</u>	<u>\$ 1,185,935</u>	<u>\$ 3,970,769</u>

The fund balance of the general fund of \$2,784,834 as of June 30, 2015 consists of \$190,451 restricted for future technology expenditures, \$181,512 in nonspendable (prepaid) fund balance, \$316,318 in assigned fund balance for 2015-16 deficit budget, and unassigned general fund balance of \$2,096,553 going into the 2015-16 fiscal year.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Board of Education to adopt the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the District's original and final budget amounts compared with amounts actually paid and received is provided in the basic financial statements. Revisions to the general fund original budget were as follows:

Revenues - The original budget for revenues was \$23.1 million and the final budget was \$24.3 million. There were no significant variances between the original budget and final budget amounts.

Expenditures - The original budget for expenditures was \$23.3 million compared to the final budget of \$24.2 million. There were no significant variances between the original budget and final budget amounts.

Final Budget versus Actual Figures

- Revenues- Final budget for revenues was \$24.3 million compared to actual revenues of \$24.2 million. There were no significant variances between the final budget amounts and actual revenues.
- Expenditures - Final budget for expenditures was \$24.2 million compared to actual expenditures of \$23.8 million. Notable variances between budgeted expenditures and actual were, \$7,881 overage for capital outlay.

Capital Asset and Debt Administration:

At June 30, 2015, the District had \$19.8 million invested in capital assets net of accumulated depreciation. Depreciation for the 2015-16 fiscal year totaled \$589,534. Detailed information regarding capital assets is included in the Notes to Financial Statements.

AIRPORT COMMUNITY SCHOOLS

Management's Discussion and Analysis

Debt

At June 30, 2015, the District had \$14.0 million in outstanding bonds payable. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District's boundaries.

Other debt outstanding at June 30, 2015 includes a capital lease payable of \$215,216 and accrued compensated absences which had a balance of \$1.5 million at June 30, 2015. More detailed information about long-term liabilities is presented in the Notes to Financial Statements.

Development of the 2015-16 Fiscal Year Budget

Our elected officials and administration consider many factors when setting the District's 2015-16 fiscal year budgets. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2015-16 fiscal year will be 90% of the October 2015 and 10% of February 2014 student count. Additionally, the State introduced a section 25e process for changes in enrollment between the count dates that will impact funding. The 2015-16 general fund budget was adopted in June 2015, based on an estimate of 2,505 students. Approximately 75% of total revenue is from State sources. Based on early enrollment data at the start of the 2015-16 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2015-16 general fund budget.

Since the District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue estimating conference to estimate revenues. Based on the results of the most recent revenue conference, the State estimates that funds should be sufficient to support the appropriations to school districts for the 2015 foundation allowance. Upon final validation of the fiscal year's per pupil foundation, categorical funding and student count, the District will amend the budget accordingly.

Contacting Airport Community Schools Business Office

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, 11270 Grafton Rd., Carleton, MI 48117.

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BASIC FINANCIAL STATEMENTS

AIRPORT COMMUNITY SCHOOLS

Statement of Net Position

June 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,203,734
Receivables	4,189,848
Prepaid items	198,794
Capital assets not being depreciated	1,335,250
Capital assets being depreciated, net	<u>18,510,486</u>
Total assets	<u>26,438,112</u>
Deferred outflows of resources	
Deferred charge on refunding	52,419
Deferred pension amounts	<u>4,485,669</u>
Total deferred outflows of resources	<u>4,538,088</u>
Liabilities	
Accounts payable and accrued liabilities	2,256,082
State aid anticipation note payable	442,966
Unearned revenue	20,579
Long-term debt:	
Due within one year	878,339
Due in more than one year	14,830,326
Net pension liability	<u>30,184,873</u>
Total liabilities	<u>48,613,165</u>
Deferred inflows of resources	
Deferred pension amounts	<u>3,336,950</u>
Net position	
Net investment in capital assets	5,678,632
Restricted for:	
Debt service	334,210
Capital projects	49,147
Technology	234,913
Food services	190,053
Unrestricted (deficit)	<u>(27,460,870)</u>
Total net position	<u><u>\$ (20,973,915)</u></u>

The accompanying notes are an integral part of these financial statements.

AIRPORT COMMUNITY SCHOOLS

Statement of Activities

For the Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 13,474,816	\$ 210,055	\$ 3,413,363	\$ (9,851,398)
Supporting services	8,527,611	42,760	706,455	(7,778,396)
Community service	418,448	99,787	-	(318,661)
Athletics	459,445	91,706	-	(367,739)
Food service	1,040,655	386,088	742,105	87,538
Interest on long-term debt	614,387	-	-	(614,387)
Unallocated depreciation	589,534	-	-	(589,534)
Total governmental activities	\$ 25,124,896	\$ 830,396	\$ 4,861,923	(19,432,577)
General revenues				
Property taxes				3,971,397
Unrestricted state aid				16,634,650
Grants and contributions not restricted to specific programs				172,920
Unrestricted investment earnings				4,754
Total general revenues				20,783,721
Change in net position				1,351,144
Net position, beginning of year, as restated				(22,325,059)
Net position, end of year				\$ (20,973,915)

The accompanying notes are an integral part of these financial statements.

AIRPORT COMMUNITY SCHOOLS

Balance Sheet

Governmental Funds
June 30, 2015

	General	Nonmajor Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 1,168,666	\$ 1,035,068	\$ 2,203,734
Accounts receivable	13,391	31,956	45,347
Due from other governments	4,118,199	26,302	4,144,501
Due from other funds	4,309	137,313	141,622
Prepays	181,512	75	181,587
Inventory	-	17,207	17,207
Total assets	\$ 5,486,077	\$ 1,247,921	\$ 6,733,998
Liabilities			
Accounts payable	\$ 219,700	\$ 42,766	\$ 262,466
Salaries and benefits payable	1,895,371	225	1,895,596
Due to other funds	137,313	4,309	141,622
State aid anticipation note payable	442,966	-	442,966
Unearned revenue	5,893	14,686	20,579
Total liabilities	2,701,243	61,986	2,763,229
Fund balances			
Nonspendable -			
Prepays and inventory	181,512	17,282	198,794
Restricted:			
Technology	190,451	-	190,451
Food service	-	172,771	172,771
Debt service	-	432,230	432,230
Capital projects	-	49,147	49,147
Committed -			
Capital projects	-	514,505	514,505
Assigned -			
Subsequent year appropriations	316,318	-	316,318
Unassigned	2,096,553	-	2,096,553
Total fund balances	2,784,834	1,185,935	3,970,769
Total liabilities and fund balances	\$ 5,486,077	\$ 1,247,921	\$ 6,733,998

The accompanying notes are an integral part of these financial statements.

AIRPORT COMMUNITY SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2015

Fund balances - total governmental funds	\$ 3,970,769
<p>Amounts reported for <i>governmental activities</i> 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>	
Capital assets	28,948,847
Accumulated depreciation	(9,103,111)
<p>Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>	
Bonds, notes, and capital leases payable	(14,203,172)
Unamortized bond premium	(16,351)
Unamortized loss on refunding	52,419
Accrued interest on long-term debt	(98,020)
Compensated absences	(1,489,142)
<p>Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.</p>	
Net pension liability	(30,184,873)
Deferred outflows related to the net pension liability	4,485,669
Deferred inflows related to the net pension liability	<u>(3,336,950)</u>
Net position of governmental activities	<u><u>\$ (20,973,915)</u></u>

The accompanying notes are an integral part of these financial statements.

AIRPORT COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2015

	General	Nonmajor Governmental Funds	Total
Revenues			
Local sources	\$ 5,113,097	\$ 1,550,196	\$ 6,663,293
State sources	18,516,984	38,099	18,555,083
Federal sources	553,658	704,006	1,257,664
Total revenues	24,183,739	2,292,301	26,476,040
Expenditures			
Current:			
Instruction	14,002,532	-	14,002,532
Supporting services	8,461,335	-	8,461,335
Athletics	455,025	-	455,025
Food service	-	1,041,653	1,041,653
Community services	427,330	-	427,330
Capital outlay	278,947	92,078	371,025
Debt service:			
Principal repayment	126,399	595,000	721,399
Interest and fiscal charges	10,869	596,121	606,990
Total expenditures	23,762,437	2,324,852	26,087,289
Revenues over (under) expenditures	421,302	(32,551)	388,751
Other financing sources (uses)			
Transfers in	42,575	-	42,575
Transfers out	-	(42,575)	(42,575)
Total other financing sources (uses)	42,575	(42,575)	-
Net changes in fund balances	463,877	(75,126)	388,751
Fund balances, beginning of year	2,320,957	1,261,061	3,582,018
Fund balances, end of year	\$ 2,784,834	\$ 1,185,935	\$ 3,970,769

The accompanying notes are an integral part of these financial statements.

AIRPORT COMMUNITY SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds	\$ 388,751
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital assets purchases/constructed	275,974
Depreciation expense	(589,534)
<p>Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Principal payments on long-term liabilities	721,399
<p>Some expenses reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in the funds.</p>	
Change in net pension liability and related deferred amounts	526,578
Change in accrued interest payable on bonds	317
Amortization of refunding premium	1,022
Amortization of deferred charge on refunding	(8,736)
Change in the accrual for compensated absences	35,373
	<hr/>
Change in net position of governmental activities	<u>\$ 1,351,144</u>

The accompanying notes are an integral part of these financial statements.

AIRPORT COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 2,974,566	\$ 2,842,385	\$ 2,833,151	\$ (9,234)
Earnings on investments and deposits	5,400	2,400	4,754	2,354
Other local revenues	1,973,245	2,276,816	2,275,192	(1,624)
Total local sources	4,953,211	5,121,601	5,113,097	(8,504)
State sources:				
State school aid - unrestricted	15,993,881	16,627,812	16,634,650	6,838
Special education	756,668	871,473	871,473	-
At risk	498,465	524,892	531,770	6,878
Other	356,318	540,598	479,091	(61,507)
Total state sources	17,605,332	18,564,775	18,516,984	(47,791)
Federal sources:				
Title I	455,305	500,891	421,009	(79,882)
Title II-A	99,115	115,346	108,710	(6,636)
Title III	-	-	146	146
Homeless	1,470	-	-	-
Medicaid	5,460	10,165	11,693	1,528
Upward bound	11,160	11,160	12,100	940
Total federal sources	572,510	637,562	553,658	(83,904)
Total revenues	23,131,053	24,323,938	24,183,739	(140,199)
Expenditures				
Instruction:				
Basic programs:				
Elementary	5,489,598	5,390,899	5,380,376	(10,523)
Middle/Junior High	1,773,437	1,765,559	1,759,476	(6,083)
High School	3,398,591	3,350,753	3,330,817	(19,936)
Preschool	244,295	445,491	351,112	(94,379)
Added needs	2,699,741	3,268,168	3,180,751	(87,417)
Total instruction	13,605,662	14,220,870	14,002,532	(218,338)

continued...

AIRPORT COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Expenditures (concluded)				
Supporting services:				
Instructional staff	\$ 788,779	\$ 833,051	\$ 789,936	\$ (43,115)
Pupil services	1,071,601	1,095,492	1,082,645	(12,847)
General administration	312,029	339,950	301,841	(38,109)
School administration	1,457,698	1,463,014	1,454,413	(8,601)
Business services	463,595	470,847	470,400	(447)
Central services	584,842	576,339	543,037	(33,302)
Operations and maintenance	2,206,893	2,319,941	2,250,613	(69,328)
Pupil transportation	1,592,083	1,584,760	1,568,450	(16,310)
Total supporting services	<u>8,477,520</u>	<u>8,683,393</u>	<u>8,461,335</u>	<u>(222,058)</u>
Athletics	<u>380,556</u>	<u>471,415</u>	<u>455,025</u>	<u>(16,390)</u>
Community services	<u>535,334</u>	<u>440,912</u>	<u>427,330</u>	<u>(13,582)</u>
Capital outlay	<u>202,228</u>	<u>271,066</u>	<u>278,947</u>	<u>7,881</u>
Debt service:				
Principal repayment	123,059	124,017	126,399	2,382
Interest and fiscal charges	11,812	10,869	10,869	-
Total debt service	<u>134,871</u>	<u>134,886</u>	<u>137,268</u>	<u>2,382</u>
Total expenditures	<u>23,336,171</u>	<u>24,222,541</u>	<u>23,762,437</u>	<u>(460,104)</u>
Revenues over (under) expenditures	(205,118)	101,397	421,302	319,905
Other financing sources				
Transfers in	<u>-</u>	<u>42,575</u>	<u>42,575</u>	<u>-</u>
Net changes in fund balance	(205,118)	143,972	463,877	319,905
Fund balance, beginning of year	<u>2,320,957</u>	<u>2,320,957</u>	<u>2,320,957</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,115,839</u>	<u>\$ 2,464,929</u>	<u>\$ 2,784,834</u>	<u>\$ 319,905</u>

concluded.

The accompanying notes are an integral part of these financial statements.

AIRPORT COMMUNITY SCHOOLS

Statement of Fiduciary Assets and Liabilities

June 30, 2015

	Agency Funds
Assets	
Cash and cash equivalents	\$ 425,902
Liabilities	
Accounts payable	\$ 5,029
Due to student groups and activities	420,873
	<u>\$ 425,902</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Airport Community Schools (the "District") has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into the basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2015.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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, except for the agency funds, which do not have a measurement focus. 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.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or one year for expenditure-driven grants. 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.

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

Property taxes, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The *debt service* fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *agency funds* account for assets held for student activity groups and organizations and are custodial in nature.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

Deposits and Investments

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

Investments are reported at fair value.

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non current portion of interfund loans).

Accounts payable and other payables reflected in the financial statements are based on when the liability is incurred.

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings and improvements	25-50
Licensed vehicles	5-10
Equipment	5-20

Deferred Outflows of Resources

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 reports deferred outflows for the loss on refunding. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date. More detailed information can be found in Note 15.

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

Compensated Absences

It is the District's policy to permit employees to accumulate various earned but unused vacation and sick pay benefits. These are accrued when incurred in the District wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District's deferred inflows of resources related to pension costs.

Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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.

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

Pensions

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 Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

2. BUDGETARY INFORMATION

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on a functional basis.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended June 30, 2015, the District incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control for principal repayments in the general fund in the amount of \$2,382 and capital outlay in the amount of \$7,881.

4. SINKING FUND

The Sinking Fund Capital Project Fund records capital project activities funded with Sinking Fund millage. For these activities, the District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

5. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position and Statement of Fiduciary Assets and Liabilities follows:

Statement of Net Position	
Cash and cash equivalents	\$ 2,203,734
Statement of Fiduciary Assets and Liabilities	
Cash and cash equivalents	<u>425,902</u>
Total	<u>\$ 2,629,636</u>

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

Deposits and investments	
Deposits (checking accounts and certificates of deposit)	\$ 2,255,928
Investments in securities, mutual funds and similar vehicles	<u>373,708</u>
Total	<u>\$ 2,629,636</u>

Statutory Authority

State statutes authorize the District to invest in:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

Investments

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following investments:

Investment	Maturity	Fair Value	Rating
Money market funds	n/a	<u>\$ 373,708</u>	n/a

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on investment credit risk. All of the District’s investments are listed above.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$2,382,215 of the District’s bank balance of \$2,632,215 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk 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. State law does not require and the District does not have a policy for investment custodial credit risk. The District held no investments subject to custodial credit risk at year end.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All of the District’s investments are listed above.

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

6. RECEIVABLES

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Nonmajor	Total
Receivables			
Accounts	\$ 13,391	\$ 31,956	\$ 45,347
Intergovernmental	4,118,199	26,302	4,144,501
	<u>\$ 4,131,590</u>	<u>\$ 58,258</u>	<u>\$ 4,189,848</u>

7. CAPITAL ASSETS

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,331,374	\$ -	\$ -	\$ 1,331,374
Construction in progress	5,626	875	2,625	3,876
	<u>1,337,000</u>	<u>875</u>	<u>2,625</u>	<u>1,335,250</u>
Capital assets, being depreciated:				
Buildings and improvements	23,595,890	44,285	-	23,640,175
Land improvements	898,270	129,107	-	1,027,377
Equipment and furniture	1,953,452	75,416	16,826	2,012,042
Vehicles	58,228	28,916	-	87,144
School buses	-	-	-	-
Educational media	846,859	-	-	846,859
	<u>27,352,699</u>	<u>277,724</u>	<u>16,826</u>	<u>27,613,597</u>
Less accumulated depreciation for:				
Buildings and improvements	6,014,679	447,269	-	6,461,948
Land improvements	505,674	39,129	-	544,803
Equipment and furniture	1,104,963	101,630	16,826	1,189,767
Vehicles	58,228	1,506	-	59,734
School buses	-	-	-	-
Educational media	846,859	-	-	846,859
	<u>8,530,403</u>	<u>589,534</u>	<u>16,826</u>	<u>9,103,111</u>
Total capital assets being depreciated, net	<u>18,822,296</u>	<u>(311,810)</u>	<u>-</u>	<u>18,510,486</u>
Governmental activities capital assets, net	<u>\$ 20,159,296</u>	<u>\$ (310,935)</u>	<u>\$ 2,625</u>	<u>\$ 19,845,736</u>

Depreciation expense of \$589,534 was charged to the function "unallocated depreciation," and was not allocated to the other functions.

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

8. PAYABLES

Accounts payable and accrued liabilities as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Nonmajor	Total
Fund Financial Statements			
Accounts payable	\$ 219,700	\$ 42,766	\$ 262,466
Salaries and benefits payable	<u>1,895,371</u>	<u>225</u>	<u>1,895,596</u>
	<u><u>\$ 2,115,071</u></u>	<u><u>\$ 42,991</u></u>	2,158,062
Government-wide Financial Statements			
Accrued interest on long-term debt			<u>98,020</u>
			<u><u>\$ 2,256,082</u></u>

9. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2015, interfund receivables and payables consisted of the following:

	Due From	Due To
General fund	\$ 4,309	\$ 137,313
Nonmajor governmental funds	<u>137,313</u>	<u>4,309</u>
	<u><u>\$ 141,622</u></u>	<u><u>\$ 141,622</u></u>

For the year ended June 30, 2015, interfund transfers consisted of a transfer of \$42,575 made to the general fund by the nonmajor capital projects fund for capital purchases.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

10. LONG-TERM DEBT

The following is a summary of bond, note, and compensated absences transactions of the District for the year ended June 30, 2015:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 14,560,000	\$ -	\$ 595,000	\$ 13,965,000	\$ 550,000
Capital lease	319,139	-	103,923	215,216	106,361
Refunding bond premium	17,373	-	1,022	16,351	1,022
Other installment debt	45,432	-	22,476	22,956	22,956
Compensated absences	1,524,515	162,954	198,327	1,489,142	198,000
	<u>\$ 16,466,459</u>	<u>\$ 162,954</u>	<u>\$ 920,748</u>	<u>\$ 15,708,665</u>	<u>\$ 878,339</u>

Bonds payable at June 30, 2015, are comprised of the following issues:

General Obligation Bonds

\$5,000,000 2011A School Building and Site Bonds, due in annual installments of \$25,000 to \$460,000 through May 1, 2031; interest at 3.00% to 5.25%	\$ 4,935,000
\$1,875,000 2011B School Building and Site Bonds, due in annual installments of \$55,000 to \$240,000 through May 1, 2027; interest at 4.70% to 5.20%	1,820,000
\$4,640,000 2011C School Building and Site Bonds, due in annual installments of \$40,000 to \$910,000 through May 1, 2031; interest at 4.60% to 5.00%	4,640,000
\$3,045,000 2014 Refunding Bonds, due in annual installments of \$400,000 to \$475,000 through May 1, 2021; interest at 0.40% to 2.50%	<u>2,570,000</u>
Total general obligation bonds payable	<u>\$ 13,965,000</u>

Other Installment Debt

\$110,000 2011 Purchase Agreement due in annual installments of \$21,056 to \$22,956 through June 28, 2016; interest at 2.20%	<u>\$ 22,956</u>
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Compensated absences are generally liquidated by the general fund.

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

Annual debt service requirements to maturity for general obligation bonds and other installment debt are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 572,956	\$ 588,628	\$ 1,161,584
2017	560,000	583,201	1,143,201
2018	590,000	576,191	1,166,191
2019	615,000	565,679	1,180,679
2020	650,000	551,759	1,201,759
2021-2025	4,005,000	2,350,715	6,355,715
2026-2030	5,625,000	1,236,604	6,861,604
2031	1,370,000	69,650	1,439,650
	<u>\$ 13,987,956</u>	<u>\$ 6,522,427</u>	<u>\$ 20,510,383</u>

Capital Leases

In the prior year, the District entered into a lease agreement for financing the purchase of technology equipment for \$557,049 over five years with an interest rate of 4.5%. This lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. Total accumulated depreciation on this equipment at year end was \$243,933.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2015, is as follows:

Year Ended June 30,	Amount
2016	\$ 111,410
2017	111,410
Less interest	<u>(7,604)</u>
	<u>\$ 215,216</u>

11. SHORT-TERM DEBT

During the year, the District financed certain of its operations through the issuance of property tax and State Aid Anticipation Notes. These notes were issued for terms of less than one year, and accordingly are recorded as liabilities of the respective funds from which they were issued. The \$442,966 note balance at June 30, 2015 bears interest at .42% and matures on July 20, 2015.

Changes in short-term state aid notes for the year ended June 30, 2015, were as follows:

	Beginning Balance	Additions	Deduction	Ending Balance
State aid note	<u>\$ 471,558</u>	<u>\$ 3,108,690</u>	<u>\$ 3,137,282</u>	<u>\$ 442,966</u>

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

12. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2015, net investment in capital assets was comprised of the following:

Capital assets not being depreciated	\$ 1,335,250
Capital assets being depreciated, net	<u>18,510,486</u>
	<u>19,845,736</u>
Related debt:	
Bonds payable	13,965,000
Capital lease	215,216
Other installment debt	22,956
Deferred loss on refunding	(52,419)
Refunding bond premiums	<u>16,351</u>
	<u>14,167,104</u>
Net investment in capital assets	<u>\$ 5,678,632</u>

13. 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 has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

14. PROPERTY TAXES

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied on July 1 and December 1 and are due on September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

15. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The District contributes to the Michigan Public School Employees Retirement System (“MPSERS”), a cost-sharing multiple-employer pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Services with oversight from a 12-member board. Benefit provisions are established and may be amended by state statute. The Office of Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report can be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

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

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

The *Member Investment Plan (MIP)* includes additional subgroups based on hire date. The *MIP Fixed* plan includes members hired prior to January 1, 1990. The *MIP Graded* plan includes members first hired from January 1, 1990 through June 30, 2008. The *MIP Plus* plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the *MIP 7%* plan.

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the *Pension Plus* plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are match at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (*Basic 4%*). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the *defined contribution* plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

Benefits Provided. MPSERS provides retirement, death, disability and postemployment benefits to eligible participants. Retirement benefits are calculated as a percentage of the employee's final average compensation times the employee's years of service. All participants qualify for a benefit multiplier of 1.5% for the first 30 years of service. Certain benefit groups receive a reduced rate of 1.25% for service above 30 years. Disability benefits are calculated the same as regular service retirement. Participants are eligible to receive full retirement benefits upon reaching the age and years of service requirements below. Most plans offer additional options for early retirement if certain stipulations have been met. Voluntary contributions vest immediately.

Plan	Eligibility Based on Years of Service	Vesting
Member Investment Plan (MIP)	Age 46 with 30 years or age 60 with 10 years	10 years
Basic	Age 55 with 30 years or age 60 with 10 years	10 years
Pension Plus	Age 60 with 10 years	4 years
Defined Contribution	Age 46 with 30 years or age 60 with 10 years	4 years

Contributions. Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Member contributions are determined based on date of hire and the plan selected. In addition, the District is invoiced monthly an amount that approximates 7.63% of covered payroll for "MPSERS UAAL Stabilization." This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services. For the plan year ended September 30, 2015, an additional 1.13% MPSERS liability prepayment was invoiced as a one-time cost. Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization and one-time prepayment rates, range from 27.52% to 31.83% of covered payroll. Plan member contributions range from 0.0% to 7.0% of covered payroll.

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2015, inclusive of the MPSERS UAAL Stabilization and one-time prepayment, was \$3,583,130.

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

At June 30, 2015, the District reported a liability of \$30,184,873 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2014, the District's proportion (as calculated by MPSERS) was 0.13704%.

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2015, the District recognized pension expense of \$2,445,136. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	\$ 1,113,757	\$ -	\$ 1,113,757
Changes in proportion and differences between employer contribution and proportionate share	295	-	295
Net difference between projected and actual earnings on pension plan investments	-	3,336,950	(3,336,950)
	<u>1,114,052</u>	<u>3,336,950</u>	<u>(2,222,898)</u>
District contributions subsequent to the measurement date	<u>3,371,617</u>	-	<u>3,371,617</u>
Total	<u><u>\$ 4,485,669</u></u>	<u><u>\$ 3,336,950</u></u>	<u><u>\$ 1,148,719</u></u>

The amount of deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ (544,549)
2017	(544,549)
2018	(544,549)
2019	<u>(589,251)</u>
	<u><u>\$ (2,222,898)</u></u>

Actuarial Assumptions. The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.5%
Salary increases	3.5% to 12.3%, including wage inflation at 3.5%
Investment rate of return	8.0% (7.0% for the Pension Plus plan)
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	8.5% year 1 graded to 3.5% year 12

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

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	4.80%	1.34%
Alternative investment pools	18.00%	8.50%	1.53%
International equity	16.00%	6.10%	0.98%
Fixed income pools	10.50%	1.50%	0.16%
Real estate and infrastructure pools	10.00%	5.30%	0.53%
Absolute return pools	15.50%	6.30%	0.98%
Short-term investment pools	2.00%	-0.20%	-0.02%
	<u>100.00%</u>		5.50%
Inflation			<u>2.50%</u>
Investment rate of return			<u>8.00%</u>

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that District contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the District, calculated using the discount rate of 8.0%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension liability	\$ 39,796,127	\$ 30,184,873	\$ 22,087,250

AIRPORT COMMUNITY SCHOOLS

Notes to Financial Statements

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan. At June 30, 2015, the District reported a payable of \$414,118 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2015.

Other Postemployment Benefits

Retirees enrolled in MPERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension. Employer contributions range from 2.20% to 2.71% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that cover up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the *Personal Healthcare Fund*. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The District's contributions to MPERS for other postemployment benefits amounted to \$348,549 for the year ended June 30, 2015.

16. SUBSEQUENT EVENTS

On August 20, 2015, the District borrowed \$2,310,537 and \$1,089,463 in a State Aid Anticipation Notes. The notes bear interest at a rate of 0.76% and 0.64%, respectively, and are due on July 20, 2016.

17. CONSTRUCTION COMMITMENTS

At year end, the District was committed for the estimated cost of replacing windows in the amount of \$297,000 and replacing drainage on school grounds for \$44,000.

18. RESTATEMENT

The District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, beginning net position of governmental activities was decreased by \$29,562,732.



REQUIRED SUPPLEMENTARY INFORMATION

AIRPORT COMMUNITY SCHOOLS

Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30, 2015
District's proportion of the net pension liability	0.13704%
District's proportionate share of the net pension liability	\$ 30,184,873
District's covered-employee payroll	11,662,150
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	258.83%
Plan fiduciary net position as a percentage of the total pension liability	66.20%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

AIRPORT COMMUNITY SCHOOLS

Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plan

Schedule of District Contributions

	Year Ended June 30, 2015
Contractually required contribution	\$ 3,583,130
Contributions in relation to the contractually required contribution	<u>(3,583,130)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	11,895,630
Contributions as a percentage of covered employee payroll	30.12%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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**COMBINING NONMAJOR FUND
FINANCIAL STATEMENTS**

AIRPORT COMMUNITY SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2015

	Special Revenue			
	Food Service	Debt Service	Capital Projects	Total
Assets				
Cash and cash equivalents	\$ 40,072	\$ 430,815	\$ 564,181	\$ 1,035,068
Accounts receivable	31,956	-	-	31,956
Due from other governments	17,293	9,009	-	26,302
Due from other funds	137,313	-	-	137,313
Prepays	75	-	-	75
Inventory	17,207	-	-	17,207
Total assets	\$ 243,916	\$ 439,824	\$ 564,181	\$ 1,247,921
Liabilities				
Accounts payable	\$ 38,952	\$ 3,285	\$ 529	\$ 42,766
Salaries and benefits payable	225	-	-	225
Due to other funds	-	4,309	-	4,309
Unearned revenue	14,686	-	-	14,686
Total liabilities	53,863	7,594	529	61,986
Fund balances				
Nonspendable	17,282	-	-	17,282
Restricted	172,771	432,230	49,147	654,148
Committed	-	-	514,505	514,505
Total fund balances	190,053	432,230	563,652	1,185,935
Total liabilities and fund balances	\$ 243,916	\$ 439,824	\$ 564,181	\$ 1,247,921

AIRPORT COMMUNITY SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2015

	Special Revenue			
	Food Service	Debt Service	Capital Projects	Total
Revenues				
Local sources:				
Property taxes	\$ -	\$ 1,054,790	\$ 26	\$ 1,054,816
Earnings on investments and deposits	-	-	862	862
Other local revenues	386,088	83,430	25,000	494,518
State sources	38,099	-	-	38,099
Federal sources	704,006	-	-	704,006
Total revenues	1,128,193	1,138,220	25,888	2,292,301
Expenditures				
Current:				
Food service	1,041,653	-	-	1,041,653
Capital outlay	-	-	92,078	92,078
Debt service:				
Principal repayment	-	595,000	-	595,000
Interest and fiscal charges	-	596,121	-	596,121
Total expenditures	1,041,653	1,191,121	92,078	2,324,852
Revenues over (under) expenditures	86,540	(52,901)	(66,190)	(32,551)
Other financing uses				
Transfers out	-	-	(42,575)	(42,575)
Net changes in fund balances	86,540	(52,901)	(108,765)	(75,126)
Fund balances, beginning of year	103,513	485,131	672,417	1,261,061
Fund balances, end of year	\$ 190,053	\$ 432,230	\$ 563,652	\$ 1,185,935

AIRPORT COMMUNITY SCHOOLS

Combining Balance Sheet Nonmajor Capital Project Funds June 30, 2015

	Capital Projects	Sinking Fund	Total
Assets			
Cash and cash equivalents	\$ 515,034	\$ 49,147	\$ 564,181
Liabilities			
Accounts payable	\$ 529	\$ -	\$ 529
Fund balances			
Restricted	-	49,147	49,147
Committed	514,505	-	514,505
Total fund balances	514,505	49,147	563,652
Total liabilities and fund balances	\$ 515,034	\$ 49,147	\$ 564,181

AIRPORT COMMUNITY SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Capital Project Funds For the Year Ended June 30, 2015

	Capital Projects	Sinking Fund	Total
Revenues			
Local sources:			
Property taxes	\$ -	\$ 26	\$ 26
Earnings on investments and deposits	823	39	862
Other	25,000	-	25,000
Total revenues	25,823	65	25,888
Expenditures			
Capital outlay	92,076	2	92,078
Revenues over (under) expenditures	(66,253)	63	(66,190)
Other financing uses			
Transfers out	(42,575)	-	(42,575)
Net changes in fund balances	(108,828)	63	(108,765)
Fund balances, beginning of year	623,333	49,084	672,417
Fund balances, end of year	<u>\$ 514,505</u>	<u>\$ 49,147</u>	<u>\$ 563,652</u>

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