



**Aleutians East Borough
School District**
(A Component Unit of the Aleutians East Borough)

Basic Financial Statements, Required
Supplementary Information, Additional
Supplementary Information and Single Audit
Reports

Year Ended June 30, 2015

Aleutians East Borough School District
(A Component Unit of the Aleutians East Borough)

Basic Financial Statements, Required Supplementary Information,
Additional Supplementary Information and Single Audit Reports
Year Ended June 30, 2015

Aleutians East Borough School District

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Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Members of the School Board
Aleutians East Borough School District
Sand Point, Alaska

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 Aleutians East Borough School District, a component unit of the Aleutians East Borough, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Aleutians East Borough School District as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, in 2015 the District has adopted the provisions of GASB Statement Number 68, Accounting and Financial Reporting for Pensions. 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 discussion and analysis on pages 6-12, budgetary comparison information on page 42, and the Schedules of Net Pension Liability, and Pension Contributions on pages 43 through 46, 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 Aleutians East Borough School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance and the additional supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

The accompanying Schedule of Expenditures of Federal Awards, the Schedule of State Financial Assistance, and the additional supplementary information as listed in the table of contents, 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 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 accompanying supplementary 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 December 15, 2015 on our consideration of the Aleutian East Borough School 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 on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Aleutian East Borough School District's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
December 15, 2015

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Management's Discussion and Analysis

ALEUTIANS EAST BOROUGH SCHOOL DISTRICT

Management's Discussion and Analysis June 30, 2015

Introduction

The discussion and analysis of Aleutians East Borough School District's annual financial report provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015 (FY2015). Readers are encouraged to review the information presented here in conjunction with the information that is furnished in the School District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended.

Financial Highlights

Key financial highlights for the 2014-2015 fiscal year include the following:

In 2015, the School District adopted the provisions of GASB Statement No. 68, which requires the School District to recognize a proportional share of the state retirement system's Net Pension Liability. Refer to the Notes to Basic Financial Statements, pages 29-39.

On the district-wide financial statements, the assets of the School District exceeded liabilities by \$352,903.

The School District's net position increased by \$307,322 for the fiscal year ended June 30, 2015.

As of the close of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$2,421,270, an increase of \$314,272 when compared to the prior year.

At the end of FY2015, NONSPENDABLE fund balance for the General Fund was \$73,415 and the spendable fund balance consisted of ASSIGNED \$317,014 and UNASSIGNED \$2,030,841 funds, totaling \$2,421,270.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements

The district-wide financial statements are designed to provide readers with both short-term and long-term information about the School District's overall financial status - in a manner similar to a private-sector business.

The statement of net position presents information on all of the School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the district-wide financial statements present functions of the School District as governmental activities, that is, functions principally supported by local, State and Federal financial aid. The governmental

activities of the School District include Instruction, Support Services, Student Transportation, and Food Services, among others.

The district-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the School District's most significant or "major" funds. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in the reconciliations accompanying the Governmental Funds Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balances. The governmental funds financial statements can be found on pages 16-19 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statement because the utilization of those funds is not available to support the School District's own programs. The School District records student activity accounts as Agency Funds.

The basic fiduciary fund financial statements can be found on page 20 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a comprehensive understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21-39 of this report.

Other information

Required supplementary information, along with additional supplementary information can be found beginning on page 42 of this report. Included are schedules detailing revenue, expenditures and changes in fund balance for: budget and actual - general (school operating) fund; combining balance sheet non-major governmental funds; and special revenue funds.

District-wide Financial Analysis

Net Position

Net position, may serve over time as a useful indicator of a government's financial position, which is the amount by which total assets exceed liabilities. The net position for the School District was \$271,900 at June 30, 2015. Of this amount, \$258,200 is invested in the School District's capital assets (e.g., vehicles), and the remaining \$13,700 is unrestricted.

The analysis below focuses on net position Table 1 and change in net position Table 2 for the School District.

**Table 1
Net Position**

	<u>06/30/2015</u>	<u>06/30/2014</u>	<u>CHANGE</u>
Assets			
Current and other assets	\$ 3,572,299	\$ 2,667,518	\$ 904,781
Capital assets	258,200	237,260	20,940
Total Assets	<u>3,830,499</u>	<u>2,904,778</u>	<u>925,721</u>
Deferred outflows - pensions	258,965	-	258,965
Total assets & Deferred Outflows	<u>4,089,464</u>	<u>2,904,778</u>	<u>1,184,686</u>
Liabilities			
Due within one year	1,151,029	560,520	590,509
Long-term - due within one year	35,511	38,035	(2,524)
Long-term - due in more than one year	2,298,515	-	2,298,515
Total Liabilities	<u>3,485,055</u>	<u>598,555</u>	<u>2,886,500</u>
Net position			
Invested in capital assets	258,200	237,260	20,940
Restricted	-	-	-
Unrestricted	94,703	2,068,963	(1,974,260)
Total Net Position	<u>\$ 352,903</u> *	<u>\$ 2,306,223</u>	<u>\$ (1,953,320)</u>
Net position restated			
Invested in capital assets	258,200	237,260	20,940
Restricted	-	-	-
Unrestricted	94,703	2,068,963	(1,974,260)
Accounting principle adjustment		(2,260,642)	
Total Net Position	<u>\$ 352,903</u> *	<u>\$ 45,581</u>	<u>\$ 307,322</u>

*RESTATED

The June 30, 2015, balance of \$13,700 in unrestricted net assets of governmental activities represents the accumulated results of all past year's operations.

Governmental Activities

The following condensed table of changes in net position displays the revenues and expenses for the current and prior year. The results of this year's operations for the School District as a whole are reported in the Statement of Activities on page 15 of this report.

Table 2 provides condensed information from the Statement of Activities.

**Table 2
Changes in Net Position**

	Year Ended June 30		CHANGE
	2015	2014	
Revenues			
Program revenue			
Charges for services	\$ 123,692	\$ 115,773	\$ 7,919
Operating grants & contributions	578,080	543,240	34,840
General Revenue			-
Local sources	1,353,212	1,277,951	75,261
State grants and entitlements	6,354,329	6,046,889	307,440
Federal sources	2,030,841	1,568,152	462,689
Other	53,661	411,957	(358,296)
Total Revenues	\$ 10,493,815	\$ 9,963,962	\$ 529,853
	Year Ended June 30		CHANGE
	2015	2014	
Expenses			
Instruction	\$ 4,400,427	\$ 4,042,048	\$ 358,379
Special education instruction	528,696	520,886	7,810
Special education support services - students	297,531	305,132	(7,601)
Support services - students	53,127	14,729	38,398
Support services - instruction	1,148,039	993,814	154,225
School administration	432,377	397,054	35,323
School administration support services	199,243	199,146	97
District administration	526,947	440,418	86,529
District administration support services	459,568	394,649	64,919
Operations and maintenance of plant	1,536,613	1,697,801	(161,188)
Student activities	295,247	242,696	52,551
Student transportation	85,261	85,460	(199)
Adult and continuing education instruction	95,708	78,310	17,398
Food services	241,519	218,900	22,619
Construction and facilities acquisition	66,190	-	66,190
Total Expenses	\$ 10,366,493	\$ 9,631,043	\$ 735,450
Change in net position	307,322	332,919	(25,597)
Net Position beginning of year	2,306,223	1,973,304	332,919
Net position end of year	\$ 2,613,545	\$ 2,306,223	\$ 307,322
Change in net position	307,322	332,919	(25,597)
Net Position beginning of year *RESTATED *	45,581	1,973,304	(1,927,723)
Net position end of year	\$ 352,903	\$ 2,306,223	\$ (1,953,320)

The cost of all governmental activities in FY2015 was \$10,447,496. The School District's revenue was obtained from several sources: the State of Alaska \$11,260,054; Federal Impact Aid \$2,030,841; local sources \$1,406,873, which includes e-rate program funding \$491,689 for Internet and video service costs. Users of the School District's programs paid some of the cost of school programs \$123,692.

Table 3 condenses the expenses of the School District's main functional categories - instruction, support services, school administration, district administration, operations and maintenance of plant, student activities, pupil transportation service, community services, and food services, as well as each program's net cost (total cost less revenues generated by the activities).

Net cost shows the amount to be supported by state foundation funding and by the taxpayers for each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3
Net Cost of Governmental Activities**

FY2015	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>DIFF</u>
Governmental Activities			REVENUE (EXPENSE)
Instruction	\$ 5,226,654	\$ 5,008,864	\$ 217,790
Support services	1,201,166	1,116,572	84,594
School administration	631,620	631,620	-
District administration	986,515	986,515	-
Operations and maintenance	1,536,613	1,416,533	120,080
Student activities	295,247	295,247	-
Student transportation services	85,261	11,442	73,819
Adult and continuing education	95,708	95,708	-
Food services	241,519	39,642	201,877
Construction and facilities acquisition	66,190	62,578	3,612
Total	<u>\$ 10,366,493</u>	<u>\$ 9,664,721</u>	<u>\$ 701,772</u>

Financial Analysis of the School District's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's net resources available for spending at the end of the fiscal year. As of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$2,421,270. A reporting requirement implemented by the Governmental Accounting Standards Board (GASB) categorizes the fund balance into SPENDABLE and NONSPENDABLE amounts. The majority of the fund balance \$2,347,855 constitutes the SPENDABLE portion and is available for spending at the School District's discretion. The remaining \$73,415 is NONSPENDABLE because it has already been committed for other purposes.

Table 4 reconciles total ending balances for the governmental funds with total net position on the district-wide balance sheet.

**Table 4
Reconciliation of Total Fund Balances for Governmental Fund**

	Year Ended June 30		<u>CHANGE</u>
	<u>2015</u>	<u>2014</u>	
To Net Position for Governmental Activities Total fund balance - governmental funds - at 06/30/2015	\$ 2,421,270	\$ 2,106,998	\$ 314,272
Cost of capital assets (net of accumulated depreciation)	258,200	237,260	20,940
Long-term liability - accrued leave	(35,511)	(38,035)	2,524
Long term liability - net pension liability	(2,298,515)	-	(2,298,515)
Deferred outflows for pensions	258,965	-	258,965
Deferred inflows for pensions	(251,506)	-	(251,506)
Net Position at June 30, 2015	<u>\$ 352,903</u>	<u>\$ 2,306,223</u>	<u>\$(1,953,320)</u>

The general fund is the primary operating fund and a major fund of the School District. At the end of the current fiscal year, the district's fund balance was \$2,269,484; consisting of \$2,196,069 in SPENDABLE and \$73,415 in NONSPENDABLE accounts.

Table 5 presents a summary of general fund revenue and shows each as a percentage of total general fund revenues.

**Table 5
General Fund Revenue**

	<u>2015</u>		<u>2014</u>		<u>CHANGE</u>	
Borough	\$ 854,582	6%	\$ 1,277,951	14%	\$ (423,369)	-8%
Other local	41,661	0%	80,584	1%	(38,923)	-1%
State of Alaska	11,260,054	77%	6,046,889	65%	5,213,165	12%
Federal	2,529,471	17%	1,899,525	20%	629,946	-3%
Total Revenue	\$14,685,768	100%	\$ 9,304,949	100%	\$5,380,819	

Table 6 presents a summary of general fund expenditures and shows each as a percentage of total general fund expenditures.

**Table 6
General Fund Expenditures**

	<u>2015</u>		<u>2014</u>		<u>CHANGE</u>	
Instruction	\$ 8,927,156	63%	\$ 4,627,271	53%	\$ 4,299,885	10%
Support services	1,151,540	8%	914,919	10%	236,621	-2%
School administration	1,070,552	8%	586,861	7%	483,691	1%
District administration	1,251,335	9%	810,989	9%	440,346	0%
Operations & maintenance of plant	1,405,935	10%	1,538,018	18%	(132,083)	-8%
Student activities	295,247	2%	242,696	3%	52,551	-1%
Total Expenditures	\$14,101,765	100%	\$ 8,720,754	100%	\$ 5,381,011	

General Fund Budgetary Highlights

The School District Board of Education holds public hearings and approves the School District budget by function. The Borough Assembly then approves the local appropriation of funds for the School District budget. Once approved, state law requires it to be submitted to the State of Alaska, Department of Education and Early Development. Prior Board approval is required for purchases over \$7,500.

Differences between the general fund original budget and the final budget are due to year-end Borough in-kind adjustments, increased funding from the State of Alaska Foundation program, and prior year Impact Aid adjustments.

Actual expenditures (excluding transfers to other funds) exceeded the budget by \$6,264,369, which generally resulted from the recognition of in-kind revenue received from the Borough; but more significantly from PERS/TRS on-behalf retirement revenue and corresponding expenses received from the State.

Capital Asset and Debt Administration

Capital assets

The School District's investment in capital assets for its governmental activities as of June 30, 2015, amounts to \$258,200 (net of accumulated depreciation). This investment in capital assets is in fixed assets of vehicles and equipment.

Additional information can be found in Note 5 on page 27 of this report.

Debt Administration

The School District's long-term obligations consist of \$35,511 for accrued leave. Additional information about claims and judgments can be found in Note 6 on page 27 of this report.

Economic Factors and Next Year's Budgets and Rates

Our elected officials considered many factors when setting the Schools District's FY2015 budget. One of the most important factors affecting the budget is student enrollment, since State Foundation funding and Federal Impact Aid are calculated on a per student basis. The FY2015 budget was adopted on May 13, 2014, based on an estimate of 229 students, 11 more than the previous year, although the official count was 218.4 student-equivalents. The administration compiles enrollment totals using estimates from the five site administrators.

The State Foundation formula uses the projected enrollment, applies a school size factor to create a base funding level, adjusts for the district cost factor and for a special services factor, and then adds students with intensive special needs at a rate of one each multiplied by thirteen. The adjusted student count is then multiplied by the state per student funding factor. This result is the state foundation basic need funding for the district. A portion of Impact Aid and the required local contribution are subtracted from the basic need to arrive at the actual Foundation funding the district will receive. If the actual student count is higher than the projection, our actual revenue from the state will be higher than budgeted; conversely, if it is lower, actual revenue will be less.

The Borough's basic local direct appropriation to the general fund was \$617,777, plus the School District received \$236,805 in in-kind revenue for property insurance, maintenance services, office space, employee housing and employee housing utilities expense.

The administration submits the recommended financial plan to the School Board for approval, which holds hearings on the budget and makes adjustments, if necessary. The Board adopts the final financial plan that is then submitted to the Borough Manager for consideration.

The Borough Assembly prepares a financial plan and holds public hearings on the budget. The Borough Assembly adopts a balanced budget which includes an appropriation for the School District. If the level of appropriation adopted by the Assembly is different than that included in the School Board Financial Plan, the School Board will revise and adopt a plan to balance to the revenue modification.

Requests for Information

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District operation and to demonstrate the School District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information may be addressed to:

Dave Nielsen
Business Manager

Aleutians East Borough School District
PO Box 429
Sand Point, AK 99661-0429

Phone: (907) 383-5222
Fax: (907) 383-3496
dnielsen@aebbsd.org

Basic Financial Statements

Aleutians East Borough School District
Statement of Net Position

<i>June 30, 2015</i>	Governmental Activities
Assets	
Equity in Borough central treasury	\$ 3,438,146
Accounts receivable	60,738
Inventory	59,740
Prepaid items	13,675
Capital assets, net of accumulated depreciation	258,200
Total Assets	3,830,499
Deferred Outflows - pension related	258,965
Total Assets and Deferred Outflows	\$ 4,089,464
 Liabilities, Deferred Inflows, and Net Position	
Liabilities	
Accounts payable	\$ 312,441
Unearned revenue	46,947
Accrued payroll and related liabilities	411,532
Due to primary government	380,109
Noncurrent liabilities:	
Due within one year - accrued leave	35,511
Due in more than one year - net pension liability	2,298,515
Total Liabilities	3,485,055
Deferred Inflows - pension related	251,506
Net Position	
Net investment in capital assets	258,200
Unrestricted	94,703
Total Net Position	352,903
Total Liabilities, Deferred Inflow, and Net Position	\$ 4,089,464

See accompanying notes to basic financial statements.

Aleutians East Borough School District
Statement of Activities

<i>Year Ended June 30, 2015</i>	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contri- butions	Govern- mental Activities
Governmental Activities				
Instruction	\$ 4,400,427	\$ -	\$ 168,352	\$ (4,232,075)
Special education instruction	528,696	-	-	(528,696)
Special education support services - students	297,531	-	49,438	(248,093)
Support services - students	53,127	-	-	(53,127)
Support services - instruction	1,148,039	-	84,594	(1,063,445)
School administration	432,377	-	-	(432,377)
School administration support services	199,243	-	-	(199,243)
District administration	526,947	-	-	(526,947)
District administration support services	459,568	-	-	(459,568)
Operations and maintenance of plant	1,536,613	120,080	-	(1,416,533)
Student activities	295,247	-	-	(295,247)
Student transportation	85,261	-	73,819	(11,442)
Adult and continuing education	95,708	-	-	(95,708)
Food services	241,519	-	201,877	(39,642)
Construction and facilities acquisition	66,190	3,612	-	(62,578)
Total Governmental Activities	\$ 10,366,493	\$ 123,692	\$ 578,080	(9,664,721)
General Revenues				
Local sources				1,353,212
State grants and entitlements				6,534,329
Federal sources				2,030,841
Other				53,661
Total General Revenues				9,972,043
Change in Net Position				307,322
Net Position, beginning of year, as restated (Note 15)				45,581
Net Position, end of year				\$ 352,903

See accompanying notes to basic financial statements.

Aleutians East Borough School District

Balance Sheet
Governmental Funds

<i>June 30, 2015</i>	General Fund	Nonmajor Funds	Total Govern- mental Funds
Assets			
Equity in Borough central treasury	\$ 3,175,268	\$ 262,878	\$ 3,438,146
Accounts receivable	900	59,838	60,738
Inventory	59,740	-	59,740
Prepaid items	13,675	-	13,675
Due from other funds	54,950	-	54,950
Total Assets	\$ 3,304,533	\$ 322,716	\$ 3,627,249
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 243,408	\$ 69,033	\$ 312,441
Unearned revenue	-	46,947	46,947
Accrued payroll and related liabilities	411,532	-	411,532
Due to other funds	-	54,950	54,950
Due to primary government	380,109	-	380,109
Total Liabilities	1,035,049	170,930	1,205,979
Fund Balances			
Nonspendable	73,415	-	73,415
Assigned	165,228	151,786	317,014
Unassigned	2,030,841	-	2,030,841
Total Fund Balances	2,269,484	151,786	2,421,270
Total Liabilities and Fund Balances	\$ 3,304,533	\$ 322,716	\$ 3,627,249

See accompanying notes to basic financial statements.

Aleutians East Borough School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total fund balances of governmental funds	\$ 2,421,270
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Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation, consist of:

Equipment	\$ 885,786	
Accumulated depreciation	<u>(627,586)</u>	
Total capital assets, net		258,200

Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities.

These liabilities consist of:

Accrued leave	\$ (35,511)	
Net pension liability	<u>(2,298,515)</u>	
Total long-term liabilities		(2,334,026)

Certain changes in net position liabilities are deferred rather than recognized immediately. These items are amortized over time.

Deferred outflows for pensions	\$ 258,965	
Deferred inflows for pensions	<u>(251,506)</u>	
Total deferred pension items		7,459

Total Net Position of Governmental Activities	<u>\$ 352,903</u>
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See accompanying notes to basic financial statements.

Aleutians East Borough School District
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds

<i>Year Ended June 30, 2015</i>	General Fund	Nonmajor Funds	Total Govern- mental Funds
Revenues			
Local sources:			
City/Borough - direct appropriations	\$ 617,777	\$ 16,663	\$ 634,440
In-kind services performed by City/Borough	236,805	-	236,805
Food services	-	3,612	3,612
Other local revenue	41,661	137,035	178,696
E-rate revenue	498,630	-	498,630
Total local sources	1,394,873	157,310	1,552,183
State sources	11,260,054	112,441	11,372,495
Federal sources:			
Direct	2,030,841	77,961	2,108,802
Through the State of Alaska	-	366,060	366,060
Total federal sources	2,030,841	444,021	2,474,862
Total Revenues	14,685,768	713,772	15,399,540
Expenditures			
Instruction	7,551,225	168,340	7,719,565
Special education instruction	972,252	-	972,252
Special education support services - students	403,679	45,523	449,202
Support services - students	53,127	-	53,127
Support services - instruction	1,098,413	77,599	1,176,012
School administration	848,463	-	848,463
School administration support services	222,089	-	222,089
District administration	772,185	-	772,185
District administration support services	479,150	22,922	502,072
Operations and maintenance of plant	1,405,935	177,271	1,583,206
Student activities	295,247	-	295,247
Student transportation	-	59,778	59,778
Adult and continuing education instruction	-	105,385	105,385
Food services	-	260,596	260,596
Construction and facilities acquisition	-	66,089	66,089
Total Expenditures	14,101,765	983,503	15,085,268
Excess of Revenues Over (Under) Expenditures	584,003	(269,731)	314,272
Other Financing Sources (Uses)			
Transfers in	-	255,917	255,917
Transfers out	(255,917)	-	(255,917)
Net Other Financing Sources (Uses)	(255,917)	255,917	-
Net Change in Fund Balances	328,086	(13,814)	314,272
Fund Balances, beginning	1,941,398	165,600	2,106,998
Fund Balances, ending	\$ 2,269,484	\$ 151,786	\$ 2,421,270

See accompanying notes to basic financial statements.

Aleutians East Borough School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2015

Net change in fund balances - total governmental funds		\$ 314,272
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their useful lives:		
Capital outlay	\$ 82,890	
Depreciation	<u>(61,950)</u>	20,940
Change related to net pension obligation and related accounts can increase or decrease net position. This is the net decrease in equity due to changes in net position obligation and the related deferred inflows and outflows.		
		(30,414)
Annual leave expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds. This is the amount of the decrease in accrued leave		
		<u>2,524</u>
Change in Net Position of Governmental Activities		<u>\$ 307,322</u>

See accompanying notes to basic financial statements.

Aleutians East Borough School District
Statement of Fiduciary Assets and Liabilities
Student Activities Agency Fund

June 30, 2015

Assets

Equity in Borough central treasury	\$ 96,681
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Liabilities

Accounts payable	\$ 796
Due to student groups	95,885

Total Liabilities	\$ 96,681
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See accompanying notes to basic financial statements.

Aleutians East Borough School District

Notes to Basic Financial Statements

June 30, 2015

1. Summary of Significant Accounting Policies

The basic financial statements of the Aleutians East Borough School District, a component unit of the Aleutians East Borough, have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

Pursuant to Alaska Statutes, Title 29.43.030, the Aleutians East Borough (the Borough) has the responsibility of establishing, maintaining and operating a system of public schools. The Borough has delegated the administrative responsibilities for these functions to the School Board of the Aleutians East Borough School District. The School Board members are elected by the public. The School Board has control over hiring and firing employees and the power to contract and purchase equipment. The School Board is required to submit an annual budget to the Borough Assembly for approval, and all bonded indebtedness is through the Borough. Based on these criteria, financial interdependency, budget approval, responsibility for debt, and financial accountability, Aleutians East Borough School District is a component unit of the Aleutians East Borough.

The Aleutians East Borough School District was formed July 1, 1988, as a result of the formation of the Aleutians East Borough on the same date. The District serves the cities of Sand Point, King Cove, Cold Bay, False Pass, Nelson Lagoon, and Akutan.

No other entity engages in activities which benefit the School District, nor do any special financial relationships exist between the District and any other entity. Therefore, the School District does not have any component units, as defined in GASB Statement 14, as amended by GASB Statement 39 and 61, which require inclusion in the combined financial statements.

Basis of Presentation

The basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements include the financial information about the Aleutians East Borough School District as a whole. These statements include all financial activities of the District. The District does not have any activities that are considered business-type activities.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. *Program revenues* include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as *general revenues* of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Aleutians East Borough School District

Notes to Basic Financial Statements

The fund financial statements include activities relating to certain functions or activities segregated in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. The major funds are presented in separate columns. Nonmajor funds are aggregated and presented in a single column.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements - The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis* of accounting. All assets and all liabilities associated with the operation of the District are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. 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. Current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. 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.

The District uses funds to maintain its financial records during the fiscal year. A fund is a separate accounting entity. The operations of each fund is accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures. There are three categories of funds: governmental, proprietary and fiduciary. Of these three, the District maintains governmental funds and fiduciary funds.

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District's only major governmental fund for FY 2014 was the General Fund.

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

The other governmental funds of the District are considered nonmajor special revenue funds and are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The District also reports a single Fiduciary Fund which is used to account for financial activities of third parties or in a fiduciary nature. The District maintains one agency fund on behalf of the student activity groups.

The School District follows the *Uniform Chart of Accounts for School Districts, 2012 Edition* as required by the State of Alaska, Department of Education and Early Development.

Aleutians East Borough School District

Notes to Basic Financial Statements

Budgets

Annual budgets for operations are adopted by the School Board for all operating revenues, expenditures, and interfund transfers. Budgets are prepared and presented on the modified accrual basis of accounting.

The adopted School Operating Fund budget is submitted to the State of Alaska, Department of Education and Early Development for review to determine compliance with Alaska statutes and Department regulations. Annual appropriations lapse at June 30.

The School Board authorizes formal budget revisions twice a year to adjust the revenues and expenditures to available resources and program needs. The original and final revised and approved budget is presented in these financial statements. Expenditure authority for the School Operating Fund is limited to the total approved budget. There are no specific line item or category limitations.

Annual budgets of the various Special Revenue Funds are prepared in connection with the application for the special programs' funding and are reviewed and approved by the School Board. Unexpended balances of grants from the State and federal governments for the Special Revenue Funds lapse at June 30, except for the Johnson O'Malley grant which lapses on September 30.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the School Operating Fund and Special Revenue Funds. Encumbrances, if any, outstanding at year end are reported as assignments of fund balances since they do not constitute expenditures or liabilities.

Equity in Borough Central Treasury

Equity in Borough central treasury includes amounts in demand deposits held by the Aleutians East Borough in a central treasury account. Investments include short-term investments. There are no statutory limitations on the type of investment allowed. Due to materiality, insignificant amounts of cash on hand have been included in this line item in the accompanying financial statements.

Inventories

Inventories are valued at cost (first-in, first-out). Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the balance sheet of the fund financial statements.

All purchased capital assets are valued at cost. Donated capital assets are valued at their estimated fair market value on the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure.

Aleutians East Borough School District

Notes to Basic Financial Statements

All reported capital assets except construction in progress, if any, are depreciated. Depreciation is computed on the straight line method over the estimated useful life of the assets, generally 3 to 7 years for equipment and vehicles. Maintenance and repairs of a routine nature that do not add to the value of the asset are charged as expenditures as incurred and are not capitalized. All real property used by the District is owned by the Aleutians East Borough.

Accrued Leave

Permanent twelve-month employees earn and accrue annual leave. Unused annual leave is accrued utilizing current salary and related costs as earned by employees. Annual leave is accrued and recorded in the government-wide financial statements as an expense in the period earned by employees. Sick leave does not vest and is recorded as an expenditure in the period in which it is used. No accrued liability is recognized in the fund financial statements.

Unearned Revenue

Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use are shown on the balance sheet as unearned revenue.

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 Public Employees' Retirement System (PERS) and the Teachers' Retirement Systems (TRS) and additions to /from PERS/TRS fiduciary net position have been determined on the same basis as they are reported by PERS/TRS. 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.

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the School Board — the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the School Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Aleutians East Borough School District

Notes to Basic Financial Statements

Assigned fund balance. This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The School Board, Superintendent and Business Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the government-wide financial statement. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Internal Activity

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The classification of amounts recorded as subsidies or advances is determined by District management.

Generally, the effect of internal activity has been eliminated in the government-wide statement of activities. Allocations of administration overhead expenditures from one function to another, and within one function, are eliminated in the statement of activities so that allocated expenditures are reported only by the function to which they were allocated.

Management Estimates and Assumptions

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 and disclosure of contingent 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.

Aleutians East Borough School District

Notes to Basic Financial Statements

2. Equity in Borough Central Treasury

Cash resources for the various funds, except petty cash, are maintained in a central treasury represented by a sweep checking account. The balances at June 30, 2015 were as follows:

June 30, 2015

Equity in Borough central treasury - sweep account	\$ 3,468,134
Petty cash	605
Total Cash	\$ 3,468,739

Cash is swept and commingled with Borough moneys within Borough accounts on a daily basis. The pooled cash maintained in Borough accounts as well as time certificates of deposit are covered by federal depository insurance or by collateral held by the pledging bank's agent in the name of the pledging bank and the Borough. Cash on hand is held by the District in the form of a petty cash account.

Reconciliation to the financial statements:

June 30, 2015

Statement of net position	\$ 3,468,739
Statement of fiduciary assets and liabilities	-
	\$ 3,468,739

3. Receivables

All accounts receivable are considered collectible; therefore, no allowance for uncollectible accounts has been provided.

4. Interfund Receivables, Payables, and Transfers

A schedule of interfund balances and transfers as of and for the year ended June 30, 2015, follows:

June 30, 2015

Due From Other Funds

Due to the General Fund from the nonmajor governmental funds for short-term advances	\$ 54,950
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Year Ended June 30, 2015

Transfers

From the General Fund to nonmajor governmental funds for operating subsidies	\$ 255,917
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Aleutians East Borough School District

Notes to Basic Financial Statements

5. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<i>Governmental Activities</i>				
Assets being depreciated - equipment	\$ 802,896	\$ 82,890	\$ -	\$ 885,786
Accumulated depreciation	(565,636)	(61,950)	-	(627,586)
Total Governmental Capital Assets Net Of Depreciation	\$ 237,260	\$ (20,940)	\$ -	\$ 258,200

Depreciation expense was charged to governmental functions as follows:

Year Ended June 30, 2015

Instruction	\$ 3,837
District administration	7,743
837 Operations and maintenance of plant	15,905
Student transportation	25,469
School administration	8,996
Total Depreciation Allocated To Functions	\$ 61,950

6. Long-term Liabilities

The following schedule shows the changes in the District's long-term liabilities for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Accrued leave	\$ 38,035	\$ 99,153	\$ (101,676)	\$ 35,511

Aleutians East Borough School District

Notes to Basic Financial Statements

7. Fund Balances

Fund balances, reported in aggregate on the governmental funds balance sheet is subject to the following constraints:

<i>June 30, 2015</i>	General Fund	Nonmajor Funds	Totals
Nonspendable			
Inventory	\$ 59,740	\$ -	\$ 59,740
Prepaid items	13,675	-	13,675
Total Nonspendable	73,415	-	73,415
Assigned			
Educational materials and supplies	165,230	-	165,230
Student transportation	-	107,954	107,954
Adult and continuing education	-	3,456	3,456
Food service	-	31,968	31,968
Teacher housing	-	8,408	8,408
Total Assigned	165,230	151,786	317,016
Unassigned	2,030,841	-	2,030,841
Total Fund Balances	\$ 2,269,486	\$ 151,786	\$ 2,421,272

8. Risk Management

The District faces a considerable number of risks of loss, including: (a) damage and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. Workers compensation coverage meets statutory requirements.

The District participates in the Alaska Municipal League Joint Insurance Association (AML/JIA) which provides insurance coverage for general liability, errors and omissions, automobile liability, employer's liability, and workers' compensation. AML/JIA is a public entity risk pool organized to share risks among its members. AML/JIA maintains bylaws providing for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions would be based on each member's annual contribution, or surplus capital account in comparison to the aggregate annual deposits or surplus capital account of all members. No additional assessment was required by AML/JIA in fiscal year 2014.

Insurance coverage amounts have remained relatively consistent with no significant reductions. There have been no significant settlements which have exceeded coverage amounts.

Aleutians East Borough School District

Notes to Basic Financial Statements

9. Excess of Expenditures Over Appropriations

<i>Year Ended June 30, 2015</i>	Appropriations	Expenditures
General fund	\$ 7,837,396	\$ 14,101,765
Community education	98,863	105,385
Teacher housing fund	148,101	177,271

10. Defined Benefit (DB) Pension Plans

The District participates in two defined benefit pension plans. The Teachers' Retirement System (TRS) is a cost-sharing multiple employer plan which covers teachers and other eligible participants. The Public Employees' Retirement System (PERS) is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. Both Plans were established and are administered by the State of Alaska to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

Both Plans are included in comprehensive annual financial reports that include financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/drb>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

Both Plans provide for retirement, death and disability, and post-employment health care benefits. There are three tiers of employees, based on entry date. For all tiers within the DB pension plans, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. The tiers within the Plans establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other OPEB benefits. A complete benefit comparison chart is available at the website noted above.

Both PERS and TRS DB Plans were closed to new entrants on July 1, 2006. New employees hired after that date participate in the PERS/TRS Defined Contribution (DC) Plans described later in these notes.

Historical Context and Special Funding Situation

Historically, the TRS plan has been a cost-sharing plan, while originally, PERS was an agent-multiple-employer plan. In April 2008, the Alaska Legislature passed legislation converting the PERS agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate for both plans, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against *all* PERS/TRS eligible wages, including wages paid to participants of the PERS/TRS defined contribution plans described later in these footnotes.

Aleutians East Borough School District

Notes to Basic Financial Statements

Although current statutes call for the State of Alaska to contribute to the Plans, the Alaska Department of Law has determined that the statutes do not create a legal obligation to assume the liabilities of the Plans; rather it establishes a contribution mechanism to provide employer relief against the rising contribution rates. This relief payment is subject to funding availability, and therefore not legally mandated. As a result, the State has determined that the Plan is *not* in a special funding situation.

Management of the District disagrees with the State's position and believes that AS 39.35.255 and AS 14.25.085 do constitute a special funding situation under GASB 68 rules and has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis, pending a final legal determination, as may be required to settle the matter.

The District records the on-behalf contributions as revenue and expenditures in the fund financial statements. However, current year expenditures are adjusted to deferred outflows in the government-wide financial statements. Prior year expenditures and on-behalf contributions (and other adjustments) reflect expenses at the government-wide level.

Employee Contribution Rates

Non-Teacher School District employees are required to contribute 9.6% of their annual covered salary for PERS. Teachers and other certificated employees are required to contribute 8.65% of annual covered salary for TRS.

Employer and Other Contribution Rates

There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages for PERS and 12.56% of eligible wages for TRS, subject to a wage floor, and other termination events. These rates are applied to *all* PERS/TRS participating wages, respectively, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board rates in future years.

Aleutians East Borough School District

Notes to Basic Financial Statements

On-behalf Contribution Rate: This is the rate normally paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. However, in 2015, the State Legislature appropriated a one-time contribution to the Plans in the amount of \$1 billion for PERS and \$2 billion for TRS. As a result, the On-behalf Contribution Rates for 2015 significantly exceed the statutory amounts. As noted earlier, the on-behalf contributions are recognized in the fund financial statements as revenues and expenditures in the year they are appropriated by the State. In the government-wide financial statements, such on-behalf contributions in the subsequent measurement period, resulting in a one year lag.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB rate disregards all future Medicare Part D payments. For FY15, the GASB rate uses an 8.00% pension discount rate and a 4.90% healthcare discount rate for both PERS and TRS. The GASB rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

Contribution rates for the year ended June 30, 2015 were determined in the June 30, 2013 actuarial valuation.

<i>PERS</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	12.54%	25.09%	42.41%	33.05%
Postemployment healthcare (see Note 8)	9.46%	18.94%	- %	55.07%
Total PERS Contribution Rate	22.00%	44.03%	42.41%	88.12%

<i>TRS</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	7.22%	40.33%	212.24%	59.21%
Postemployment healthcare (see Note 8)	5.34%	30.42%	43.05%	70.04%
Total TRS Contribution Rate	12.56%	70.75%	255.29%	129.25%

Aleutians East Borough School District

Notes to Basic Financial Statements

In 2015, the District was credited with the following contributions into the pension plans:

<i>PERS</i>	Measurement Period District FY14	District FY15
Employer contributions (including DBUL)	\$ 89,038	\$ 90,660
Nonemployer contributions (on-behalf)	85,999	468,144
Total Contributions	\$ 175,037	\$ 558,804

In addition, employee contributions to the Plan totaled \$36,659 during the District fiscal year.

<i>TRS</i>	Measurement Period District FY14	District FY15
Employer Contributions (including DBUL)	\$ 99,668	\$ 87302
Nonemployer contributions (on-behalf)	645,757	4,989,335
Total Contributions	\$ 745,425	\$ 5,076,637

In addition, employee contributions to the Plan totaled \$105,971 during the District fiscal year.

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 for its proportionate share of the net pension liability that reflected a reduction for State support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability associated with the District were as follows:

<i>Net Pension Liability</i>	PERS	TRS
District's proportionate share of NPL	\$ 1,083,778	\$ 1,214,737
State's proportionate share of NPL associated with the District	1,045,785	7,857,888
Total	\$ 2,129,563	\$ 9,072,625

Aleutians East Borough School District

Notes to Basic Financial Statements

The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability for each Plan was determined by an actuarial valuation as of that date. The District's proportion of the net pension liabilities were based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the District's proportion of PERS was 0.02323640 percent, which was an increase of 0.002729050 from its proportion measured as of June 30, 2013. For TRS the District's proportion was 0.04050390 percent, representing a decrease of 0.000953810 from the prior year.

For the year ended June 30, 2015, the District recognized pension expense of \$226,059 for PERS and \$714,188 for TRS. In addition, the District recognized on-behalf revenue from the State of Alaska in the amounts of \$85,794 and \$887,829 for PERS and TRS, respectively. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	233,659
Changes in proportion and differences between District contributions and proportionate share of contributions	81,003	17,847
District contributions subsequent to the measurement date	177,962	-
Total	\$ 258,965	\$ 251,506

\$177,962 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in 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 pensions will be recognized in pension expense as follows:

Years Ending June 30,

2016	\$	(9,832)
2017		(43,841)
2018		(58,415)
2019		(58,415)
2020		-
Thereafter		-

Aleutians East Borough School District

Notes to Basic Financial Statements

Actuarial Assumptions

The total pension liabilities was determined by actuarial valuations as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2014. The actuarial valuations for the year ended June 30, 2014 (latest available) were prepared by Buck Consultants. The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2005 to June 30, 2009, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience. Generally, both PERS and TRS follow the same assumptions, except as noted:

Inflation	3.12%
Salary Increases	Graded by age and service, from 9.6% to 3.62% for PERS Graded by service, from 6.11% to 3.62% for TRS
Investment Return / Discount Rate	8.00% net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and real rate of return over 4.88%.
Mortality	Rates based on the 1994 Group Annuity Mortality Table, sex distinct, 1994 Base year without margin projected to 2013 using Projection Scale AA: PERS - 75% for male and 55% for female for pre-termination for all others; and 100% for males and 1-year set-forward for females for post-termination. TRS - 55% for females and 45% for males for per-termination mortality. 3-year setback for females and 4-year setback for males for post-termination mortality.

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. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

<i>Asset Class</i>	Long-Term Expected Real Rate of Return
Domestic equity	6.77%
International equity	7.50%
Private equity	10.86%
Fixed income	2.05%
Real estate	3.63%
Absolute return	4.80%

Aleutians East Borough School District

Notes to Basic Financial Statements

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy which meets State statutes. 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 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.

Discount Rate Sensitivity

The following presents the Retirement System's net pension liability and the District's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

<i>PERS</i>	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
System Net Pension Liability	100.0%	\$ 6,115,581,980	\$ 4,664,148,458	\$ 3,441,888,494
District's proportionate share of the net pension liability	0.02323640%	\$ 1,421,041	\$ 1,083,778	\$ 799,771

<i>TRS</i>	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
System Net Pension Liability	100.0%	\$ 3,776,983,113	\$ 2,999,062,314	\$ 2,346,163,638
District's proportionate share of the net pension liability	0.040503900%	\$ 1,529,825	\$ 1,214,737	\$ 950,288

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately issued PERS and TRS financial reports.

Aleutians East Borough School District

Notes to Basic Financial Statements

11. Defined Contribution (DC) Pension Plan

Employees hired on or after July 1, 2006 participate in PERS Tier IV or TRS Tier III, defined contribution plans. These Plans are administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plans noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plans are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. These Plans are included in the comprehensive annual financial reports for PERS and TRS, and at the following website, as noted above. <http://doa.alaska.gov/drb>.

Contributions to the DC plans consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the District contribute at 22%. Actual remittances to the TRS system require that the District contribution 12.56%. After deducting the DC pension plan contributions and related DC OPEB contributions, the remaining remittance (the DBUL) is deposited into the DB plan (pension and/or OPEB) as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

Employee Contribution Rate

Employees are required to contribute 8.0% of their annual covered salary for both PERS and TRS. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2015, the District was required to contribute 5% of covered salary into PERS and 7% of covered salary for TRS.

The District and employee contributions to PERS for pensions for the year ended June 30, 2015 were \$25,650 and \$41,040, respectively. The District and employee contributions for TRS for pensions for the year ended June 30, 2015 were \$75,319 and \$86,079, respectively.

District contributions are recognized as pension expense/expenditures.

12. Other Post-Employment Benefit (OPEB) Plans

Defined Benefit OPEB

As part of its participation in the PERS and TRS DB Plans (Tiers I, II, III for PERS and Tiers I and II for TRS), the District participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The Plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan described earlier in these notes.

Aleutians East Borough School District

Notes to Basic Financial Statements

Employer Contribution Rates

The District is required to contribute 9.46% of covered payroll into the PERS OPEB plan. The District is required to contribute 9.46% of covered payroll into the TRS OPEB plan. In addition, during 2015, the State on-behalf contribution for OPEB was 43.05% of covered payroll.

Employees do not contribute to the DB OPEB plans.

Annual Postemployment Healthcare Cost

Actual contributions into the plan for the last three years were as follows.

<i>PERS</i> <i>Year Ended June 30,</i>	Annual OPEB Costs	District Contributions	% of Costs Contributed
2015	\$68,395	\$68,395	100 %
2014	\$86,941	\$86,941	100 %
2013	\$89,060	\$89,060	100 %

On-behalf contributions for PERS OPEB were \$0, \$65,998, and \$62,193 for 2015, 2014, and 2013, respectively. Those amounts are not reflected in the OPEB costs in the table above.

<i>TRS</i> <i>Year Ended June 30,</i>	Annual OPEB Costs	District Contributions	% of Costs Contributed
2015	\$64,630	\$64,630	100 %
2014	\$82,826	\$82,826	100 %
2013	\$91,748	\$91,748	100 %

On-behalf contributions for TRS OPEB were \$1,012,148, \$333,733, and \$331,689 for 2015, 2014, and 2013, respectively. Those amounts are not reflected in the OPEB costs in the table above.

Defined Contribution OPEB

Defined Contribution Pension Plan Participants (PERS Tier IV, and TRS Tier III) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS plan noted above. These plans provide for death, disability, and post-employment health care benefits.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates were as follows for the year ended June 30, 2015:

	PERS Tier IV	TRS Tier III
Retiree medical plan	1.66%	2.04%
Occupational death and disability benefits	0.22%	-%
	1.88%	2.04%

Aleutians East Borough School District

Notes to Basic Financial Statements

In addition, PERS and TRS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2014, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,961 per year for each full-time employee, and \$1.26 per hour for part-time employees for both PERS and TRS.

Annual Postemployment Healthcare Cost

In 2015, the District contributed \$38,906 in DC OPEB costs to PERS and \$62,046 in DC OPEB costs to TRS. These amounts have been recognized as expense/expenditures.

13. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statement 75 will result in the biggest reporting change. However, actual impacts have not yet been determined:

GASB 72 - Fair Value Measurement and Application - Effective for year-end June 30, 2016 - This statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. This statement is expected to primarily affect investment disclosures.

GASB 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 - This statement contains certain clarifications and amendments to GASB 67 and 68 as well as establishing requirements for both defined benefit and defined contribution pensions not within the scope of GASB 68. effective for fiscal year end June 30, 2016—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for year ending June 30, 2017.

GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - Effective for year-end June 30, 2017, with earlier application encouraged - This statement contains reporting financial reporting guidelines for Postemployment Benefit Plans. This is the Plan side requirements applicable to OPEB benefits and generally brings the OPEB reporting rules into alignment with the new GASB 67 Pension rules.

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - Effective for year-end June 30, 2018, with earlier application encouraged - This statement contains accounting and financial reporting guidelines for OPEB related activities at the participating employer level and generally brings the OPEB reporting rules into alignment with the new GASB 68 Pension rules.

GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - Effective for year-end June 30, 2016, with earlier application encouraged - This statement clarifies the hierarchy of generally accepted accounting principles to be used in the preparation of state and local government financial statements. This statement supersedes the previous hierarchy established in GASB 55.

Aleutians East Borough School District

Notes to Basic Financial Statements

14. Contingencies and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, would become a liability of the School Operating Fund.

The District receives a substantial portion of its revenue from state and federal grants and from the Aleutians East Borough. Significant changes in these revenue sources could have a material effect on the operations of the District.

The District provides services solely to those residents of the Aleutians East Borough, as defined by the State of Alaska district boundaries. Significant changes in the local environment or economy could directly affect the District's enrollment. Significant changes in enrollment could have a material effect on the District's funding and operations.

From time to time, the District may be a participant in legal proceedings related to the conduct of its business. In the normal course of business, it also has various commitments and contingent liabilities, which are not reflected in the accompanying financial statements. In the opinion of management, any current legal proceedings, commitments or contingent liabilities will not materially affect the financial position of the District.

15. Change in Accounting Principle

As discussed in Note 8 to the financial statements, the District participates in two defined benefit plans: The Alaska Public Retirement System (PERS) plan and the Teachers Retirement System (TRS) plan. In 2015 the District adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, which, among other accounting and reporting criteria, requires the District to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the District's fiscal year. As a result of the implementation of this statement, the District has recorded an opening balance adjustment to reflect opening balance pension liabilities and related accounts and to decrease opening net position as follows:

	Opening net position, as originally presented	Change in accounting principle adjustment	Opening net position, as restated
Governmental Activities	\$ 2,306,223	\$ (2,260,642)	\$ 45,581

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Required Supplementary Information

Aleutians East Borough School District
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General (School Operating) Fund

<i>Year Ended June 30, 2015</i>	Budget		Actual	Variance ⁽¹⁾
	Original	Final		With Final Budget
Revenues				
Local sources	\$ 1,808,776	\$ 1,522,544	\$ 1,394,873	\$ (127,671)
State sources	6,752,530	4,800,929	11,260,054	6,459,125
Federal sources - direct	1,556,688	1,720,822	2,030,841	310,019
Federal sources - through the State of Alaska	-	-	-	-
Total Revenues	10,117,994	8,044,295	14,685,768	6,641,473
Expenditures				
Instruction	4,530,526	3,302,272	7,551,225	(4,248,953)
Special education instruction	503,160	390,271	972,252	(581,981)
Special education support services - students	256,083	214,606	403,679	(189,073)
Support services - students	-	-	53,127	(53,127)
Support services - instruction	1,075,321	950,480	1,098,413	(147,933)
School administration	473,738	347,397	848,463	(501,066)
School administration support services	186,873	173,928	222,089	(48,161)
District administration	515,787	460,757	772,185	(311,428)
District administration support services	431,737	363,990	479,150	(115,160)
Operations and maintenance of plant	1,580,565	1,357,943	1,405,935	(47,992)
Student activities	273,303	275,752	295,247	(19,495)
Total Expenditures	9,827,093	7,837,396	14,101,765	(6,264,369)
Excess of Revenues Over (Under) Expenditures	290,901	206,899	584,003	377,104
Other Financing Uses				
Transfers out	(194,261)	(216,628)	(255,917)	(39,289)
Net Change in Fund Balances	\$ 96,640	\$ (9,729)	328,086	\$ 337,815
Fund Balance, beginning			1,941,398	
Fund Balance, ending			\$ 2,269,484	

(1) The District does not budget for the PERS/TRS on-behalf of payments but these amounts are included in the actual amounts. PERS and TRS on-behalf revenues and expenditures recognized totaled \$468,144 and \$6,001,484, respectively.

Aleutians East Borough School District
Schedule of the District's Information on the Net Pension Liability
Public Employees Retirement System (PERS)
June 30, 2015

	2015
District's proportion of the net pension liability (asset)	0.02323640%
District's proportionate share of the net pension liability (asset)	\$ 1,083,778
State of Alaska proportionate share of the net pension liability (asset)	\$ 1,045,785
Total net pension liability	\$ 2,129,563
District's covered-employee payroll	\$ 575,658
District's proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	188%
Plan fiduciary net position as a percentage of the total pension liability	62.37%

See accompanying notes to the Required Supplementary Information.

Aleutians East Borough School District
Schedule of District Contributions
Public Employees Retirement System (PERS)
 June 30, 2015

	2015
Contractually required contribution	\$ 90,660
Contributions in relation to the contractually required contribution	\$ 90,660
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 467,598
Contributions as a percentage of covered-employee payroll	19.388%

See accompanying notes to the Required Supplementary Information.

Aleutians East Borough School District
Schedule of the District's Information on the Net Pension Liability
Teachers Retirement System (TRS)
June 30, 2015

	2015
District's proportion of the net pension liability (asset)	4.05039000%
District's proportionate share of the net pension liability (asset)	\$ 1,214,737
State of Alaska proportionate share of the net pension liability (asset)	\$ 7,857,888
Total net pension liability	<u>\$ 9,072,625</u>
District's covered-employee payroll	\$ 1,273,995
District's proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	95%
Plan fiduciary net position as a percentage of the total pension liability	55.70%

See accompanying notes to the Required Supplementary Information.

Aleutians East Borough School District

Schedule of District Contributions

Teachers Retirement System (TRS)

June 30, 2015

	2015
Contractually required contribution	\$ 87,302
Contributions in relation to the contractually required contribution	<u>\$ 87,302</u>
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 1,296,576
Contributions as a percentage of covered-employee payroll	<u>6.733%</u>

See accompanying notes to the Required Supplementary Information.

Aleutians East Borough School District
Notes to Required Supplementary Information

Budgetary Comparison Schedules

The budgetary comparison schedules are presented on the modified accrual basis of accounting.

Schedule of the District's Information on the Net Pension Liability - PERS

Information in this table is presented based on the Plan measurement date. For June 30, 2015, the plan measurement date is June 30, 2014.

Schedule of District Contributions - Public Employees Retirement System - PERS

This table reports the District's pension contributions to PERS during fiscal year 2015. These contributions are reported as a deferred outflow on the June 30, 2015 basic financial statements.

Schedule of the District's Information on the Net Pension Liability - TRS

Information in this table is presented based on the Plan measurement date. For June 30, 2015, the plan measurement date is June 30, 2014.

Schedule of District Contributions - Public Employees Retirement System - TRS

This table reports the District's pension contributions to TRS during fiscal year 2015. These contributions are reported as a deferred outflow on the June 30, 2015 basic financial statements.

All four pension tables are intended to present 10 years of information. Additional year's information will be added to the schedules as it becomes available.

Neither plan is reporting any changes in benefit terms from the prior measurement period.

Neither plan is reporting any changes in assumptions from the prior measurement period.

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Additional Supplementary Information

Aleutians East Borough School District
Nonmajor Governmental Funds
Combining Balance Sheet

<i>June 30, 2015</i>	Special Revenue Funds						Title II-A
	Student Transportation	Community Education	Title I-A Basic Local	Migrant Education	Food Service		
Assets							
Equity in Borough central treasury	\$ 107,954	\$ 3,456	\$ -	\$ -	\$ 31,086	\$ -	
Due from other funds	-	-	-	-	-	-	
Accounts receivable	-	-	15,827	12,550	2,938	8,802	
Total Assets	\$ 107,954	\$ 3,456	\$ 15,827	\$ 12,550	\$ 34,024	\$ 8,802	
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,056	\$ -	
Due to other funds	-	-	15,827	12,550	-	8,802	
Unearned revenue	-	-	-	-	-	-	
Total Liabilities	-	-	15,827	12,550	2,056	8,802	
Fund Balances							
Assigned	107,954	3,456	-	-	31,968	-	
Total Liabilities and Fund Balances	\$ 107,954	\$ 3,456	\$ 15,827	\$ 12,550	\$ 34,024	\$ 8,802	

Aleutians East Borough School District
Nonmajor Governmental Funds
Combining Balance Sheet, continued

<i>June 30, 2015</i>	Special Revenue Funds						Equipment Capital Project	Totals	
	Title VI B Fund	Preschool District F	Indian Education	Johnson O'Malley	Teacher Housing	APICDA Fisheries	Fund		
Assets									
Equity in Borough central treasury	\$ -	\$ -	\$ 26,326	\$ -	\$ 15,967	\$ 12,000	\$ 66,089	\$ 262,878	
Due from other funds	-	-	-	-	-	-	-	-	
Accounts receivable	1	2	-	17,768	1,950	-	-	59,838	
Total Assets	\$ 1	\$ 2	\$ 26,326	\$ 17,768	\$ 17,917	\$ 12,000	\$ 66,089	\$ 322,716	
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 888	\$ -	\$ 66,089	\$ 69,033	
Due to other funds	1	2	-	17,768	-	-	-	54,950	
Unearned revenue	-	-	26,326	-	8,621	12,000	-	46,947	
Total Liabilities	1	2	26,326	17,768	9,509	12,000	66,089	170,930	
Fund Balances									
Assigned	-	-	-	-	8,408	-	-	151,786	
Total Liabilities and Fund Balances	\$ 1	\$ 2	\$ 26,326	\$ 17,768	\$ 17,917	\$ 12,000	\$ 66,089	\$ 322,716	

Aleutians East Borough School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

	Special Revenue Funds							
	Student Trans- portation	Community Education	Title I-A Basic Local	Migrant Education	Food Service	Title II-A	Title VI B	619 Preschool Disabled
<i>Year Ended June 30, 2015</i>								
Revenues								
Local sources:								
City/Borough - direct appropriation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Food services	-	-	-	-	3,612	-	-	-
Other	-	-	-	-	4,955	-	-	-
State sources	73,819	-	-	-	38,622	-	-	-
Federal sources:								
Direct	-	-	-	-	-	-	-	-
Through the State of Alaska	-	-	65,521	58,439	158,300	34,362	46,221	3,217
Total Revenues	73,819	-	65,521	58,439	205,489	34,362	46,221	3,217
Expenditures								
Current:								
Instruction	-	-	60,332	53,812	-	-	-	-
Special education instruction	-	-	-	-	-	-	-	-
Special education support services - students	-	-	-	-	-	-	42,561	2,962
Support services - instruction	-	-	-	-	-	31,641	-	-
District administration support services	-	-	5,189	4,627	-	2,721	3,660	255
Operations and maintenance of plant	-	-	-	-	-	-	-	-
Student transportation	59,778	-	-	-	-	-	-	-
Adult and continuing education instruction	-	105,385	-	-	-	-	-	-
Food services	-	-	-	-	260,596	-	-	-
Construction and facilities acquisition	-	-	-	-	-	-	-	-
Total Expenditures	59,778	105,385	65,521	58,439	260,596	34,362	46,221	3,217
Excess of Revenues Over (Under) Expenditures	14,041	(105,385)	-	-	(55,107)	-	-	-
Other Financing Sources								
Transfers in	(14,938)	93,863	-	-	57,857	-	-	-
Net Change in Fund Balances	(897)	(11,522)	-	-	2,750	-	-	-
Fund Balances, beginning	108,851	14,978	-	-	29,218	-	-	-
Fund Balances, ending	\$ 107,954	\$ 3,456	\$ -	\$ -	\$ 31,968	\$ -	\$ -	\$ -

Aleutians East Borough School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances, continued

<i>Year Ended June 30, 2015</i>	Special Revenue Funds						Totals
	Indian Education	Johnson O'Malley	Teacher Housing	Scholar- ship	APICDA Fisheries Education	Equipment Capital Fund	
Revenues							
Local sources:							
City/Borough - direct appropriation	\$ -	\$ -	\$ -	\$ 16,663	\$ -	\$ -	\$ 16,663
Food services	-	-	-	-	-	-	3,612
Other	-	-	120,080	-	12,000	-	137,035
State sources	-	-	-	-	-	-	112,441
Federal sources:							
Direct	50,232	27,729	-	-	-	-	77,961
Through the State of Alaska	-	-	-	-	-	-	366,060
Total Revenues	50,232	27,729	120,080	16,663	12,000	-	713,772
Expenditures							
Current:							
Instruction	-	25,533	-	16,663	12,000	-	168,340
Special education instruction	-	-	-	-	-	-	-
Special education support services - students	-	-	-	-	-	-	45,523
Support services - instruction	45,958	-	-	-	-	-	77,599
District administration support services	4,274	2,196	-	-	-	-	22,922
Operations and maintenance of plant	-	-	177,271	-	-	-	177,271
Student transportation	-	-	-	-	-	-	59,778
Adult and continuing education instruction	-	-	-	-	-	-	105,385
Food services	-	-	-	-	-	-	260,596
Construction and facilities acquisition	-	-	-	-	-	66,089	66,089
Total Expenditures	50,232	27,729	177,271	16,663	12,000	66,089	983,503
Excess of Revenues Over (Under) Expenditures	-	-	(57,191)	-	-	(66,089)	(269,731)
Other Financing Sources							
Transfers in	-	-	53,046	-	-	66,089	255,917
Net Change in Fund Balances	-	-	(4,145)	-	-	-	(13,814)
Fund Balances, beginning	-	-	12,553	-	-	-	157,963
Fund Balances, ending	\$ -	\$ -	\$ 8,408	\$ -	\$ -	\$ -	\$ 151,786

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General (School Operating) Fund

To account for all ordinary recurring operations of the District, including all transactions which are not required to be accounted for in another fund.

Aleutians East Borough School District
General (School Operating) Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2015</i>	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Local sources:			
City/Borough - direct appropriations	\$ 800,000	\$ 617,777	\$ (182,223)
In-kind services performed by City/Borough	168,000	236,805	68,805
Other local revenue	47,000	41,661	(5,339)
E-rate revenue	507,544	498,630	(8,914)
Total local sources	1,522,544	1,394,873	(127,671)
State sources:			
Public school funding	4,631,941	4,645,722	13,781
TRS on-behalf	-	6,001,484	6,001,484
PERS on-behalf	-	468,144	468,144
Other state sources	168,988	144,704	(24,284)
Total state sources	4,800,929	11,260,054	6,459,125
Federal sources - direct -			
impact aid	1,720,822	2,030,841	310,019
Federal sources -through the State of Alaska	-	-	-
Total federal sources	1,720,822	2,030,841	310,019
Total Revenues	8,044,295	14,685,768	6,641,473
Expenditures			
Instruction:			
Certificated salaries	1,816,266	1,800,764	15,502
Non-certificated salaries	244,781	162,221	82,560
Employee benefits	887,327	5,303,354	(4,416,027)
Student travel	50,000	35,811	14,189
Other purchased services	25,500	18,183	7,317
Supplies, materials and media	225,800	225,916	(116)
Tuition and stipends	2,248	3,048	(800)
Other expenditures	1,500	1,928	(428)
Equipment	48,850	-	48,850
Total instruction	3,302,272	7,551,225	(4,248,953)

Aleutians East Borough School District
General (School Operating) Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual, continued

<i>Year Ended June 30, 2015</i>	Final Budget	Actual	Variance Positive (Negative)
Expenditures, continued:			
Special education instruction:			
Certificated salaries	\$ 191,645	\$ 191,936	\$ (291)
Non-certificated salaries	81,443	68,125	13,318
Employee benefits	110,183	707,765	(597,582)
Supplies, materials and media	7,000	4,426	2,574
Total special education instruction	390,271	972,252	(581,981)
Special education support services - students:			
Certificated salaries	80,000	80,000	-
Employee benefits	24,474	233,007	(208,533)
Professional and technical services	47,932	46,704	1,228
Staff travel	60,000	41,812	18,188
Other purchased services	1,200	1,200	-
Supplies, materials and media	1,000	956	44
Total special education support services - students	214,606	403,679	(189,073)
Support services - students - employee benefits	-	53,127	(53,127)
Support services - instruction:			
Certificated salaries	61,350	64,082	(2,732)
Non-certificated salaries	70,949	70,242	707
Employee benefits	75,376	127,592	(52,216)
Professional and technical services	15,000	2,943	12,057
Staff travel	60,000	13,482	46,518
Utility services	576,105	706,235	(130,130)
Other purchased services	45,200	33,213	11,987
Supplies, materials and media	31,000	78,079	(47,079)
Other expenditures	500	-	500
Equipment	15,000	2,545	12,455
Total support services - instruction	950,480	1,098,413	(147,933)
School administration:			
Certificated salaries	208,400	208,400	-
Non-certificated salaries	3,900	4,300	(400)
Employee benefits	91,069	581,810	(490,741)
Staff travel	6,700	6,850	(150)

Aleutians East Borough School District
General (School Operating) Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual, continued

<i>Year Ended June 30, 2015</i>	Final Budget	Actual	Variance Positive (Negative)
Expenditures, continued:			
School administration, continued:			
Utility services	\$ 25,900	\$ 27,085	\$ (1,185)
Supplies, materials and media	5,950	18,540	(12,590)
Other expenditures	1,678	1,478	200
Equipment	3,800	-	3,800
Total school administration	347,397	848,463	(501,066)
School administration support services:			
Non-certificated salaries	97,501	98,123	(622)
Employee benefits	76,427	123,966	(47,539)
Total school administration support services	173,928	222,089	(48,161)
District administration:			
Certificated salaries	120,800	120,800	-
Non-certificated salaries	73,450	69,690	3,760
Employee benefits	117,197	468,772	(351,575)
Professional and technical services	17,500	1,171	16,329
Staff travel	90,000	68,080	21,920
Utility services	13,000	11,523	1,477
Other purchased services	9,000	9,057	(57)
Supplies, materials and media	3,850	8,616	(4,766)
Other expenditures	14,760	14,476	284
Equipment	1,200	-	1,200
Total district administration	460,757	772,185	(311,428)
District administration support services:			
Certificated salaries	31,800	31,800	-
Non-certificated salaries	136,400	136,400	-
Employee benefits	106,790	193,100	(86,310)
Professional and technical services	57,100	56,918	182
Staff travel	18,500	19,450	(950)
Other purchased services	11,700	38,736	(27,036)
Insurance and bond premiums	16,000	15,981	19
Supplies, materials and media	2,500	2,964	(464)
Other expenditures	3,000	6,723	(3,723)
Indirect cost recovery	(20,000)	(22,922)	2,922
Equipment	200	-	200
Total district administration support services	363,990	479,150	(115,160)

Aleutians East Borough School District
General (School Operating) Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual, continued

<i>Year Ended June 30, 2015</i>	Final Budget	Actual	Variance Positive (Negative)
Expenditures, continued:			
Operations and maintenance of plant:			
Certificated salaries	\$ -	\$ 5,275	\$ (5,275)
Non-certificated salaries	254,071	235,015	19,056
Employee benefits	89,461	172,091	(82,630)
Professional and technical services	6,500	-	6,500
Staff travel	1,000	-	1,000
Utility services	17,400	20,412	(3,012)
Energy	826,980	623,426	203,554
Other purchased services	79,610	225,916	(146,306)
Insurance and bond premiums	7,900	60,938	(53,038)
Supplies, materials and media	74,521	62,862	11,659
Equipment	500	-	500
Total operations and maintenance of plant	1,357,943	1,405,935	(47,992)
Student activities:			
Certificated salaries	7,098	9,639	(2,541)
Non-certificated salaries	2,000	3,055	(1,055)
Employee benefits	1,254	2,201	(947)
Staff travel	10,000	1,673	8,327
Student travel	233,000	263,934	(30,934)
Other purchased services	7,400	6,269	1,131
Supplies, materials and media	11,000	4,887	6,113
Other expenditures	4,000	3,589	411
Total student activities	275,752	295,247	(19,495)
Total Expenditures	7,837,396	14,101,765	(6,264,369)
Excess of Revenues Over Expenditures	206,899	584,003	377,104
Other Financing Uses			
Transfers out	(216,628)	(255,917)	(39,289)
Net Change in Fund Balance	\$ (9,729)	328,086	\$ 337,815
Fund Balance, beginning		1,941,398	
Fund Balance, ending		\$ 2,269,484	

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Special Revenue Funds

To account for the proceeds of specific revenue sources or to finance specific activities as required by administrative regulations.

Aleutians East Borough School District
Student Transportation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2015</i>	Budget	Actual	Variance With Budget
Revenues from state sources	\$ 69,779	\$ 73,819	\$ 4,040
Expenditures			
Student transportation:			
Non-certificated salaries	37,757	35,002	2,755
Employee benefits	21,177	17,354	3,823
Other purchased services	4,500	615	3,885
Supplies, materials and media	11,400	6,807	4,593
Total Expenditures	74,834	59,778	15,056
Excess of Revenues Over (Under) Expenditures	(5,055)	14,041	19,096
Other Financing Sources			
Transfers out	5,062	(14,938)	(20,000)
Net Change in Fund Balance	<u>\$ 7</u>	(897)	<u>\$ (904)</u>
Fund Balance, beginning		<u>108,851</u>	
Fund Balance, ending		<u>\$ 107,954</u>	

Aleutians East Borough School District
Community Education Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2015</i>	Budget	Actual	Variance With Budget
Other Local Revenues	\$ 5,000	\$ -	\$ (5,000)
Expenditures			
Adult and continuing education instruction:			
Non-certificated salaries	44,132	44,704	(572)
Employee benefits	40,807	40,762	45
Staff travel	1,764	1,764	-
Other purchased services	4,160	4,160	-
Supplies, materials and media	5,000	5,737	(737)
Equipment	3,000	8,258	(5,258)
Total Expenditures	98,863	105,385	(6,522)
Excess of Revenues Over (Under) Expenditures	(93,863)	(105,385)	(11,522)
Other Financing Sources			
Transfers in	93,863	93,863	-
Net Change in Fund Balance	<u>\$ -</u>	(11,522)	<u>\$ (11,522)</u>
Fund Balance, beginning		<u>14,978</u>	
Fund Balance, ending		<u>\$ 3,456</u>	

Aleutians East Borough School District
Title I-A Basic Local Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2015</i>	Budget	Actual	Variance With Budget
Revenues from federal sources - through the State of Alaska	\$ 65,521	\$ 65,521	\$ -
Expenditures			
Instruction:			
Non-certificated salaries	38,956	38,956	-
Employee benefits	21,376	21,376	-
Total instruction	60,332	60,332	-
District administration support services - indirect costs	5,189	5,189	-
Total Expenditures	65,521	65,521	-
Net Change in Fund Balance	\$ -	-	\$ -
Fund Balance, beginning		-	
Fund Balance, ending		\$ -	

Aleutians East Borough School District
Migrant Education Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2015</i>	Budget	Actual	Variance With Budget
Revenues from federal sources - through the State of Alaska	\$ 58,439	\$ 58,439	\$ -
Expenditures			
Instruction:			
Non-certificated salaries	46,107	46,107	-
Employee benefits	7,705	7,705	-
Total instruction	53,812	53,812	-
District administration support services - indirect costs	4,627	4,627	-
Total Expenditures	58,439	58,439	-
Net Change in Fund Balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance, beginning		<u>-</u>	
Fund Balance, ending		<u>\$ -</u>	

Aleutians East Borough School District
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2015</i>	Budget	Actual	Variance With Budget
Revenues			
Food services	\$ 2,000	\$ 3,612	\$ 1,612
Other local revenue	5,000	4,955	(45)
State sources	25,000	38,622	13,622
Federal sources - through the State of Alaska	135,000	158,300	23,300
Total Revenues	167,000	205,489	38,489
Expenditures			
Food services:			
Non-certificated salaries	75,550	84,429	(8,879)
Employee benefits	39,022	37,585	1,437
Supplies, materials and media	145,245	138,572	6,673
Other expenditures	40	10	30
Total Expenditures	259,857	260,596	(739)
Excess of Revenues Over (Under) Expenditures	(92,857)	(55,107)	37,750
Other Financing Sources			
Transfers in	92,857	57,857	(35,000)
Net Change in Fund Balance	\$ -	2,750	\$ 2,750
Fund Balance, beginning		<u>29,218</u>	
Fund Balance, ending		<u>\$ 31,968</u>	

Aleutians East Borough School District
Title II-A Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2015</i>	Budget	Actual	Variance With Budget
Revenues from federal sources - through the State of Alaska	\$ 34,362	\$ 34,362	\$ -
Expenditures			
Support services - instruction:			
Staff travel	25,784	25,784	-
Professional and technical services	5,857	5,857	-
Total support services - instruction	31,641	31,641	-
District administration support services - indirect costs	2,721	2,721	-
Total Expenditures	34,362	34,362	-
Net Change in Fund Balance	\$ -	-	\$ -
Fund Balance, beginning		-	
Fund Balance, ending		\$ -	

Aleutians East Borough School District
Title VI-B Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2015</i>	Budget	Actual	Variance With Budget
Revenues from federal sources - through the State of Alaska	\$ 46,220	\$ 46,221	\$ (1)
Expenditures			
Special education support services - students - professional and technical services	42,560	42,561	(1)
District administration support services - indirect costs	3,660	3,660	-
Total Expenditures	46,220	46,221	(1)
Net Change in Fund Balance	\$ -	-	\$ -
Fund Balance, beginning		-	
Fund Balance, ending		\$ -	

Aleutians East Borough School District
619 Preschool Disabled Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2015</i>	Budget	Actual	Variance With Budget
Revenues from federal sources - through the State of Alaska	\$ 3,217	\$ 3,217	\$ -
Expenditures			
Special education support services - students - professional and technical services	2,962	2,962	-
District administration support services - indirect costs	255	255	-
Total Expenditures	3,217	3,217	-
Net Change in Fund Balance	\$ -	-	\$ -
Fund Balance, beginning		-	
Fund Balance, ending		\$ -	

Aleutians East Borough School District
Indian Education Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2015</i>	Budget	Actual	Variance With Budget
Revenues from federal sources - direct	\$ 76,179	\$ 50,232	\$ (25,947)
Expenditures			
Support services - instruction:			
Certificated salaries	15,927	16,306	(379)
Non-certificated salaries	19,892	19,892	-
Employee benefits	9,760	9,760	-
Professional and technical	9,000	-	9,000
Supplies, materials and media	7,000	-	7,000
Equipment	9,000	-	9,000
Support services - instruction total	70,579	45,958	24,621
District administration support services - indirect costs	5,600	4,274	1,326
District administration support services total	5,600	4,274	1,326
Total Expenditures	76,179	50,232	25,947
Net Change in Fund Balance	\$ -	-	\$ -
Fund Balance, beginning		-	
Fund Balance, ending		\$ -	

Aleutians East Borough School District
Johnson O'Malley Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance

<i>Year Ended June 30, 2015</i>	Budget	Actual	Variance With Budget
Revenues from federal sources - direct	\$ 27,729	\$ 27,729	\$ -
Expenditures			
Instruction:			
Non-certificated salaries	22,067	22,067	-
Employee benefits	3,466	3,466	-
Total instruction	25,533	25,533	-
District administration support services - indirect costs	2,196	2,196	-
Total Expenditures	27,729	27,729	-
Net Change in Fund Balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance, beginning		<u>-</u>	
Fund Balance, ending		<u>\$ -</u>	

Aleutians East Borough School District
Teacher Housing Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2015</i>	Budget	Actual	Variance With Budget
Revenues - other local revenues	\$ 123,255	\$ 120,080	\$ (3,175)
Expenditures			
Operations and maintenance of plant:			
Energy	7,701	6,459	1,242
Other purchased services	140,400	170,712	(30,312)
Supplies, materials and media	-	100	(100)
Total Expenditures	148,101	177,271	(29,170)
Excess of Revenues Over (Under) Expenditures	(24,846)	(57,191)	(32,345)
Other Financing Sources			
Transfers in	24,846	53,046	28,200
Net Change in Fund Balance	<u>\$ -</u>	(4,145)	<u>\$ (4,145)</u>
Fund Balance, beginning		<u>12,553</u>	
Fund Balance, ending		<u>\$ 8,408</u>	

Aleutians East Borough School District
Scholarship Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2015</i>	Budget	Actual	Variance With Budget
Revenues			
City/Borough - direct appropriation	\$ 16,663	\$ 16,663	\$ -
Expenditures			
Instruction - tuition and stipends	16,663	16,663	-
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance, beginning		<u>-</u>	
Fund Balance, ending		<u>\$ -</u>	

Aleutians East Borough School District
APICDA Fisheries Education Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2015</i>	Budget	Actual	Variance With Budget
Revenues - other local revenue	\$ 12,000	\$ 12,000	\$ -
Expenditures			
Instruction:			
Staff travel	1,982	1,982	-
Student travel	1,710	1,710	-
Professional and technical services	1,900	1,900	-
Supplies, materials and media	6,408	6,408	-
Total Expenditures	12,000	12,000	-
Net Change in Fund Balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance, beginning		<u>-</u>	
Fund Balance, ending		<u>\$ -</u>	

Aleutians East Borough School District
 Equipment Capital Fund
 Statement of Revenues, Expenditures and Changes
 in Fund Balance

Year Ended June 30, 2015

Revenues	\$ -
Expenditures	
Construction and facilities acquisition:	
Equipment	66,089
Total Expenditures	66,089
Excess of Revenues Over (Under) Expenditures	(66,089)
Other Financing Sources	
Transfers in	66,089
Net Change in Fund Balance	-
Fund Balance, beginning	-
Fund Balance, ending	\$ -

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Agency Fund

To account for assets held by the District as an agent for student organizations.

Student Activity Fund

Fund established to record and account for revenues collected for student activities and expenditures incurred on behalf of the students.

Aleutians East Borough School District
Student Activity Agency Fund
Statement of Changes in Assets and Liabilities

<i>Year Ended June 30, 2015</i>	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Assets				
Equity in the Borough central treasury	\$ 100,616	\$ 131,899	\$ 135,834	\$ 96,681
Liabilities				
Accounts Payable	\$ 1,180	\$ -	\$ 384	\$ 796
Due to Student Groups				
Sand Point Schools:				
Class of 2014	553	-	553	-
Class of 2015	1,365	1,614	1,528	1,451
Class of 2016	4,634	1,997	2,117	4,514
Class of 2017	1,285	3,174	51	4,408
Class of 2018	2,167	4,802	1,196	5,773
Class of 2019	5,866	14,880	-	20,746
Class of 2020	631	1,088	-	1,719
Class of 2021	861	231	24	1,068
Class of 2022	89	809	-	898
Class of 2023	649	-	-	649
Class of 2024	-	888	-	888
Student activities	1,314	3,300	2,007	2,607
Advisory board	6	-	-	6
Junior boys basketball	(140)	640	500	-
Boys basketball	26	50	-	76
Girls basketball	6,404	520	836	6,088
Volleyball	10,147	3,695	13,841	1
Close-up	17,364	19,442	31,473	5,333
Cheerleading	104	481	557	28
Student council	1,259	1,903	1,363	1,799
Library	3,119	1,529	1,448	3,200
Primary	979	224	-	1,203
Yearbook	1,431	366	-	1,797
Shop	1,148	-	-	1,148
Band	266	250	-	516
C. Gundersen	-	-	-	-
Total Sand Point Schools	61,527	61,883	57,494	65,916

Aleutians East Borough School District
Student Activity Agency Fund
Statement of Changes in Assets and Liabilities, continued

<i>Year Ended June 30, 2015</i>	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Liabilities, continued				
Due to Student Groups, continued				
King Cove Schools:				
Class of 2013	\$ -	\$ -	\$ -	\$ -
Class of 2014	-	-	-	-
Class of 2015	5,978	16,624	22,127	475
Class of 2016	5,472	-	-	5,472
Class of 2017	1,581	364	-	1,945
Class of 2018	432	142	-	574
Class of 2019	187	298	-	485
Class of 2020	314	43	-	357
Class of 2021	175	40	-	215
Class of 2022	50	20	-	70
Class of 2023	50	85	-	135
Student activities	3,892	1,578	150	5,320
Junior high basketball	566	215	-	781
Volleyball	33	615	717	(69)
Wrestling	126	-	-	126
Cross country	126	10	-	136
Rookies	3,762	1,772	3,968	1,566
T-Jacks	3,356	770	2,509	1,617
Close-up	1,215	32,638	33,854	(1)
Cheerleading	32	200	284	(52)
Student council	4,037	282	1,233	3,086
Library	48	-	-	48
Yearbook	1,316	1,155	1,258	1,213
Odyssey of mind	98	-	-	98
Band	400	-	-	400
Total King Cove Schools	33,246	56,851	66,100	23,997
Cold Bay - student council	(246)	340	90	4
False Pass- student council	36	649	-	685
Akutan - student activities	4,709	12,176	11,602	5,283
Nelson Lagoon - student activities	164	-	164	-
Total Due to Student Groups	99,436	131,899	135,450	95,885
Total Liabilities	\$ 100,616	\$ 131,899	\$ 135,834	\$ 96,681

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Other Schedules

Schedule of Compliance - AS 14.17.505

Illustrates the District's compliance with statutory fund balance limitations

Schedule of Expenditures of Federal Awards

Illustrates the District's federal financial assistance activity.

Schedule of State Financial Assistance

Illustrates the District's State of Alaska financial assistance activity.

Aleutians East Borough School District

Schedule of Compliance - AS 14.17.505

Year Ended June 30, 2015

Total fund balance - School Operating Fund	\$ 2,269,484
Less exemptions per 4 AAC 09.160(a):	
Encumbrances	165,228
Inventory	59,740
Prepaid items	13,675
Federal impact aid received	2,030,841

Fund Balance Subject to 10% Limitation	\$ -
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Nonexempt fund balance as a percentage of current year expenditures:

<u>Fund balance subject to limitation</u>	-	0.00%
Current year expenditures	14,101,765	

Aleutians East Borough School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Program Name	Grant Number	Period of Award	Catalog of Federal Domestic Assistance Number	Total Grant Award	Expenditures
Department of Education					
Direct programs:					
Indian Education Grants to Local Educational Agencies	S060A120516	07/01/14-06/30/15	84.060A	\$ 76,558	\$ 50,232
Impact Aid	S041B-2011-0156	07/01/11-06/30/12	84.041	13,690	13,690
Impact Aid	S041B-2012-0156	07/01/12-06/30/13	84.041	128,660	128,660
Impact Aid	S041B-2014-0156	07/01/14-06/30/15	84.041	22,308	22,308
Impact Aid	S041B-2015-0156	07/01/15-06/30/16	84.041	1,866,183	1,866,183
Total CFDA # 84.041					<u>2,030,841</u>
Passed through the State of Alaska Department of Education and Early Development:					
Title I-A Basic	IP1505601	07/01/14-06/30/15	84.010	65,521	65,521
Title I-C Migrant Education State Grant Program	IP1505601	07/01/14-06/30/15	84.011	58,439	58,439
Special Education Preschool Grants - 619 Preschool Disabled	SE1505601	07/01/14-06/30/15	84.173	3,217	3,217
Title II-A Teacher & Principal Training and Recruitment	IP1505601	07/01/14-06/30/15	84.367	34,362	34,362
Special Education Grants to States - Title VI-B	SE1505601	07/01/14-06/30/15	84.391	46,221	46,221
Total Department of Education grants passed through State of Alaska					<u>207,760</u>
Total Department of Education					<u>2,288,833</u>
Department of Agriculture					
Passed through the State of Alaska Department of Education and Early Development:					
School Breakfast Program	MA1505601	07/01/14-06/30/15	10.553	42,332	42,332
National School Lunch Program	MA1505601	07/01/14-06/30/15	10.555	100,020	100,020
Commodities	-	07/01/14-06/30/15	10.555	6,741	6,741
Total Child Nutrition Cluster					<u>149,093</u>
Fresh Fruit & Vegetable Program	FF1505601	07/01/14-06/30/15	10.582	9,480	9,207
Total Department of Agriculture					<u>158,300</u>
Department of the Interior					
Direct programs -					
Johnson O'Malley Program	A12AV00802	07/01/14-06/30/15	15.130	27,729	27,729
National Endowment for the Arts					
Artist in Schools	#FY15AIS0010	07/01/14-06/30/15	45.025	675	675
Total Expenditures of Federal Awards					<u>\$ 2,475,537</u>

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Aleutians East Borough School District under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Aleutians East Borough School District, it is not intended to and does not present the financial position, changes in net position of Aleutians East Borough School District.

Expenditures reported on the Schedule are reported on the full accrual basis of accounting.

Aleutians East Borough School District
Schedule of State Financial Assistance
Year Ended June 30, 2015

Program Name	Grant Number	Total Grant Award	Expenditures
Department of Education and Early Development			
Public School Funding *	FY15	\$ 4,518,870	\$ 4,518,870
Quality Schools	FY15	15,875	15,875
HB 278 *	FY15	167,121	167,121
Disparity Test	FY14	(56,144)	(56,144)
Student Transportation	FY15	73,819	73,819
Early Literacy K-3	LE 1505601	519	519
Alaska School Broadband Assistance Grant *	SBG-15-056-002	164,383	130,250
Artist in Schools	#FY15AIS0010	675	675
Total Department of Education and Early Development			<u>4,850,985</u>
Department of Administration			
PERS On-behalf *	FY15	468,144	468,144
TRS On-behalf *	FY15	6,001,484	6,001,484
Total Department of Administration			<u>6,469,628</u>
Department of Commerce, Community, and Economic Development			
Nutrition Alaskan Foods for Schools	15-NAFS-003	38,380	38,359
Nutrition Alaskan Foods for Schools	14-NAFS-003	263	263
Total for Department Commerce, Community, and Economic Development			<u>38,622</u>
Total State Financial Assistance			<u>\$ 11,359,235</u>

* Denotes a major program

Note 1: Basis of Presentation

The accompanying schedule of state financial assistance (the "Schedule") includes the state grant activity of Aleutians East Borough School District under programs of the state government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of Aleutians East Borough School District, it is not intended to and does not present the financial position, changes in position of Aleutians East Borough School District.

Expenditures reported on the Schedule are reported on the full accrual basis of accounting.

Single Audit Section



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

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*

Members of the School Board
Aleutians East Borough School District
Sand Point, Alaska

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 Aleutians East Borough School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Aleutians East Borough School District's basic financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Aleutians East Borough School 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 Aleutians East Borough School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Aleutians East Borough School 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 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 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 Aleutians East Borough School District's financial statements are free of 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.

BDO USA, LLP

Anchorage, Alaska
December 15, 2015



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Members of the School Board
Aleutians East Borough School District
Sand Point, Alaska

Report on Compliance for Each Major Federal Program

We have audited Aleutians East Borough School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Aleutians East Borough School District's major federal programs for the year ended June 30, 2015. Aleutians East Borough School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Aleutians East Borough School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Aleutians East Borough School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Aleutians East Borough School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Aleutians East Borough School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Aleutians East Borough School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Aleutians East Borough School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Aleutians East Borough School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
December 15, 2015



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report on Compliance For Each Major State Program and Report on Internal Control Over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Members of the School Board
Aleutians East Borough School District
Sand Point, Alaska

Report on Compliance for Each Major State Program

We have audited Aleutians East Borough School District's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of Aleutians East Borough School District's major state programs for the year ended June 30, 2015. Aleutians East Borough School District's major state programs are identified in the accompanying schedule of state financial assistance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Aleutians East Borough School District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Aleutians East Borough School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However our audit does not provide a legal determination of Aleutians East Borough School District's compliance.

Opinion on Each Major State Program

In our opinion, Aleutians East Borough School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Aleutians East Borough School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Aleutians East Borough School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Aleutians East Borough School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
December 15, 2015

Aleutians East Borough School District

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ yes X (none reported)

Noncompliance material to financial statements noted? ___ yes X no

Federal Financial Assistance

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ yes X (none reported)

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ___ yes X no

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
84.041	Impact Aid	Department of Education

Dollar threshold used to distinguish between a Type A and Type B Program: \$ 300,000

Auditee qualified as low-risk auditee? X yes ___ no

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ yes X (none reported)

Type of auditor's report issued on compliance for major programs: Unmodified

Dollar threshold used to distinguish a State major program: \$ 75,000

Aleutians East Borough School District

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in section .510(a) of the Circular) that are required to be reported.

Section IV - State Award Findings and Questioned Costs

There were no findings and questioned costs for State awards (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.

Aleutians East Borough School District

Schedule of Prior Audit Findings Year Ended June 30, 2015

Financial Statement Findings

Finding 2014-001 Segregation of Duties and Mitigating Controls- Internal Control over Financial Reporting - Significant Deficiency

Condition Due to the limited number of people working in the office, many critical duties are combined and given to a few employees. Mitigating controls were not operating or documented during the year.

Status It appears the District executed its corrective action plan. This finding is considered resolved.

Federal Award Findings

There were no prior year audit findings.

State Award Findings

There were no prior year audit findings.

Aleutians East Borough School District

Corrective Action Plan Year Ended June 30, 2015

There are no current year findings; therefore no corrective action plan is required.