

**EWEN-TROUT CREEK CONSOLIDATED
SCHOOL DISTRICT**

**FINANCIAL REPORT
With Supplemental Information**

JUNE 30, 2014



EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

JUNE 30, 2014

ADMINISTRATION

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RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Ewen-Trout Creek Consolidated School District
Ewen, Michigan

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 Ewen-Trout Creek Consolidated School District as of and for the year then ended June 30, 2014, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 judgement, 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 Ewen -Trout Creek Consolidated School District as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 7 through page 14 and page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, 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 presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards 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 combining and individual non-major fund financial statements and the schedule of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2014 on our consideration of Ewen-Trout Creek Consolidated School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ewen-Trout Creek Consolidated School District's internal control over financial reporting and compliance.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

October 27, 2014

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

This section of Ewen-Trout Creek Consolidated School District's annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

Over the past two years Ewen-Trout Creek Consolidated School District has emerged from a deficit situation and gone on to establish a prudent fund balance. The school administration continues to steer a conservative fiscal course that aims to ensure the district will not return to a deficit situation. Ewen-Trout Creek Consolidated School District enters the 2014-15 school year with a \$287,147 general fund balance, which will amount to about 12% of annual expenses. School administration will continue to recommend budgets that aim to build a fund balance that is equal to, or exceeds, 15% of annual expenses.

As the district approaches the 15% fund balance goal, school administration anticipates that negotiations with employee groups will produce master agreements that will likely increase the districts employee compensation expenses. Employee compensation at Ewen-Trout Creek Consolidated School District is relatively low by comparison with state and the regional averages. Relatively lower employee compensation is due to primarily to two factors: 1) relatively large and sparsely populated district causes relatively higher transportation costs 2) relatively small school population causes relatively low pupil/staff ratios. While it is unlikely this lower compensation gap will be closed entirely due to the dynamics described in the foregoing, there will be ongoing pressure to close the gap to some degree.

Ewen-Trout Creek Consolidated School District has experienced a severe, multiple decade long, declining enrollment pattern, that must be taken into account in all financial planning and decision making. Enrollment declined by about 30 students from 2013/2014 to 2014/2015, which represents about a 13% enrollment decline in a single year. The district enrollment profile (with far fewer students in the lower grades) suggests the distinct probability of continued enrollment decline going forward. The abatement of enrollment decline that was experienced in the previous two years was primarily attributable to expanded bus routes and the corresponding addition of schools of choice students. It is unlikely the district can continue to stave off a declining enrollment pattern in the region indefinitely with additional schools of choice students. Absent some change in the local employment prospects or other residency factors, Ewen-Trout Creek Consolidated School District will likely experience continued declining enrollment in the upcoming years. If the projected declining enrollment is not altered upward, the district will necessarily be forced to reduce staffing costs proportionately. In an effort to maximize enrollment, Ewen-Trout Creek Consolidated School District will endeavor to maintain or increase the perceived competitive advantage in the "schools of choice" arena by scrutinizing all financial decisions in terms of potential for enhancing parental satisfaction with school performance and continued success in the "schools of choice" competition.

The district is vulnerable to sudden and dramatic declines in revenues as a consequence of heavy dependence upon potentially unreliable streams that include Federal "Impact Aid" and that generated by the "Safe and Secure Rural Schools Act". The perceived discretionary portion of these two sources of revenue together amount to about 8% of the district's annual revenue currently. Efforts to control expanding federal deficits conceivably could reduce or even eliminate such district revenue sources sometime in the future.

The school infrastructure, equipment, and supplies were curtailed and neglected due to the austerity of the deficit elimination years. While most of the districts textbooks were finally replaced in 2012/2013 and 2013/2014, and the district's technology equipment was replaced and enhanced, other long term needs have yet to be addressed. There now exists an overhang of need in these areas that cannot be long forestalled. School buses will need to be purchased, the roof is in need of maintenance, the parking lot is in need of resurfacing, and our heat pumps are likely to start failing as they reach their expected life span in the next few years.

All of the above suggests an ongoing need for a very conservative fiscal approach that will entail: maintenance of a generous fund balance, ongoing downsizing, looking for savings at every juncture, and restraining all discretionary expenses for the foreseeable future.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

Statement of Net Position and the Statement of Activities

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net position and the changes in the net position during the year are reported by these two statements. Increases or decreases in the District's Net Position is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- The Statement of Fiduciary Net Position, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

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

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including the Debt Service Fund, Capital Project, and Food Service Funds.

Overview of the Financial Statements (Continued)

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund and Debt Service Fund meet this requirement.

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management's Discussion and Analysis, provides information about the required budgetary comparison information on the General Fund.
- Other supplementary information provides detailed information about the General, Debt Service, Capital Projects, and Food Service.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Results of Operations

		Summary of Net Position	
		<u>2014</u>	<u>2013</u>
Assets			
Current and other assets		\$ 756,806	\$ 577,185
Restricted cash and investments		108,586	166,880
Other assets		5,494	5,494
Capital assets - Net of accumulated depreciation		6,302,756	6,492,484
	Total Assets	<u>\$ 7,173,642</u>	<u>\$ 7,242,043</u>
Liabilities			
Current liabilities		\$ 388,954	\$ 365,432
Noncurrent liabilities		4,703,618	5,161,042
	Total Liabilities	<u>5,092,572</u>	<u>5,526,474</u>
Net Position			
Net investment in capital assets		1,583,824	1,282,653
Restricted:			
Debt service		199,380	207,106
Capital projects		-	44,964
Food service		10,348	9,360
Unrestricted		287,518	171,486
	Total Net Position	<u>2,081,070</u>	<u>1,715,569</u>
	Total Liabilities and Net Position	<u>\$ 7,173,642</u>	<u>\$ 7,242,043</u>

Results of Operations in Governmental Activities

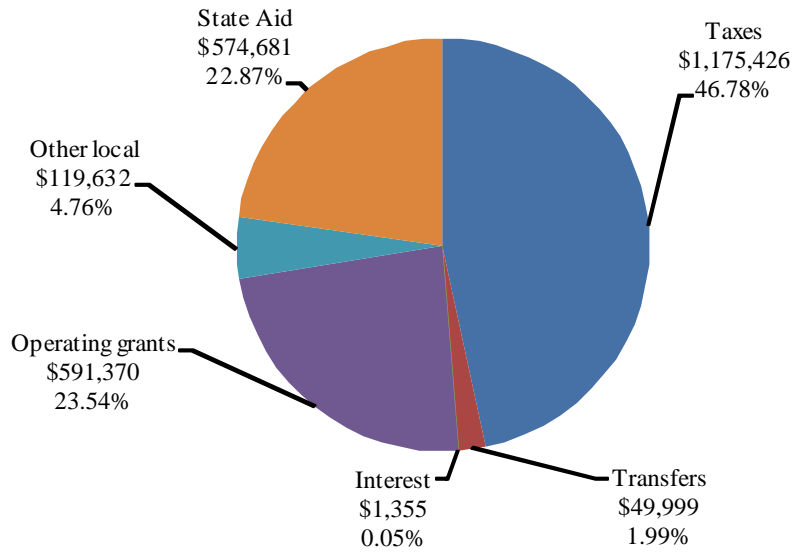
		<u>2014</u>	<u>2013</u>
Program Revenue:			
Charges for services		\$ 49,316	\$ 50,436
Grants and contributions		728,615	619,153
General Revenue:			
Property taxes		1,731,901	1,749,190
State foundation allowance		574,681	580,237
Interest		2,580	2,769
Transfers		49,999	56,555
Special item - proceeds from refinancing debt		-	4,722,044
Other		119,632	133,049
	Total Revenue	<u>3,256,724</u>	<u>7,913,433</u>
Functions/Program Expenses			
Instruction		1,606,323	1,712,658
Support services		1,071,300	794,441
Food service		137,149	131,096
Athletics		-	55,197
Interest on long-term debt		76,364	306,460
Other debt service		458	4,908,394
	Total Expenses	<u>2,891,594</u>	<u>7,908,246</u>
Change in Net Position		365,130	5,187
Net Position - Beginning		1,715,569	1,710,382
Net Position - Ending		<u>\$ 2,080,699</u>	<u>\$ 1,715,569</u>

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

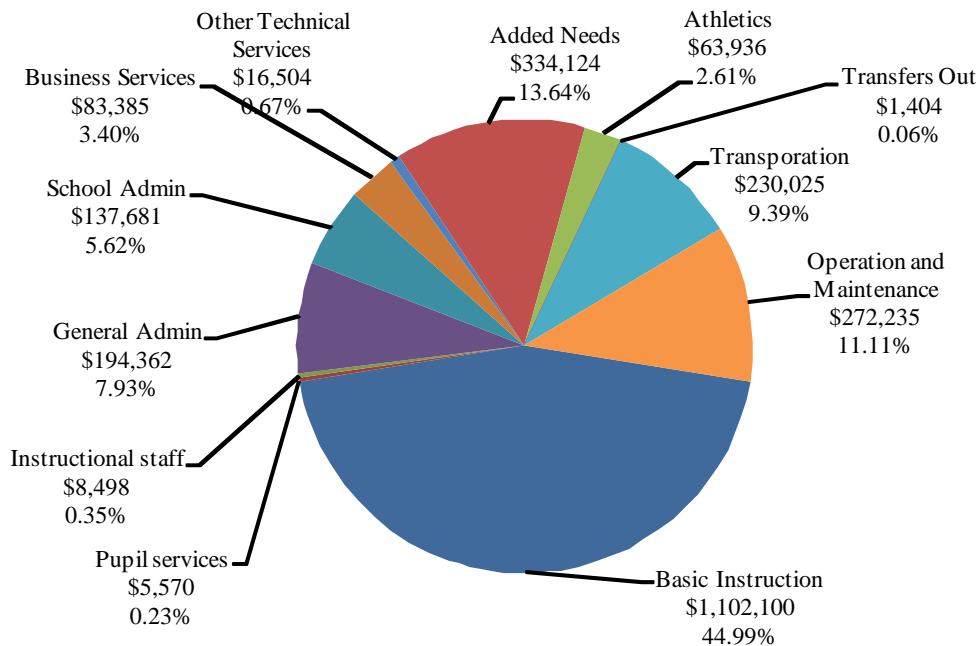
Results of Operations (Continued)

The following charts highlight the District's general fund activities:

Revenues

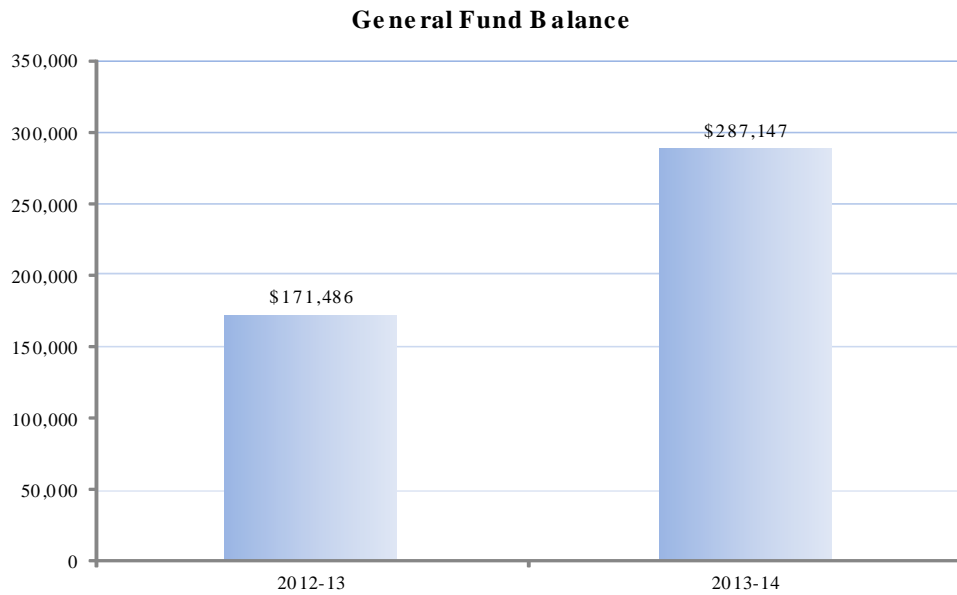


Expenditures



**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Results of Operations (Continued)



Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 2,565,485	\$ 2,443,116	\$ 122,369
Expenditures/Transfers	\$ 2,448,420	\$ 2,347,376	\$ 101,044
Fund Balance	\$ 287,147	\$ 171,486	\$ 115,661
Debt Service Fund:			
Revenues/Transfers	\$ 557,571	\$ 618,751	\$ (61,180)
Expenditures/Transfers	\$ 565,297	\$ 860,256	\$ (294,959)
Fund Balance	\$ 199,380	\$ 207,106	\$ (7,726)
Food Service Fund:			
Revenues/Transfers	\$ 133,668	\$ 129,316	\$ 4,352
Expenditures/Transfers	\$ 134,084	\$ 131,096	\$ 2,988
Fund Balance	\$ 10,348	\$ 9,360	\$ 988
Capital Projects Fund:			
Revenues/Transfers	\$ 50	\$ 206	\$ (156)
Expenditures/Transfers	\$ 44,914	\$ -	\$ -
Fund Balance	\$ -	\$ 44,964	\$ (44,964)

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Significant Transactions and Changes in Individual Funds (Continued)

General Fund – There was a significant change in the general fund balance from June 2013 to June 2014. Increases in local revenue equaled \$19,416, a majority being from property tax revenue. State sources decrease by \$41,093, this comprised of decreases in State Aid At-Risk funding. Federal revenue had a large increase in revenue of \$150,602, due in large part to \$126,051 additional Impact Aid and increases in all other federal revenue.

The District experienced an increase in expenditures of \$101,044 over the previous year. The net increase is a combination of a reduction in instructional expenditures and an increase in support services due in part to the purchase of a new bus, utility increases, and legal services.

Debt Retirement – The major change in the debt retirement accounts for the building and bus/sidewalk debt was a reduction in principal and interest expense caused by 2013 refunding issue. The tax millage remains the same at 5.7 mills.

Food Service Fund – The food service program required a transfer in of \$1,404 from the general fund.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year on July. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2014, the original budget was adopted on June 26, 2013. The original budget is adopted two months before school is in session. We have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances.

	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 2,175,381	\$ 2,513,503	\$ 2,514,431	\$ 928	0.0%
Expenditures					
Instruction	\$ 1,463,892	\$ 1,454,673	\$ 1,436,224	\$ 18,449	1.3%
Supporting services	809,993	1,062,655	1,012,307	50,348	5.0%
Total expenditures	\$ 2,273,885	\$ 2,517,328	\$ 2,448,531	\$ 68,797	2.8%
Other financing sources (uses)	\$ 18,500	\$ 33,679	\$ 48,595	\$ (14,916)	-30.7%

Revenue budget had an increase from the original to the final in the amount of \$338,122 because the District was not aware they would receive \$126,900 of Impact Aid. Originally \$53,101 of MPSEs Stabilization and \$53,861 in revenue from the Ottawa National Forest was not included. There were no significant variances between the final budget and actual.

Instructional expenditure budget was decreased by \$9,247 from the original to final budget. The final budget to actual decreased by \$18,449 comprising mostly of decrease in elementary spending.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

General Fund Budgetary Highlights (Continued)

Supporting services expenditure budget was increased by \$252,662 from the original to final budget. The original budget was increased in the amounts of \$167,000 for legal expenses, \$45,261 for transportation expenditures including a bus purchase of \$13,536, and \$63,936 for athletics being included in the general fund. The final budget to actual decreased by \$68,797 in the following areas, general administration by \$10,488, athletics by \$16,592, pupil transportation by \$7,539, and operation & maintenance by \$8,468.

Capital Assets and Debt Administration

Capital Assets – A bus was purchased on August 1, 2013 for \$58,500. Depreciation expense totaled \$248,227.

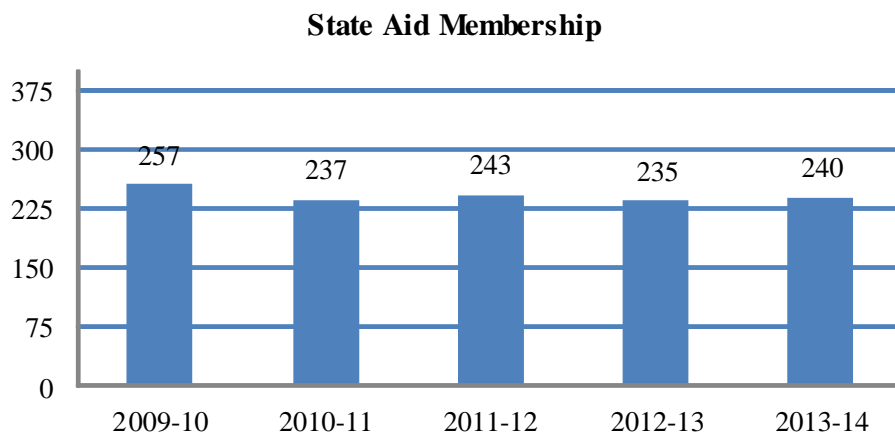
Additional information on the District’s capital assets can be found on page 26 of this report.

Long-term Debt – At the end of the current fiscal year, the District’s total debt was \$4,718,931. This total amount is backed by the full faith and credit of the District. The District’s total debt was decreased by \$490,899.

Additional information on the District’s long-term debt can be found on pages 27 and 28 of this report.

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

The graph depicts a 2.08% increase in the number of students enrolled from the previous year, using the State Aid Membership Count.



State revenues received by Michigan school districts are approved annually in a State Aid Act. This Act, approved by the State Legislature, provides a foundation amount (amount per student) of \$7,026 for the 2013-14 school year.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District’s finances. If you have questions about this report or need additional information, contact the Superintendent, Loren Vannest, at Ewen-Trout Creek Consolidated School District, 14312 Airport Road, Ewen, Michigan 49925. Telephone number (906) 813-0620, fax (906) 813-0622, or email vannestl@etc.k12.mi.us.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 526,925
Taxes receivable	735
Accounts receivable	285
Due from other governmental units	167,323
Prepaid expenses	59,970
Inventories	<u>1,568</u>

TOTAL CURRENT ASSETS 756,806

Noncurrent Assets:

Restricted cash	108,586
Other assets	5,494
Capital assets	10,080,316
Less: Accumulated depreciation	<u>(3,777,560)</u>
	<u>6,302,756</u>

TOTAL NONCURRENT ASSETS 6,416,836

TOTAL ASSETS \$ 7,173,642

LIABILITIES:

Current liabilities:

Accounts payable	\$ 62,424
Accrued expenses	223,362
Accrued interest	15,314
Unearned revenue	55,906
Due to student groups	24,648
Due to governmental units	<u>7,300</u>

TOTAL CURRENT LIABILITIES 388,954

Noncurrent liabilities:

Bonds payable within one year	500,000
Bonds payable, due in more than one year	4,170,000
Compensated absences	<u>33,618</u>

TOTAL NONCURRENT LIABILITIES 4,703,618

TOTAL LIABILITIES 5,092,572

NET POSITION:

Net investment in capital assets	1,617,442
Restricted for:	
Debt service	199,380
Food Service	10,348
Unrestricted	<u>253,900</u>

TOTAL NET POSITION 2,081,070

TOTAL LIABILITIES AND NET POSITION \$ 7,173,642

The accompanying notes to financial statements are an integral part of this statement.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
<u>FUNCTIONS/PROGRAMS</u>				
Government Activities:				
Instruction and instructional support	\$ 1,606,323	\$ -	\$ 591,370	(1,014,953)
Support services	1,071,300	21,449	31,543	(1,018,308)
Food service	137,149	27,867	105,702	(3,580)
Interest on long-term debt	76,364	-	-	(76,364)
Other debt service	458	-	-	(458)
Total Governmental Activities	\$ 2,891,594	\$ 49,316	\$ 728,615	(2,113,663)
General Revenues:				
Property taxes, levied for general operations				1,175,426
Property taxes, levied for debt service				556,475
State revenue sharing				574,681
Interest and investment earnings				2,580
Other				120,003
Transfers				49,999
Total general revenues and transfers				2,479,164
Change in Net Position				365,501
Net Position - Beginning				1,715,569
Net Position - Ending				\$ 2,081,070

The accompanying notes to financial statements are an integral part of this statement.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2014

	General	Debt Service	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 503,833	\$ -	\$ 23,092	\$ 526,925
Taxes receivable	4	731	-	735
Accounts receivable	263	-	22	285
Due from other governmental units	161,231	4,875	1,217	167,323
Due from other funds	16,525	79,694	1,100	97,319
Inventory	-	-	1,568	1,568
Prepaid expenses	59,682	-	288	59,970
Other assets	-	5,494	-	5,494
Restricted cash	-	108,586	-	108,586
TOTAL ASSETS	\$ 741,538	\$ 199,380	\$ 27,287	\$ 968,205
LIABILITIES:				
Accounts payable	\$ 62,424	\$ -	\$ -	\$ 62,424
Accrued expenses	222,948	-	414	223,362
Due to other funds	80,794	-	16,525	97,319
Due to fiduciary fund	24,648	-	-	24,648
Due to governmental unit	7,300	-	-	7,300
Unearned revenue	55,906	-	-	55,906
TOTAL LIABILITIES	454,020	-	16,939	470,959
FUND BALANCES:				
Nonspendable:				
Food service inventory	-	-	1,568	1,568
Prepays	59,682	-	288	59,970
Restricted:				
Debt Service	-	199,380	-	199,380
Food service	-	-	8,492	8,492
Unassigned	227,836	-	-	227,836
TOTAL FUND BALANCES	287,518	199,380	10,348	497,246
TOTAL LIABILITIES AND FUND BALANCES	\$ 741,538	\$ 199,380	\$ 27,287	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,302,756
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(4,703,618)
Accrued interest is not included as a liability in governmental funds	(15,314)
Net position of governmental activities	\$ 2,081,070

The accompanying notes to the financial statements are an integral part of this statement.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2014

	General Fund	Debt Service Fund	Other Non-Major Governmental Funds	Totals
Revenues				
Local sources	\$ 1,353,156	\$ 557,521	\$ 28,016	\$ 1,938,693
State sources	682,573	-	6,221	688,794
Federal sources	480,128	-	99,481	579,609
Total revenues	<u>2,515,857</u>	<u>557,521</u>	<u>133,718</u>	<u>3,207,096</u>
Expenditures				
Instruction	1,436,224	-	-	1,436,224
Supporting services	1,012,196	-	44,964	1,057,160
Food service	-	-	134,084	134,084
Debt Service	-	565,297	-	565,297
Total expenditures	<u>2,448,420</u>	<u>565,297</u>	<u>179,048</u>	<u>3,192,765</u>
Excess (deficiency) of revenue over expenditures	<u>67,437</u>	<u>(7,776)</u>	<u>(45,330)</u>	<u>14,331</u>
Other Financing Sources (Uses)				
Operating transfers in (out)	(1,404)	50	1,354	-
Transfers from other districts	49,999	-	-	49,999
Total other financing sources (uses)	<u>48,595</u>	<u>50</u>	<u>1,354</u>	<u>49,999</u>
Net Change in Fund Balance	116,032	(7,726)	(43,976)	64,330
Fund Balances - Beginning of year	<u>171,486</u>	<u>207,106</u>	<u>54,324</u>	
Fund Balances - End of year	<u>\$ 287,518</u>	<u>\$ 199,380</u>	<u>\$ 10,348</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(189,728)
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	35,899
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) and refunding bond activities	<u>455,000</u>
Change in net position of governmental activities	<u>\$ 365,501</u>

The accompanying notes to financial statements are an integral part of this statement.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014

	<u>Fiduciary Fund</u>
ASSETS	
Cash	\$ 5,378
Due from scholarship fund	130
Due from other funds	<u>24,648</u>
TOTAL ASSETS	<u><u>30,156</u></u>
LIABILITIES	
Due to student groups	<u><u>30,156</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Ewen-Trout Creek Consolidated School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant District accounting policies are described below.

REPORTING ENTITY

The Ewen-Trout Creek Consolidated School District (the “District”) is governed by the Ewen-Trout Creek Consolidated School District Board of Education (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United State of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. All of the District’s government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues and are reported as general revenues.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net position are reported in three parts – net investment in capital assets; restricted for debt service and special revenue funds; and unrestricted net position.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The District does allocate indirect costs.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

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

Governmental Funds – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

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

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund. Athletic activities are reported in the General Fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Other Non-Major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific revenue sources such as the Food Service Fund.

Capital Projects Fund - The Capital Projects Fund is used to account for all revenues and expenditures associated with the District's capital structures.

Fiduciary Funds – Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are not included in the government-wide statements.

The Student Activities Fund is used to account for assets held by the District in a trustee capacity or as an agent for student activities and/or programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. This fund is used to account for assets that the District holds for others in an agency capacity (primary student activities).

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

Modified Accrual Method – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is done.

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

State Revenue - The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts and the local county treasurer. For the year ended June 30, 2014, the foundation allowance was based on pupil membership counts taken in February and September of previous years for a three year blended average.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2013 to August 2014. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

The District received approximately 28% of its General Fund revenue from the Michigan Department of Education Membership Allowance. Due to the significance of this revenue source to the District, the District is considered to be economically dependent.

Foundation	\$ 7,026.00
Less Local Support:	
Assumed Local Revenue	1,165,679
Divided by General Education K-12 membership	<u>232.33</u>
Calculated Local Support	<u>(5,017.34)</u>
Foundation Grant Allowance Per Pupil	<u><u>\$ 2,008.66</u></u>

Other Accounting Policies

Cash and Cash Equivalents – Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

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

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended June 30, 2014, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	18.000
Debt service fund - Homestead and non-homestead	5.1800

Receivables and Payables – Activity between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory – Inventory in the District’s Food Service Fund consist of food, a la carte items, and supplies totaling \$1,568. The District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. Inventory is valued at lower of cost or market.

Capital Assets – Capital assets, which include land, buildings, equipment, land improvements, technology, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Compensated Absences - The liabilities for compensated absences reported in the district-wide statements in the amount of \$33,618 consisted of accrued sick leave. Accrued sick leave is paid to employees upon retirement and accrued for only employees that qualify for retirement.

Unemployment Insurance - The District reimburses the Unemployment Insurance Agency (UIA) for the actual amount of unemployment benefits disbursed by the UIA on behalf of the District. Billings received for amounts paid by the UIA through June 30 are accrued.

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

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position - Deferred outflows are reported in a separate section following assets, and deferred inflows are reported in a separate section following liabilities. The statement of net position then arrives at net position which includes the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

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

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

Subsequent Events - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
5. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the General Fund are noted in the required supplementary information section.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014

NOTE C - CASH AND CASH EQUIVALENTS

At year-end, the District’s cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the District is as follows:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 527,296	\$ -	\$ 527,296
Restricted cash	108,586	5,378	113,964
Total cash and cash equivalents	<u>\$ 635,882</u>	<u>\$ 5,378</u>	<u>\$ 641,260</u>

Deposit Risk

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

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2014, \$362,270 of the District’s bank balance of \$740,068 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Michigan law authorizes the District to deposit and invest in:

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014

NOTE D - CAPITAL ASSETS

Capital Asset activity of the District's governmental activities was as follows:

	Balance 06/30/13	Additions	Deletions	Balance 06/30/14
Non depreciable capital assets:				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Capital assets being depreciated:				
Building and improvements	8,742,436	-	-	8,742,436
Land improvements	309,244	-	-	309,244
Technology	50,886	-	-	50,886
Equipment	379,347	-	-	379,347
Vehicles	431,849	58,500	-	490,349
Food Service Equipment	104,054	-	-	104,054
Subtotal	<u>10,017,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>10,076,316</u>
Accumulated depreciation:				
Building and improvements	2,532,980	174,848	-	2,707,828
Land improvements	208,293	15,462	-	223,755
Technology	50,886	-	-	50,886
Equipment	355,519	5,510	-	361,029
Vehicles	279,206	49,342	-	328,548
Food Service Equipment	102,449	3,065	-	105,514
Subtotal	<u>3,529,333</u>	<u>\$ 248,227</u>	<u>\$ -</u>	<u>3,777,560</u>
Net capital assets being depreciated	<u>6,488,483</u>			<u>6,298,756</u>
Net capital assets	<u>\$ 6,492,483</u>			<u>\$ 6,302,756</u>

Depreciation expense was charged to governmental activities of the District as follows:

Athletics	\$ 6,540
Food Service Fund	3,065
Instruction	172,523
Operations & Maintenance	15,317
Transportation	<u>50,782</u>
TOTAL	<u>\$ 248,227</u>

NOTE E - RECEIVABLES

Receivables from governmental units at June 30, 2014 that are expected to be collected within one year consist of the following:

	General Fund	Debt Service	Food Service	Total
Accounts	\$ 263	\$ -	\$ 22	\$ 285
Taxes	4	731	-	735
State	161,231	4,875	1,217	167,323
Federal	-	-	-	-
	<u>\$ 161,498</u>	<u>\$ 5,606</u>	<u>\$ 1,239</u>	<u>\$ 168,343</u>

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014**

NOTE F - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. There were not transfers during the fiscal year. The amounts of inter-fund receivables and payables as of June 30, 2014 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General	\$ 15,783	General	\$ 80,794
Debt Service	79,694	Food service	15,783
Food service	1,100		-
	<u>\$ 96,577</u>	TOTAL	<u>\$ 96,577</u>

Fiduciary Fund has amounts due from the General Fund in the amount of \$9,791 and Athletic Fund for \$14,857.

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfer Out</u>
Food Service	\$ 1,404	General	\$ 1,404
Debt Service	50	Capital Project	50
	<u>\$ 1,454</u>	TOTAL	<u>\$ 1,454</u>

NOTE G - PAYABLES

Accounts payable and accrued liabilities as of June 30, 2014, for the District's governmental funds individual major funds and non-major funds in the aggregate, are as follows:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Accounts payable	\$ 62,424	\$ 288	\$ 62,712
Accrued expenses	223,074	414	223,488
	<u>\$ 285,498</u>	<u>\$ 702</u>	<u>\$ 286,200</u>

NOTE H - LONG TERM DEBT

2008 School Bus and Site Bonds

On August 28, 2008, the District issued \$425,000 of general obligation - unlimited tax bonds for the purpose of purchasing buses over a period of three years and repairing sidewalks.

<u>Fiscal Year</u>	<u>November 1 Interest</u>	<u>May 1 Interest</u>	<u>May 1 Principal</u>	<u>Total</u>
2014-2015	\$ 3,600	\$ 2,420	\$ 70,000	\$ 76,020
2015-2016	2,520	1,260	70,000	73,780
2016-2017	1,260	-	-	1,260
	<u>\$ 7,380</u>	<u>\$ 3,680</u>	<u>\$ 140,000</u>	<u>\$ 151,060</u>

2012 Refunding Bonds

On November 27, 2012, the School District issued general obligation bonds of \$4,530,000. Proceeds from this bond issue were used to advance refund a portion of the 2004 refunding bonds. The refunding was undertaken to reduce annual debt service payments.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014

NOTE H - LONG TERM DEBT (Continued)

Optional Redemption: The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2021, are subject to redemption at the option of the School District in such order as the School District may determine and by lot within any maturity, on any date occurring on or after May 1, 2021, at par plus accrued interest to the date fixed for redemption.

The Bonds due May 1, 2021 are term bonds subject to mandatory redemption in part, by lot, on the redemption dates and in the principal amounts set forth below and at the redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date.

<u>Fiscal Year</u>	<u>November 1 Interest</u>	<u>May 1 Interest</u>	<u>May 1 Principal</u>	<u>Total</u>
2014-2015	\$ 43,422	\$ 43,423	\$ 430,000	\$ 516,845
2015-2016	40,197	40,198	440,000	520,395
2016-2017	36,897	36,898	440,000	513,795
2017-2018	33,597	33,598	440,000	507,195
2018-2019	29,197	29,198	425,000	483,395
2019-2020	24,947	24,948	415,000	464,895
2020-2021	20,797	20,798	410,000	451,595
2021-2022	16,697	16,698	400,000	433,395
2022-2023	12,697	12,698	390,000	415,395
2023-2024	8,505	8,505	380,000	397,010
2024-2025	4,230	4,230	360,000	368,460
	<u>\$ 271,183</u>	<u>\$ 271,192</u>	<u>\$ 4,530,000</u>	<u>\$ 5,072,375</u>

Long-term liabilities activity, as reported in and liquidated through the following funds for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance June 30, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
2004 Refunding	\$ 395,000	\$ -	\$ 395,000	\$ -	\$ -
2012 Refunding	4,530,000	-	-	4,530,000	430,000
2008 School Bus & Site	200,000	-	60,000	140,000	70,000
	<u>5,125,000</u>	<u>-</u>	<u>455,000</u>	<u>4,670,000</u>	<u>\$ 500,000</u>
Other Accrued Interest	48,789	-	33,475	15,314	
Accrued Benefits	36,041	-	2,424	33,617	
TOTAL	<u>\$ 5,209,830</u>	<u>\$ -</u>	<u>\$ 490,899</u>	<u>\$ 4,718,931</u>	

As of June 30, 2014, the aggregate maturities of long-term debt for the next ten years and thereafter are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014-2015	\$ 500,000	\$ 92,865	\$ 592,865
2015-2016	510,000	84,175	594,175
2016-2017	440,000	75,055	515,055
2017-2018	440,000	67,195	507,195
2018-2019	425,000	58,395	483,395
2019-2020	415,000	49,445	464,445
2020-2021	410,000	41,595	451,595
2021-2022	400,000	33,395	433,395
2022-2023	390,000	25,395	415,395
2023-2024	380,000	17,010	397,010
2024-2025	360,000	8,460	368,460
	<u>\$ 4,670,000</u>	<u>\$ 552,985</u>	<u>\$ 5,222,985</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014

NOTE I - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description: The School District contributes to the Michigan Public School Employees Retirement Systems (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan, Department of Management & Budget, Office of Retirement Services. MPERS provides retirement, survivor and disability to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute. The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to MPERS, P.O. Box 30171, Lansing, MI 48909-7671, by calling (517) 322-5103 or on the State of Michigan's website at www.Michigan.gov.

Funding Policy

Defined Benefit Plan: Member contribution rates vary based on date of hire and certain voluntary elections. Member Investment Plan ("MIP") members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 through June 30, 2008 contribute at the following graduated permanently fixed contribution rates: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000. Members first hired July 1, 2008 through June 30, 2010 contribute at the following graduated permanently fixed contribution rates: 3.0 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 6.4 percent of all wages over \$15,000. Basic Plan members make no contributions. Members first enrolled on or after July 1, 2010 are enrolled in the MIP Plus Plan. Member contributions are matched at a rate of 50 percent by the employer, up to a maximum of one percent. Basic 4% and MIP 7% members contribute 4 percent and 7 percent of pretax salary, respectively. Based on the option selected at enrollment, these individuals contribute at a fixed rate until termination of employment or until reaching 30 years of service. At that time, based on the option selected, employee contributions are no longer required or revert to the contribution requirements under the MIP plan in which the employee initially enrolled.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree healthcare benefits on a cash disbursement basis. The rates for the year ended June 30, 2014 as a percentage of payroll ranged from 20.96 to 24.79 percent.

Hybrid Plans: Members that initially enrolled in the defined benefit plan were provided the option to convert to a defined contribution plan. In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4 percent employer contributions to a personal 401(k) account. Voluntary employee contributions are permitted in accordance with IRS guidelines. Employer contributions and earnings thereon vest based on the following schedule: 50 percent at 2 years of service, 75 percent at 3 years of service, and 100 percent at 4 years of service. Any voluntary contributions vest with the employee immediately. If a member participating in the hybrid plan retires with certain age and service requirements, he or she will receive a monthly pension based on compensation received before February 1, 2013.

Defined Contribution Plan: A member first enrolling in MPERS on or after September 4, 2012 is automatically enrolled in the defined contribution plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the hybrid plan as described above.

The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPERS under all plans for the years ended June 30, 2014, 2013, and 2012 were \$249,888, \$248,263 and \$244,209 respectively, equal to the required contributions for each year.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014

NOTE I - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (Continued)

Other Post Employment Benefits

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

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

The District's contributions to MPSERS for other postemployment benefits are not separately identified and are included in the contribution amounts disclosed above.

NOTE J - 403(b) RETIREMENT PLAN

The District established a 403(b) plan which is a qualified tax sheltered annuity for the benefit of eligible employees. The plan is self-administered by the District with a plan year ending each December 31. Participants can invest in annuity contracts or custodial accounts which invest in mutual funds. The District is not required to make contributions. Distributions are governed by IRS regulations.

NOTE K - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for general liability and employee medical benefit claims and participates in the SEG Self-insurers Workers' Disability Compensation Fund for claims relating to employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

NOTE L - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). While the exact amount of this liability is not readily determinable at this time and management has not made an estimated. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
REVENUES:				
Local sources	\$ 1,237,290	\$ 1,351,144	\$ 1,353,156	\$ 2,012
State sources	665,365	682,046	682,573	527
Federal sources	272,726	480,313	480,128	(185)
TOTAL REVENUE	<u>2,175,381</u>	<u>2,513,503</u>	<u>2,515,857</u>	<u>2,354</u>
EXPENDITURES:				
Instruction:				
Basic programs	1,463,892	1,454,673	1,436,224	18,449
Pupil	15,513	5,708	5,570	138
Instructional staff support	5,000	10,035	8,498	1,537
General administration	75,465	204,961	194,362	10,599
School administration	130,501	140,120	137,681	2,439
Business	87,982	86,532	83,385	3,147
Operation and maintenance	286,475	280,703	272,235	8,468
Pupil transportation	192,303	237,564	230,025	7,539
Central/Other technical support	16,754	97,032	80,440	16,592
TOTAL EXPENDITURES	<u>2,273,885</u>	<u>2,517,328</u>	<u>2,448,420</u>	<u>68,908</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(98,504)	(3,825)	67,437	71,262
OTHER FINANCING SOURCES (USES)				
Incoming transfers - other schools	20,000	49,999	49,999	-
Operating transfers in (out)	(1,500)	(16,320)	(1,404)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>18,500</u>	<u>33,679</u>	<u>48,595</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (80,004)</u>	<u>\$ 29,854</u>	116,032	<u>\$ 71,262</u>
FUND BALANCE - BEGINNING OF YEAR			<u>171,486</u>	
FUND BALANCE - END OF YEAR			<u>\$ 287,518</u>	

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:			
Local sources:			
Taxes	\$ 1,175,582	\$ 1,175,426	\$ (156)
Penalties and interest	7,000	7,130	130
Investment revenue	1,400	1,355	(45)
Rentals	5,400	5,400	-
Athletics	47,619	47,624	5
Contributions	3,350	3,350	-
Miscellaneous	110,793	112,871	2,078
Total local sources	<u>1,351,144</u>	<u>1,353,156</u>	<u>2,012</u>
State sources:			
Unrestricted grants:			
State aid	<u>573,875</u>	<u>574,681</u>	<u>806</u>
Restricted grants:			
At-risk	28,847	28,567	(280)
Special education	<u>79,324</u>	<u>79,325</u>	<u>1</u>
Total restricted grants	<u>108,171</u>	<u>107,892</u>	<u>(279)</u>
Total state sources	<u>682,046</u>	<u>682,573</u>	<u>527</u>
Federal sources:			
Title I	92,593	90,272	(2,321)
Title II	32,255	33,198	943
REAP	1,704	2,891	1,187
National Forest	226,861	226,861	-
Impact Aid	<u>126,900</u>	<u>126,906</u>	<u>6</u>
Total federal sources	<u>480,313</u>	<u>480,128</u>	<u>(185)</u>
TOTAL REVENUES	<u>2,513,503</u>	<u>2,515,857</u>	<u>2,354</u>
EXPENDITURES:			
Instruction:			
Basic program:			
Elementary School	515,200	509,692	5,508
High School	<u>606,170</u>	<u>592,408</u>	<u>13,762</u>
Total basic program	<u>1,121,370</u>	<u>1,102,100</u>	<u>19,270</u>
Added needs:			
Special education	179,609	182,100	(2,491)
Compensatory education	<u>153,694</u>	<u>152,024</u>	<u>1,670</u>
Total added needs	<u>333,303</u>	<u>334,124</u>	<u>(821)</u>
Total instruction	<u>1,454,673</u>	<u>1,436,224</u>	<u>18,449</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2014

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Supporting services:			
Pupil:			
Guidance	271	267	4
Health	5,437	5,303	134
Total pupil	<u>5,708</u>	<u>5,570</u>	<u>138</u>
Instructional staff:			
Improvement of instruction	6,594	5,489	1,105
Library	3,441	3,009	432
Total instructional staff	<u>10,035</u>	<u>8,498</u>	<u>1,537</u>
General administration:			
Board of education	173,067	165,043	8,024
Executive administration	31,894	29,319	2,575
Total general administration	<u>204,961</u>	<u>194,362</u>	<u>10,599</u>
School administration:			
Office of principal	140,120	137,681	2,439
Business-fiscal services	86,532	83,385	3,147
Operation & maintenance	280,703	272,235	8,468
Pupil transportation	237,564	230,025	7,539
Athletics	80,259	63,936	16,323
Other technical support	<u>16,773</u>	<u>16,504</u>	<u>269</u>
Total supporting services	<u>1,062,655</u>	<u>1,012,196</u>	<u>50,459</u>
TOTAL EXPENDITURES	<u>2,517,328</u>	<u>2,448,420</u>	<u>68,908</u>
EXCESS OF REVENUES OVER EXPENDITURES	(3,825)	67,437	71,262
OTHER FINANCING SOURCES (USES):			
Incoming transfers - other schools	49,999	49,999	-
Operating transfer in (out)	<u>-</u>	<u>(1,404)</u>	<u>(1,404)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>49,999</u>	<u>48,595</u>	<u>(1,404)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 46,174</u>	116,032	<u>\$ 69,858</u>
FUND BALANCE, BEGINNING OF YEAR		<u>171,486</u>	
FUND BALANCE, END OF YEAR		<u>\$ 287,518</u>	

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 2014

	Debt	Sidewalk/	
	<u>Retirement</u>	<u>Bus Debt</u>	<u>Total</u>
ASSETS:			
Restricted cash	\$ 93,756	\$ 14,830	\$ 108,586
Taxes receivable	2	729	731
Due from other funds	79,694	-	79,694
Due from other governments	4,875	-	4,875
Other assets	-	5,494	5,494
TOTAL ASSETS	<u>\$ 178,327</u>	<u>\$ 21,053</u>	<u>\$ 199,380</u>
LIABILITIES:			
Accounts payable	\$ -	-	-
Other liabilities	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:			
Restricted	<u>178,327</u>	<u>21,053</u>	<u>199,380</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 178,327</u>	<u>\$ 21,053</u>	<u>\$ 199,380</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
DEBT SERVICE FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2014

	Debt Retirement	Sidewalk/ Bus Debt	Total
REVENUES:			
Local sources:			
Taxes:			
Current taxes	\$ 484,272	\$ 72,203	\$ 556,475
Other taxes	872	119	991
Penalties & interest on delinquent taxes	46	7	53
Total taxes	<u>485,190</u>	<u>72,329</u>	<u>557,519</u>
Miscellaneous	<u>2</u>	<u>-</u>	<u>2</u>
 TOTAL REVENUES	 <u>485,192</u>	 <u>72,329</u>	 <u>557,521</u>
 EXPENDITURES:			
Interest on bonds	102,639	7,200	109,839
Redemption of bond principle	395,000	60,000	455,000
Tax collection fees	100	150	250
Other expense	<u>191</u>	<u>17</u>	<u>208</u>
 TOTAL EXPENDITURES	 <u>497,930</u>	 <u>67,367</u>	 <u>565,297</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(12,738)</u>	 <u>4,962</u>	 <u>(7,776)</u>
 OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)	<u>-</u>	<u>50</u>	<u>50</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>50</u>	<u>50</u>
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	 <u>(12,738)</u>	 <u>5,012</u>	 <u>(7,726)</u>
 FUND BALANCE, BEGINNING OF YEAR	 <u>191,065</u>	 <u>16,041</u>	 <u>207,106</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 178,327</u>	 <u>\$ 21,053</u>	 <u>\$ 199,380</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2014

	Food	Capital	Total
	Service	Projects	(Memorandum Only)
ASSETS			
Cash	\$ 23,092	\$ -	\$ 23,092
Receivables	22	-	22
Prepaid expense	288	-	288
Due from other funds	1,100	-	1,100
Due from governmental units	1,217	-	1,217
Inventory	1,568	-	1,568
TOTAL ASSETS	<u>\$ 27,287</u>	<u>\$ -</u>	<u>\$ 27,287</u>
LIABILITIES			
Accrued expenses	414	-	414
Due to other funds	16,525	-	16,525
TOTAL LIABILITIES	<u>16,939</u>	<u>-</u>	<u>16,939</u>
FUND BALANCE:			
Nonspendable:			
Inventory	1,568	-	1,568
Prepays	288	-	288
Restricted	8,492	-	8,492
TOTAL FUND BALANCE	<u>10,348</u>	<u>-</u>	<u>10,348</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 27,287</u>	<u>\$ -</u>	<u>\$ 27,287</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014

	Food Service	Capital Projects	Total (Memorandum Only)
REVENUES			
Local sources	\$ 27,966	\$ 50	\$ 28,016
State sources	6,221	-	6,221
Federal sources	99,481	-	99,481
TOTAL REVENUES	133,668	50	133,718
EXPENSES			
Salaries and wages	35,072	-	35,072
Employee benefits	31,269	-	31,269
Supplies, materials, and other	67,743	44,964	112,707
TOTAL EXPENDITURES	134,084	44,964	179,048
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(416)	(44,914)	(45,330)
Other Financing Sources (Uses)			
Operating transfers in (out)	1,404	(50)	1,354
Net Change in Fund Balance	988	(44,964)	(43,976)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	9,360	44,964	54,324
FUND BALANCE (DEFICIT), END OF YEAR	\$ 10,348	\$ -	\$ 10,348

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
FOOD SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:			
Local sources:			
Adult lunches	\$ 2,094	\$ 2,112	\$ 18
Special milk	315	316	1
Student lunches	18,300	18,549	249
Earnings on investments	75	99	24
Miscellaneous	<u>6,889</u>	<u>6,890</u>	<u>1</u>
Total local sources	<u>27,673</u>	<u>27,966</u>	<u>293</u>
State sources	6,221	6,221	-
Federal sources:			
School lunch program	91,309	91,311	2
USDA entitlements	<u>7,500</u>	<u>8,170</u>	<u>670</u>
Total federal sources	<u>98,809</u>	<u>99,481</u>	<u>672</u>
TOTAL REVENUES	<u>132,703</u>	<u>133,668</u>	<u>965</u>
EXPENDITURES:			
Salaries and wages	33,664	35,072	(1,408)
Employee benefits	28,951	31,269	(2,318)
Supplies, materials, and other	<u>67,268</u>	<u>67,743</u>	<u>(475)</u>
TOTAL EXPENDITURES	<u>129,883</u>	<u>134,084</u>	<u>(4,201)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in (out)	<u>-</u>	<u>1,404</u>	<u>1,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 2,820</u>	988	<u>\$ (3,236)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>9,360</u>	
FUND BALANCE, END OF YEAR		<u>\$ 10,348</u>	

FEDERAL AWARDS

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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

To the Board of Education
Ewen-Trout Creek Consolidated School District
Ewen, Michigan

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 Ewen-Trout Creek Consolidated School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will be 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 the limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

October 27, 2014

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133-133

Board of Education
Ewen-Trout Creek Consolidated School District
Ewen, Michigan

Report on Compliance for Each Major Federal Program

We have audited Ewen-Trout Creek Consolidated 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 Ewen-Trout Creek Consolidated School District's major federal programs for the year ended June 30, 2014. Ewen-Trout Creek Consolidated School District's major federal programs are identified in the summary of auditors results section of the accompanying schedule of findings and questioned costs.

Management 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 Ewen-Trout Creek Consolidated 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 Ewen-Trout Creek Consolidated 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 Ewen-Trout Creek Consolidated School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2014.

Report on Internal Control Over Compliance

Management of Ewen-Trout Creek Consolidated 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 Ewen-Trout Creek Consolidated School District's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 Ewen-Trout Creek Consolidated 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.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

October 27, 2014

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2013	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2014
<i>U.S. Department of Education:</i>						
Direct						
Small Rural Achievement Grant - REAP						
S358A111925 2011-12	84.358A	\$ 2,891	\$ -	\$ 1,704	\$ 2,891	\$ 1,187
P.L. 874 - Impact Aid S041A-2014-2435	84.041	126,906	-	126,906	126,906	-
Total Direct		<u>129,797</u>	<u>-</u>	<u>128,610</u>	<u>129,797</u>	<u>1,187</u>
Passed through Michigan Department of Education						
Title I Part A Grant 141520-1314	84.010	90,272	-	71,039	90,272	19,233
Title I Part A Grant 131520-1213	84.010	60,951	60,951	60,951	-	-
Title IIA Improving Teacher Quality 130520-1213	84.010	18,811	18,811	18,811	-	-
Title IIA Improving Teacher Quality 140520-1314	84.367	33,198	-	26,436	33,198	6,762
Total Passed through M.D.E.		<u>203,232</u>	<u>79,762</u>	<u>177,237</u>	<u>123,470</u>	<u>25,995</u>
Total U.S. Dept of Education		<u>333,029</u>	<u>79,762</u>	<u>305,847</u>	<u>253,267</u>	<u>27,182</u>
<i>U.S. Department of Agriculture:</i>						
Passed Through Michigan Dept of Education						
National School Lunch						
Section 11 - Free & Reduced	10.555	63,576	-	63,315	63,576	261
Breakfast	10.533	27,735	-	27,625	27,735	110
		91,311	-	90,940	91,311	371
Food Distributions- Entitlement Commodities	10.550	8,170	-	8,170	8,170	-
		<u>99,481</u>	<u>-</u>	<u>99,110</u>	<u>99,481</u>	<u>371</u>
Schools and Roads - USDA Forest Service						
Ottawa National Forest						
Passed Through Houghton County	10.670	23,295	-	23,295	23,295	-
Passed Through Ontonagon County	10.670	203,566	-	203,566	203,566	-
		226,861	-	226,861	226,861	-
Total U.S. Dept of Agriculture		<u>326,342</u>	<u>-</u>	<u>325,971</u>	<u>326,342</u>	<u>371</u>
TOTALS		<u>\$ 659,371</u>	<u>\$ 79,762</u>	<u>\$ 631,818</u>	<u>\$ 579,609</u>	<u>\$ 27,553</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - JUNE 30, 2014

NOTE A - OVERSIGHT AGENCY

The U. S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the District's federal financial assistance.

NOTE B - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE C - FINAL COST REPORT - FORM DS4044

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year grants were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with the prior year audited figures.

NOTE D - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION

A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards to federal revenue recognized on page 47 of these financial statements is \$579,609.

The amounts reported as current payments on the MDE grant reports prepared by the State of Michigan, reconcile to the Schedule of Expenditures of Federal Awards as follows:

Total current payments per MDE grant reports	\$	268,547
Less prior year revenues:		
Title I		(60,951)
Title IIA		(18,810)
Plus		
Receivables:		
Title I		19,233
Title IIA		6,762
Other federal revenue:		
Food Commodities		8,170
Small Rural Achievement Grant		2,891
Impact Aid		126,906
Ottawa National Forest		226,861
Schedule of Expenditures of Federal Awards	\$	<u>579,609</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:		Unqualified
Internal Control over financial reporting:		
• Material weakness(es) identified?		No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?		No
Noncompliance material to financial statements noted?		No
Federal Awards		
Internal control over major programs:		
• Material weakness(es) identified?		No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?		None Reported
Type of auditor's report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 520(a) of Circular A-133?		No
Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	10.666	Schools and Roads
	84.041	Impact Aid
Dollar threshold used to distinguish between type A and type B programs:		\$300,000
Auditee qualified as low-risk auditee?		No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year – No matters were reported.

Prior Year – No matters were reported.

COMMUNICATION SECTION

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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906.482.6601 906.482.9046 fax www.rukkilanegro.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Education
Ewen-Trout Creek Consolidated School District
Ewen, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ewen-Trout Creek Consolidated School District for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable Government Auditing Standards and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 23, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Ewen-Trout Creek Consolidated School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by Ewen-Trout Creek Consolidated School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting Ewen-Trout Creek Consolidated School District's financial statements is current judgements.

Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Ewen-Trout Creek Consolidated School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Ewen-Trout Creek Consolidated School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the board and management of Ewen-Trout Creek Consolidated School District and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate your business, thank you.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

October 27, 2014