

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)

YEAR ENDED JUNE 30, 2016

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

June 30, 2016

ADMINISTRATION

Superintendent/Principal..... Alan Tulppo

BOARD OF EDUCATION

President..... Kirk Schott

Vice President..... Holly Driesenga

Treasurer..... Nancy Kugler

Secretary..... Amanda Brady

Trustee..... John Pinkerton

Trustee..... Fred Sliger

Trustee..... Kelli Logghe

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RUKKILA I NEGRO AND ASSOCIATES

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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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ewen-Trout Creek Consolidated School District as of June 30, 2016, 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, budgetary comparison information, and pension requirements on pages 7 through 14 and 39 through 41 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 additional information on pages 43 to 52 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information on pages 43 to 52 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2016 on our consideration of the 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 the Ewen-Trout Creek Consolidated School District internal control over financial reporting and compliance.

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

October 26, 2016

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

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, 2016. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

Over the past three 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 2016-17 school year with a \$588,085 general fund balance, which will amount to about 24% of annual general fund expenses.

School administration will continue to recommend budgets that aim to maintain a fund balance that is equal to, or exceeds, 15% of annual expenses. As a result, school administration anticipates that negotiations with employee groups will possibly 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. The district has already made efforts to compensate employees at levels comparable to neighboring districts in the region as a result of the collective bargaining agreements settled with employee groups during the last round of negotiations.

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. The district enrollment profile (with far fewer students in the lower grades) suggests the possibility of continued enrollment decline going forward. The district expects some stabilization in student enrollment in upcoming years. The district faces the same economic challenges as the other school systems in the Gogebic-Ontonagon Intermediate School District and will need to remain vigilant to safeguard the district's finances. The administration plans to use financial and personnel resources in a strategic manner to maximize educational opportunities for students.

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 15% of the district's current annual budgeted revenue. Efforts to control expanding federal deficits conceivably could reduce or even eliminate such district revenue sources sometime in the future.

The district is now in a financial position that enables it to address building and property maintenance needs that have been deferred over the past 3-5 years. The administration recommends creating a prioritized maintenance schedule to address needs that can be managed within the parameters of the school district's general fund budget, while having a minimal impact on the fund balance.

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.

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 Assets and Liabilities, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

The 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 assets and liabilities. 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, School Service, and Capital Project Funds.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

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, Debt Service Fund, and Capital Project 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 School Service Funds.

Summary of Net Position		
	2016	2015
Assets		
Current and other assets	\$ 4,090,466	\$ 848,730
Restricted cash and investments	141,928	137,161
Capital assets - net	8,387,804	6,065,481
Total assets	<u>12,620,198</u>	<u>7,051,372</u>
Deferred outflows of resources - Pension	533,860	286,871
Liabilities		
Current liabilities	1,549,054	278,029
Long-term liabilities	8,176,393	4,201,117
Net pension liability	3,111,301	2,608,141
Total liabilities	<u>12,836,748</u>	<u>7,087,287</u>
Deferred inflows of resources - Pension	13,662	292,867
Net position		
Net investment in capital assets	2,155,375	1,881,662
Restricted		
Debt service	240,670	192,657
Food service	(4,511)	5,411
Unrestricted	(2,087,886)	(2,121,641)
Total net position	<u>\$ 303,648</u>	<u>\$ (41,911)</u>

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Overview of the Financial Statements (Continued)

Results of Operations in Governmental Activities		
	2016	2015
Program Revenues		
Charges for services	\$ 47,879	\$ 43,559
Operating grants and contributions	713,298	921,386
General Revenues		
Taxes	1,768,416	1,787,385
State foundation allowance	523,858	571,461
Interest	8,724	3,663
Transfers	19,966	15,446
Special item - sale of fixed assets	-	610
Other	86,953	73,882
Total revenues	<u>3,169,094</u>	<u>3,417,392</u>
Functions/program expenses		
Instruction	1,643,866	1,665,591
Supporting services	895,086	1,049,531
Food Service	132,834	135,055
Athletics	77,248	-
Community services	(81,469)	-
Interest expense	105,942	90,390
Other expense	50,028	2,684
Total expenses	<u>2,823,535</u>	<u>2,943,251</u>
Change in net position	345,559	474,141
Net position - Beginning	<u>(41,911)</u>	<u>(516,052)</u>
Net position - Ending	<u>\$ 303,648</u>	<u>\$ (41,911)</u>

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Overview of the Financial Statements (Continued)

The following table highlights the District's General Fund activities:

	<u>2016</u>	<u>% of total</u>	<u>2015</u>	<u>% of total</u>
Revenues				
Taxes	\$ 1,221,465	49.1 %	\$ 1,201,053	44.5 %
Penalties and interest	5,658	0.2 %	7,137	0.3 %
Other local sources	112,463	4.5 %	97,988	3.6 %
Other financing sources	33,040	1.3 %	15,446	0.6 %
Federal sources	459,784	18.4 %	657,027	24.3 %
State sources	661,990	26.5 %	721,245	26.7 %
Total revenues	<u>\$ 2,494,400</u>	<u>100.0 %</u>	<u>2,699,896</u>	<u>100.0 %</u>
Expenditures				
Pupil transportation	\$ 232,132	9.6 %	\$ 235,009	9.4 %
Pupil	5,547	0.2 %	26,771	1.1 %
Instructional staff	6,400	0.3 %	3,234	0.1 %
General administration	81,281	3.3 %	93,478	3.8 %
Instruction	1,489,812	61.3 %	1,482,302	60.2 %
School administration	121,386	5.0 %	147,724	6.0 %
Business-fiscal services	106,041	4.4 %	92,617	3.8 %
Athletics	77,248	3.2 %	73,176	3.0 %
Operations & maintenance	285,214	11.7 %	282,655	11.5 %
Technical support	24,867	1.0 %	26,835	1.1 %
Total expenditures	<u>\$ 2,429,928</u>	<u>100.0 %</u>	<u>\$ 2,463,801</u>	<u>100.0 %</u>

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Significant Transactions and Changes in Individual Funds

A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	2016	2015	Change
General Fund			
Revenues/Transfers	\$ 2,494,400	\$ 2,699,896	\$ (205,496)
Expenditures/Transfers	\$ 2,429,928	\$ 2,463,801	\$ (33,873)
Fund Balance	\$ 588,085	\$ 523,613	\$ 64,472
Debt Service Fund			
Revenues/Transfers	\$ 690,956	\$ 587,846	\$ 103,110
Expenditures/Transfers	\$ 642,943	\$ 594,569	\$ 48,374
Fund Balance	\$ 240,670	\$ 192,657	\$ 48,013
School Service Fund			
Revenues/Transfers	\$ 121,614	\$ 129,650	\$ (8,036)
Expenditures/Transfers	\$ 133,604	\$ 134,587	\$ (983)
Fund Balance	\$ (6,579)	\$ 5,411	\$ (11,990)
Capital Projects Fund			
Revenues/Transfers	\$ 4,494,782	\$ -	\$ 4,494,782
Expenditures/Transfers	\$ 2,596,772	\$ -	\$ 2,596,772
Fund Balance	\$ 1,898,010	\$ -	\$ 1,898,010

General Fund: There was a significant decrease in revenue. Local sources had a net increase of \$34,018, a majority being from athletics and taxes revenue. State sources decreased by \$59,255, this was comprised of decreases in State Aid At-Risk funding and state aid. Federal revenue had a large decrease of \$197,243, mainly due to \$207,802 less in Impact Aid and an increase of \$32,018 in Title I and Title II grants.

The District experienced a decrease in expenditures of \$33,873 from the previous year. The decrease is a combination of a reduction in instructional, pupil, school administration, and pupil transportation expenditures.

Debt Service Fund: The major change in the debt retirement accounts for the building and bus/sidewalk debt was an increase of \$52,858 as a transfer in from the capital projects fund and a bond premium of \$89,800 from the issuance on a new bond.. The expenditures increased by the new bond cost of issuance of \$49,467. The tax millage decreased to 4.9000 mills.

School Service Fund: The net decrease in the food service program was from a decrease in federal and state funds.

Capital Projects Fund: The increase in the capital projects fund is due to a new bond issue for building renovations, repairs and a school bus purchase.

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 1. 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, 2016, the original budget was adopted in June 2015. 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.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

General Fund Budgetary Highlights (Continued)

	Budgeted Amounts		Actual	Variance Final to Actual	% Variance
	Original	Final			
Revenues	\$ 2,170,676	\$ 2,399,737	\$ 2,461,360	\$ 61,623	2.6 %
Expenditures					
Instruction	\$ 1,285,458	\$ 1,521,096	\$ 1,489,812	\$ 31,284	2.1 %
Supporting services	910,444	934,342	940,116	(5,774)	(0.6)%
Total expenditures	\$ 2,195,902	\$ 2,455,438	\$ 2,429,928	\$ 25,510	1.0 %
Other financing sources (uses)	\$ (56,144)	\$ 33,040	\$ 33,040	\$ -	- %

Revenue budget had an increase from the original to the final in the amount of \$267,422. Originally \$122,146 of MPSEs Stabilization, \$35,497 revenue from 22 Discretionary payment, and \$12,403 property tax revenue was not included. There were no significant variances between the final budget and actual.

Instructional expenditure budget was increased by \$235,638 from the original to final budget. The final budget to actual decreased by \$31,284 comprising mostly of decrease in high school and special education spending.

Supporting services expenditure budget was increased by \$23,898 from the original to final budget. The original budget was increased in instruction, pupil, school administration, business, and athletics. Decreases were noted in general administration, operation and maintenance expenditures. The final budget to actual variance of \$5,774 was mainly in business fiscal services and athletics.

Capital Assets and Debt Administration

Capital Assets – A 2005 Chevy Silverado truck and plow were purchased on December 3, 2015 for \$15,393. A keyless entry security system was purchased and installed on September 10, 2015 for \$13,074. On December 17, 2015, 15 Dell Chromebooks and a docking cart were purchased. Costs incurred for construction in progress totaled \$2,535,583 as of June 30, 2016. Depreciation expense totaled \$248,312.

Additional information on the District's capital assets can be found on page 28 of this report.

Long-term Debt – At the end of the current fiscal year, the District's total debt was \$8,150,000. This total amount is backed by the full faith and credit of the District. The District's net total debt increased by \$3,980,000.

Additional information on the District's long-term debt can be found on pages 29 through 31 of this report.

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

The graph depicts a decrease of 11 students enrolled from the previous year, using the State Aid Membership Count.

Year	Student Total	Change
2011-12	243	6
2012-13	235	(8)
2013-14	240	5
2014-15	229	(11)
2015-16	217	(12)

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 \$7,391 for the 2015-16 school year.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

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, Alan Tulppo, at Ewen-Trout Creek Consolidated School District, 14312 Airport Road, Ewen, Michigan 49925. Telephone number (906) 813-0620, fax (906) 813-0622, or email tulppoj@etc.k12.mi.us.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

Assets	
Cash and cash equivalents	\$ 3,762,999
Taxes receivable	2
Accounts receivable	1,774
Due from governmental units	249,076
Prepaid expenses	69,052
Inventories	2,068
Restricted cash	141,928
Other current assets	5,495
Capital assets - Net	8,387,804
Total assets	<u>12,620,198</u>
Deferred outflows of resources - Pension	533,860
Liabilities	
Accounts payable	1,296,792
Accrued expenditures and salaries payable	207,558
Due to governmental units	(22,218)
Due to fiduciary funds	13,857
Deferred revenues	16,219
Accrued interest	36,846
Bonds payable, due within one year	490,000
Bonds payable, due in more than one year	7,660,000
Compensated absences	26,393
Net pension liability	3,111,301
Total liabilities	<u>12,836,748</u>
Deferred inflows of resources - Pension	13,662
Net position	
Net investment in capital assets	2,155,375
Restricted	
Debt service	240,670
Food service	(4,511)
Unrestricted	(2,087,886)
Total net position	<u>\$ 303,648</u>

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Governmental</u>
	<u>Expenditures</u>	<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>services</u>	<u>grants and</u>	<u>Net (Expense)</u>
			<u>contributions</u>	<u>Revenue and</u>
				<u>Changes in Net</u>
				<u>Position</u>
<u>Government Activities</u>				
Instruction and instructional support	\$ 1,643,866	\$ -	\$ 601,266	\$ (1,042,600)
Support services	895,086	-	-	(895,086)
School food service	132,834	30,189	91,392	(11,253)
Athletics	77,248	17,690	20,640	(38,918)
Capital projects	(81,469)	-	-	81,469
Interest on long-term debt	105,942	-	-	(105,942)
Other debt service	50,028	-	-	(50,028)
Total governmental activities	<u>\$ 2,823,535</u>	<u>\$ 47,879</u>	<u>\$ 713,298</u>	<u>(2,062,358)</u>
General revenues:				
Taxes, levied for general operations				1,221,465
Taxes, levied for debt service				546,951
Unrestricted state aid				523,858
Earnings on investments				8,724
Miscellaneous				73,879
Miscellaneous other financing sources				13,074
Incoming transfers - other schools				19,966
Total general revenues, transfers, and special items				<u>2,407,917</u>
Change in net position				345,559
Net position - Beginning of year				<u>(41,911)</u>
Net position - End of year				<u>\$ 303,648</u>

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2016

	General Fund	Debt Retirement	2016 Capital Projects	Non-Major Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 457,638	\$ 88,217	\$ 3,187,184	\$ 29,960	\$ 3,762,999
Taxes receivable	-	2	-	-	2
Accounts receivable	52	-	-	1,722	1,774
Due from governmental units	248,403	-	-	673	249,076
Due from other funds	34,468	5,028	-	1,270	40,766
Inventories	-	-	-	2,068	2,068
Prepaid expenses	66,504	-	-	2,548	69,052
Other current assets	-	5,495	-	-	5,495
Restricted cash	-	141,928	-	-	141,928
Total assets	\$ 807,065	\$ 240,670	\$ 3,187,184	\$ 38,241	\$ 4,273,160
Liabilities					
Accounts payable	\$ 12,646	\$ -	\$ 1,284,146	\$ -	\$ 1,296,792
Accrued expenditures and salaries payable	197,206	-	-	10,352	207,558
Due to other funds	1,270	-	5,028	34,468	40,766
Due to fiduciary funds	13,857	-	-	-	13,857
Due to governmental units	(22,218)	-	-	-	(22,218)
Deferred revenues	16,219	-	-	-	16,219
Total liabilities	218,980	-	1,289,174	44,820	1,552,974
Fund balances					
Non-spendable					
Inventories	-	-	-	2,068	2,068
Prepays	66,504	-	-	-	66,504
Restricted					
Debt service	-	240,670	-	-	240,670
Capital projects	-	-	1,898,010	-	1,898,010
Food service	-	-	-	(8,647)	(8,647)
Assigned					
Unassigned	521,581	-	-	-	521,581
Total fund balances	588,085	240,670	1,898,010	(6,579)	2,720,186
Total liabilities and fund balances	\$ 807,065	\$ 240,670	\$ 3,187,184	\$ 38,241	\$ 4,273,160

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET POSITION
June 30, 2016

Fund Balance Reported in Governmental Funds	\$ 2,720,186
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds	8,387,804
Net pension liability	(3,111,301)
Deferred outflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date	533,860
Deferred inflows from the difference between projected and actual investment earnings of the pension plan	(13,662)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(8,176,393)
Accrued interest is not included as a liability in governmental funds	<u>(36,846)</u>
Net position of governmental activities	<u><u>\$ 303,648</u></u>

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, 2016

	General Fund	Debt Retirement	2016 Capital Projects	Non-Major Funds	Total
Revenues					
Local sources	\$ 1,339,586	\$ 548,298	\$ 4,782	\$ 31,922	\$ 1,924,588
State sources	661,990	-	-	4,233	666,223
Federal sources	459,784	-	-	85,459	545,243
Total revenues	<u>2,461,360</u>	<u>548,298</u>	<u>4,782</u>	<u>121,614</u>	<u>3,136,054</u>
Expenditures					
Instruction	1,489,812	-	-	-	1,489,812
Supporting services	862,868	-	-	-	862,868
School service	-	-	-	133,604	133,604
Athletics	77,248	-	-	-	77,248
Capital projects	-	-	2,543,914	-	2,543,914
Debt service	-	642,943	-	-	642,943
Total expenditures	<u>2,429,928</u>	<u>642,943</u>	<u>2,543,914</u>	<u>133,604</u>	<u>5,750,389</u>
Excess (deficiency) of revenues over expenditures	<u>31,432</u>	<u>(94,645)</u>	<u>(2,539,132)</u>	<u>(11,990)</u>	<u>(2,614,335)</u>
Other financing sources (uses)					
Proceeds from issuance of bonds	-	-	4,490,000	-	4,490,000
Operating transfers in (out)	-	52,858	(52,858)	-	-
Incoming transfers - other schools	19,966	-	-	-	19,966
Miscellaneous other financing sources	13,074	-	-	-	13,074
Bond premium	-	89,800	-	-	89,800
Total other financing sources (uses)	<u>33,040</u>	<u>142,658</u>	<u>4,437,142</u>	<u>-</u>	<u>4,612,840</u>
Net change in fund balances	64,472	48,013	1,898,010	(11,990)	1,998,505
Fund balances - Beginning of year	<u>523,613</u>	<u>192,657</u>	<u>-</u>	<u>5,411</u>	<u>721,681</u>
Fund balances - End of year	<u>\$ 588,085</u>	<u>\$ 240,670</u>	<u>\$ 1,898,010</u>	<u>\$ (6,579)</u>	<u>\$ 2,720,186</u>

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 1,998,505
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	2,322,323
Accrued expenses are recorded in the statement of activities when incurred; they are not reported in governmental funds until paid	(18,303)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(4,490,000)
The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds	23,034
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>510,000</u>
Change in net position of governmental activities	<u><u>\$ 345,559</u></u>

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
June 30, 2016

	<u>Student Activities</u>
Assets	
Cash and investments	\$ 32,486
Due from scholarship fund	129
Due from other funds	<u>13,857</u>
Total assets	<u><u>\$ 46,472</u></u>
Liabilities	
Due to student groups	<u>46,472</u>
Total liabilities	<u><u>\$ 46,472</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, 2016

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.

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.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 judgments, 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.

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

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.

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

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, 2016, the foundation allowance was based on pupil membership counts taken in February and October 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 2015 to August 2016. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

The District received approximately 27% 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		\$	7,391.00
Less Local Support:			
Assumed Local Revenue	\$1,205,785.00		
Divided by General Education k-12 membership	<u>217.36</u>		
Calculated Local Support			<u>(5,547.41)</u>
Foundation Grant Allowance Per Pupil		\$	<u><u>1,843.59</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.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

For the year ended June 30, 2016, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General fund - Non-homestead	18.0000
Debt service fund - Homestead and non-homestead	4.9000

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 \$2,068. 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 \$26,393 consisted of accrued sick leave. Accrued sick leave is paid to employees upon retirement and accrued only for 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 UI 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.

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.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund 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, 2016

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 Funds	Student Activities	Total Primary Government
Unrestricted cash	\$ 3,762,999	\$ -	\$ 3,762,999
Restricted cash	141,928	32,486	174,414
Total cash and cash equivalents	<u>\$ 3,904,927</u>	<u>\$ 32,486</u>	<u>\$ 3,937,413</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, 2016, \$3,444,861 of the District's bank balance of \$4,038,847 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, 2016

NOTE D - CAPITAL ASSETS

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

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Capital assets, being depreciated				
Buildings and additions	8,742,436	\$ -	\$ -	8,742,436
Construction in progress	-	2,535,583	-	2,535,583
Improvements other than building	309,244	-	-	309,244
Technology	59,030	6,585	4,332	61,283
Equipment and furniture	355,136	13,074	-	368,210
Vehicles	468,349	15,393	-	483,742
Food service equipment	104,054	-	-	104,054
Subtotal	<u>10,038,249</u>	<u>\$ 2,570,635</u>	<u>\$ 4,332</u>	<u>12,604,552</u>
Accumulated depreciation				
Building and additions	2,882,676	\$ 174,849	\$ -	3,057,525
Improvements other than building	239,217	15,462	-	254,679
Technology	52,379	2,287	4,332	50,334
Equipment and furniture	340,482	3,967	-	344,449
Vehicles	356,500	51,747	-	408,247
Food service equipment	105,514	-	-	105,514
Subtotal	<u>3,976,768</u>	<u>\$ 248,312</u>	<u>\$ 4,332</u>	<u>4,220,748</u>
Net capital assets being depreciated	<u>6,061,481</u>			<u>8,383,804</u>
Net capital assets	<u>\$ 6,065,481</u>			<u>\$ 8,387,804</u>

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

Governmental activities	
Athletic	\$ 6,223
Instruction	174,443
Operations and maintenance	14,459
Pupil transportation	53,187
Total governmental	<u>\$ 248,312</u>

NOTE E - 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, 2016 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General Fund	\$ 34,468	General Fund	\$ 1,270
Food Service Fund	1,270	Food Service Fund	34,468
Debt Retirement	5,028	2016 Capital Projects	5,028
Total	<u>\$ 40,766</u>	Total	<u>\$ 40,766</u>

Fiduciary Fund has amounts due from the Athletic Fund of \$13,857.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

NOTE F - ACCRUED EXPENDITURES & SALARIES PAYABLES

Accrued liabilities as of June 30, 2016, for the District's governmental funds individual major fund and non-major funds in the aggregate, are as follows:

Accrued liabilities	General Fund	Food Service Fund	Total
Salaries payable	\$ 98,392	\$ 4,340	\$ 102,732
Accrued expenditures	98,814	6,012	104,826
Total accrued liabilities	<u>\$ 197,206</u>	<u>\$ 10,352</u>	<u>\$ 207,558</u>

NOTE G - LONG TERM DEBT

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.

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.

Fiscal Year	November 1	May 1		Total
	Interest	Interest	Principal	
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>\$ 187,564</u>	<u>\$ 187,571</u>	<u>\$ 3,660,000</u>	<u>\$ 4,035,135</u>

2016 School Building and Site Bonds

On March 17, 2016, the School District issued general obligation bonds of \$4,490,000. Proceeds from this bond issue were used to remodel, equip, and re-equip school buildings, in part with energy conservation improvements, and purchasing school buses.

The bond issue (denominations of \$5,000) matures as indicated below with interest at varying rates of 1% to 3% per annum payable semiannually on the first day of November and May in each year; and shall mature on May 1 in each year until 2030.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

NOTE G - LONG TERM DEBT (Continued)

Optional Redemption: The bonds or portions of the bonds in multiples of \$5,000 maturing on or after May 1, 2026 are subject to redemption at the option of the District in such order as the District may determine and by lot within any maturity, on any date occurring on or after May 1, 2026 at par plus accrued interest to the date fixed for redemption.

The Bonds due May 1, 2030 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.

Fiscal Year	November 1	May 1		Total
	Interest	Interest	Principal	
2016-2017	73,640	59,175	50,000	182,815
2017-2018	58,925	58,925	140,000	257,850
2018-2019	58,225	58,225	150,000	266,450
2019-2020	56,725	56,725	175,000	288,450
2020-2021	54,975	54,975	195,000	304,950
2021-2022	53,025	53,025	220,000	326,050
2022-2023	50,825	50,825	245,000	346,650
2023-2024	48,375	48,375	270,000	366,750
2024-2025	45,675	45,675	295,000	386,350
2025-2026	41,250	41,250	530,000	612,500
2026-2027	33,300	33,300	540,000	606,600
2027-2028	25,200	25,200	550,000	600,400
2028-2029	16,950	16,950	560,000	593,900
2029-2030	8,550	8,550	570,000	587,100
	<u>\$ 625,640</u>	<u>\$ 611,175</u>	<u>\$ 4,490,000</u>	<u>\$ 5,726,815</u>

Long-term liabilities activity, as reported in and liquidated through the following funds for the fiscal year ended June 30, 2016, was as follows:

	Balance July 01, 2015	Increase	Decrease	Balance June 30, 2016	Current Portion
2012 Refunding	\$ 4,100,000	\$ -	\$ 440,000	\$ 3,660,000	\$ 440,000
2008 School Bus & Site	70,000	-	70,000	-	-
2016 School Building & Site Bond	-	4,490,000	-	4,490,000	50,000
	<u>4,170,000</u>	<u>4,490,000</u>	<u>510,000</u>	<u>8,150,000</u>	<u>\$ 490,000</u>
Other accrued interest	13,819	23,027	-	36,846	
Accrued Benefits	31,117	-	4,724	26,393	
Total	<u>\$ 4,214,936</u>	<u>\$ 4,513,027</u>	<u>\$ 514,724</u>	<u>\$ 8,213,239</u>	

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

NOTE G - LONG TERM DEBT (Continued)

As of June 30, 2016, 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>
2016-2017	\$ 490,000	\$ 206,610	\$ 696,610
2017-2018	580,000	185,045	765,045
2018-2019	575,000	174,845	749,845
2019-2020	590,000	163,345	753,345
2020-2021	605,000	151,545	756,545
2021-2022	620,000	139,445	759,445
2022-2023	635,000	127,045	762,045
2023-2024	650,000	113,760	763,760
2024-2025	655,000	99,810	754,810
2025-2026	530,000	82,500	612,500
2026-2027	540,000	66,600	606,600
2027-2028	550,000	50,400	600,400
2028-2029	560,000	33,900	593,900
2029-2030	570,000	17,100	587,100
	<u>\$ 8,150,000</u>	<u>\$ 1,611,950</u>	<u>\$ 9,761,950</u>

NOTE H -EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description

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

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

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

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

NOTE I - MPSERS CONTRIBUTIONS AND FUNDING STATUS

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

Pension Contribution Rates		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	18.34 - 19.61%
Member Investment Plan	3.0 - 7.0%	18.34 - 19.61%
Pension Plus	3.0 - 6.4%	18.11%
Defined Contribution	0.0%	15.44 - 16.61%

Required contributions to the pension plan from Ewen-Trout Creek Consolidated School District were \$588,085 for the year ended June 30, 2016

NOTE J - NET PENSION LIABILITY

Proportionate Share of Ewen-Trout Creek Consolidated School District's Net Pension Liability

At June 30, 2016, the Ewen-Trout Creek Consolidated School District reported a liability of \$3,111,301 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The District's proportionate share of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the District's proportion was .01273 percent, which was a decrease of .00611 percent from its proportion measured as of September 30, 2014.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

NOTE J - NET PENSION LIABILITY (Continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9%
% Alternative Investment Pools	18.0 %	9.2%
International Equity	16.0 %	7.2%
Fixed Income Pools	10.5 %	.9%
Real Estate and Infrastructure Pools	10.0 %	4.3%
Absolute Return Pools	15.5 %	6.0%
Short Term Investment Pools	2.0 %	0.0%
Total	100.0 %	

* Long term rate of return does not include 2.1% inflation

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Lower (7.0%)	Discount Rate (8.0%)	1% Higher (9.0%)
District's proportionate share of the net pension liability	\$ 4,011,265	\$ 3,111,301	\$ 2,352,595

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

NOTE J - NET PENSION LIABILITY (Continued)

Actuarial Valuations and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

	<u>Actuarial Assumptions</u>
Valuation Date:	September 30, 2014
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
-MIP and Basic Plans (Non-Hybrid)	8.0%
-Pension Plus Plan (Hybrid)	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP members

Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation for the System. For retirees 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.7158
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

NOTE K - PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

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

For the year ended June 30, 2016, the District recognized total pension expense of \$308,083. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ -	\$ 10,306
Changes of assumptions	76,607	-
Net difference between policies and actual earnings on pension plan investments	15,881	-
Changes in proportion and differences between reporting using contributions and proportionate share of contributions	172,008	3,356
District's contributions subsequent to the measurement date	269,364	-
Total	<u>\$ 533,860</u>	<u>\$ 13,662</u>

\$2,068 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Amount
2016	\$ 53,842
2017	\$ 53,842
2018	\$ 49,872
2019	\$ 93,278

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

NOTE L - PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2015 Comprehensive Annual Financial Report, available here: <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

NOTE M - PAYABLES TO THE PENSION PLAN

At June 30, 2016 the District reported a payable of \$23,022 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

NOTE N - 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.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

NOTE O - 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 P - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION

The amounts reported as current payments on MDE grant reports prepared by the State of Michigan, reconcile with the federal revenue on the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances on page 19 as follows:

Total current payments per MDE Reports	\$ 289,929
Less state revenue reported on grant report	(2,050)
Less prior year revenues	
Title I	(69,365)
Title II	(26,831)
Plus	
Receivables	
Title I	13,432
Title II	687
Other federal revenue	
Food commodities	6,027
Small rural achievement grant	-
Impact aid	126,906
Ottawa National Forest	206,508
Schedule of Expenditures of Federal Awards	<u>\$ 545,243</u>

The District expended less than \$750,000 in Federal awards during the fiscal year ended June 30, 2016 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.

NOTE Q - 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.

On March 17, 2016, the School District issued bonds and the proceeds will be used to remodel, equip the building and purchase two new buses. Construction on the project was started during the year ended June 30, 2016. The buses will be purchased and received in the next fiscal year.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2016

NOTE R - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, Governmental Accounting Standards Board (GASB), issued Statement No, 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, which will be effective for the District's 2018 fiscal year. The Statement will require School Districts who participate in defined benefit other post-employment benefit (OPEB) plans to report a net OPEB liability in the statement of net position. The School District will be required to recognize on the statement of net position their proportionate share of the net OPEB liability related to it's participation in the MPERS plan. There will be revised note disclosures and required supplementary information which will enhance the comparability and consistency of how governments calculate the OPEB liabilities and expense.

REQUIRED SUPPLEMENTARY INFORMATION

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 1,262,701	\$ 1,290,265	\$ 1,339,586	\$ 49,321
State sources	473,586	649,620	661,990	12,370
Federal sources	434,389	459,852	459,784	(68)
Total revenues	<u>2,170,676</u>	<u>2,399,737</u>	<u>2,461,360</u>	<u>61,623</u>
Expenditures				
Instruction	1,285,458	1,521,096	1,489,812	31,284
Pupil	29,835	6,000	5,547	453
Instructional staff	6,822	6,291	6,400	(109)
General administration	78,090	85,027	81,281	3,746
School administration	116,811	122,455	121,386	1,069
Business-fiscal services	102,145	103,285	106,041	(2,756)
Operations & maintenance	314,135	293,902	285,214	8,688
Pupil transportation	243,836	237,001	232,132	4,869
Athletics	-	39,100	77,248	(38,148)
Technical support	18,770	25,122	24,867	255
Supplies, materials, and other	-	16,159	-	16,159
Total expenditures	<u>2,195,902</u>	<u>2,455,438</u>	<u>2,429,928</u>	<u>25,510</u>
Excess (deficiency) of revenues over expenditures	(25,226)	(55,701)	31,432	87,133
Other financing sources (uses)				
Incoming transfers - other schools	5,000	19,966	19,966	-
Miscellaneous other financing sources	-	13,074	13,074	-
Operating transfers in (out)	(61,144)	-	-	-
Total other financing sources (uses)	<u>(56,144)</u>	<u>33,040</u>	<u>33,040</u>	<u>-</u>
Net change in fund balances	<u>\$ (81,370)</u>	<u>\$ (22,661)</u>	64,472	<u>\$ 87,133</u>
Fund balances - Beginning of year			<u>523,613</u>	
Fund balances - End of year			<u>\$ 588,085</u>	

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
PENSION REQUIREMENTS - GASB 68
Year Ended June 30, 2016**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

Michigan Public School Employees Retirement Plan
Last Two Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>9/30/2014</u>	<u>9/30/2015</u>
A. District's proportion of net pension liability	0.01184 %	0.01273 %
B. District's proportionate share of net pension liability	\$ 2,608,141	\$ 3,111,301
C. District's covered-employee payroll	\$ 1,016,731	\$ 1,095,761
D. District's proportionate share of net pension liability as a percentage of its covered-employee payroll	39 %	35 %
E. Plan fiduciary net position as a percentage of total pension liability	66.20 %	63.17 %

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

Michigan Public School Employees Retirement Plan
Last Two Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>6/30/2015</u>	<u>6/30/2016</u>
A. Statutorily required contributions	\$ 226,980	\$ 298,135
B. Contributions in relation to statutorily required contributions	227,494	298,135
C. Contribution deficiency (excess)	<u>\$ 514</u>	<u>\$ -</u>
D. District's covered-employee payroll	\$ 1,032,660	\$ 1,064,148
E. Contributions as a percentage of covered-employee	22 %	28 %

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - June 30, 2016

NOTE A - CHANGE OF BENEFIT TERMS

There were no changes of benefit terms in 2015.

NOTE B - CHANGE OF ASSUMPTIONS

There were no changes of benefit assumptions in 2015.

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources			
Taxes	\$ 1,221,406	\$ 1,221,465	\$ 59
Penalties and interest	5,707	5,658	(49)
Earnings on investments	2,193	2,531	338
Athletics	-	38,361	38,361
Contributions	3,350	3,350	-
Miscellaneous	57,609	68,221	10,612
Total local sources	<u>1,290,265</u>	<u>1,339,586</u>	<u>49,321</u>
State sources			
Unrestricted grants			
Unrestricted state aid	510,461	523,858	13,397
Total unrestricted grants	<u>510,461</u>	<u>523,858</u>	<u>13,397</u>
Restricted grants			
Other grants	4,866	4,707	(159)
At-risk	90,274	89,406	(868)
Special education	44,019	44,019	-
Total restricted grants	<u>139,159</u>	<u>138,132</u>	<u>(1,027)</u>
Total state sources	<u>649,620</u>	<u>661,990</u>	<u>12,370</u>
Federal sources			
Title I	101,406	101,406	-
Title II	25,033	24,964	(69)
Ottawa National Forest	206,507	206,508	1
Impact aid	126,906	126,906	-
Total federal sources	<u>459,852</u>	<u>459,784</u>	<u>(68)</u>
Total revenues	<u>2,399,737</u>	<u>2,461,360</u>	<u>61,623</u>
Expenditures			
Instruction			
Basic program			
Elementary school	516,389	512,617	3,772
High school	585,019	569,882	15,137
Total basic program	<u>1,101,408</u>	<u>1,082,499</u>	<u>18,909</u>
Added needs			
Special education	200,040	190,240	9,800
Compensatory education	219,648	217,073	2,575
Total added needs	<u>419,688</u>	<u>407,313</u>	<u>12,375</u>
Total instruction	<u>1,521,096</u>	<u>1,489,812</u>	<u>31,284</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Supporting services			
Pupil			
Guidance	\$ 605	\$ 380	\$ 225
Health	5,395	5,167	228
Total pupil	<u>6,000</u>	<u>5,547</u>	<u>453</u>
Instructional staff			
Improvement of instruction	1,400	1,544	(144)
Library	4,891	4,856	35
Total instructional staff	<u>6,291</u>	<u>6,400</u>	<u>(109)</u>
General administration			
Board of education	52,370	48,951	3,419
Executive administration	32,657	32,330	327
Total general administration	<u>85,027</u>	<u>81,281</u>	<u>3,746</u>
School administration			
Office of principal	122,455	121,386	1,069
Total school administration	<u>122,455</u>	<u>121,386</u>	<u>1,069</u>
Business-fiscal services	103,285	106,041	(2,756)
Operations & maintenance	310,061	285,214	24,847
Pupil transportation	237,001	232,132	4,869
Athletics	39,100	77,248	(38,148)
Technical support	<u>25,122</u>	<u>24,867</u>	<u>255</u>
Total supporting services	<u>934,342</u>	<u>940,116</u>	<u>(5,774)</u>
Total expenditures	<u>2,455,438</u>	<u>2,429,928</u>	<u>25,510</u>
Excess (deficiency) of revenues over expenditures	<u>(55,701)</u>	<u>31,432</u>	<u>87,133</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Other financing sources (uses)			
Incoming transfers - other schools	\$ 19,966	\$ 19,966	\$ -
Miscellaneous other financing sources	<u>13,074</u>	<u>13,074</u>	<u>-</u>
Total other financing sources (uses)	<u>33,040</u>	<u>33,040</u>	<u>-</u>
Net change in fund balances	<u>\$ (22,661)</u>	64,472	<u>\$ 87,133</u>
Fund balances - Beginning of year		<u>523,613</u>	
Fund balances - End of year		<u>\$ 588,085</u>	

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
DEBT SERVICE FUND
COMBINING BALANCE SHEET
June 30, 2016

	2012 Debt Refunding	Sidewalk/Bus Debt	2016 Debt Fund	Total
Assets				
Cash and investments	\$ 127,293	\$ 14,635	\$ 88,217	\$ 230,145
Receivables	2	-	-	2
Due from other funds	-	-	5,028	5,028
Other current assets	-	5,495	-	5,495
Total assets	<u>\$ 127,295</u>	<u>\$ 20,130</u>	<u>\$ 93,245</u>	<u>\$ 240,670</u>
Liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Restricted	<u>127,295</u>	<u>20,130</u>	<u>93,245</u>	<u>240,670</u>
Total fund balances	<u>127,295</u>	<u>20,130</u>	<u>93,245</u>	<u>240,670</u>
Total liabilities and fund balances	<u>\$ 127,295</u>	<u>\$ 20,130</u>	<u>\$ 93,245</u>	<u>\$ 240,670</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
DEBT SERVICE FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2016

	2012 Debt Refunding	Sidewalk/Bus Debt	2016 Debt Fund	Total
Revenues				
Taxes	\$ 470,415	\$ 76,536	\$ -	\$ 546,951
Earnings on investments	1,158	135	54	1,347
Total revenues	<u>471,573</u>	<u>76,671</u>	<u>54</u>	<u>548,298</u>
Expenditures				
Interest expense	80,395	2,520	-	82,915
Bond issuance costs	-	-	49,467	49,467
Redemption of bond principle	440,000	70,000	-	510,000
Tax collection fees	100	150	-	250
Other expense	270	41	-	311
Total expenditures	<u>520,765</u>	<u>72,711</u>	<u>49,467</u>	<u>642,943</u>
Excess (deficiency) of revenues over expenditures	<u>(49,192)</u>	<u>3,960</u>	<u>(49,413)</u>	<u>(94,645)</u>
Bond premium	-	-	89,800	89,800
Operating transfers in (out)	-	-	52,858	52,858
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>142,658</u>	<u>142,658</u>
Fund balances - Beginning of year	<u>176,487</u>	<u>16,170</u>	<u>-</u>	<u>192,657</u>
Fund balances - End of year	<u>\$ 127,295</u>	<u>\$ 20,130</u>	<u>\$ 93,245</u>	<u>\$ 240,670</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
CAPITAL PROJECT FUND
BALANCE SHEET
Year Ended June 30, 2016

	<u>2016 Capital Projects</u>
Assets	
Cash and investments	\$ 3,187,184
Total assets	<u>\$ 3,187,184</u>
Liabilities	
Accounts payable	\$ 1,284,146
Due to other funds	<u>5,028</u>
Total liabilities	<u>1,289,174</u>
Fund balances	
Capital projects	<u>1,898,010</u>
Total fund balances	<u>1,898,010</u>
Total liabilities and fund balances	<u>\$ 3,187,184</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2016

	2016 Capital Projects
Revenues	
Earnings on investments	\$ 4,782
Total revenues	<u>4,782</u>
Expenditures	
Capital projects	<u>2,543,914</u>
Total expenditures	<u>2,543,914</u>
Excess (deficiency) of revenues over expenditures	<u>(2,539,132)</u>
Other financing sources (uses)	
Proceeds from issuance of bonds	4,490,000
Operating transfers in (out)	<u>(52,858)</u>
Total other financing sources (uses)	<u>4,437,142</u>
Net change in fund balances	1,898,010
Fund balances - Beginning of year	<u>-</u>
Fund balances - End of year	<u><u>\$ 1,898,010</u></u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NON-MAJOR FUNDS
BALANCE SHEET
Year Ended June 30, 2016

	<u>Food Service Fund</u>
Assets	
Cash and investments	\$ 29,960
Receivables	1,722
Due from governmental units	673
Due from other funds	1,270
Prepaid expenses	2,548
Inventories	2,068
Total assets	<u>\$ 38,241</u>
Liabilities	
Accrued expenditures and salaries payable	\$ 10,352
Due to other funds	34,468
Total liabilities	<u>44,820</u>
Fund balances	
Inventories	2,068
Food service	(8,647)
Total fund balances	<u>(6,579)</u>
Total liabilities and fund balances	<u>\$ 38,241</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2016

	<u>Food Service Fund</u>
Revenues	
Local sources	\$ 31,889
Federal sources	85,459
Unrestricted state aid	4,233
Earnings on investments	<u>33</u>
Total revenues	<u>121,614</u>
Expenditures	
School service	<u>133,604</u>
Total expenditures	<u>133,604</u>
Excess (deficiency) of revenues over expenditures	<u>(11,990)</u>
Fund balances - Beginning of year	<u>5,411</u>
Fund balances - End of year	<u><u>\$ (6,579)</u></u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources			
Adult lunches	\$ 3,977	\$ 3,977	\$ -
A-La-Carte	-	279	279
Special milk	279	-	(279)
Student lunches	24,900	25,024	124
Earnings on investments	29	33	4
Other food sales	2,609	2,609	-
Total local sources	<u>31,794</u>	<u>31,922</u>	<u>128</u>
State sources	<u>1,953</u>	<u>4,233</u>	<u>2,280</u>
Total state sources	<u>1,953</u>	<u>4,233</u>	<u>2,280</u>
Federal sources			
School lunch program	79,433	79,432	(1)
USDA entitlements	8,170	6,027	(2,143)
Total federal sources	<u>87,603</u>	<u>85,459</u>	<u>(2,144)</u>
Total revenues	<u>121,350</u>	<u>121,614</u>	<u>264</u>
Expenditures			
Salaries	33,310	29,711	3,599
Employee benefits	37,060	33,194	3,866
Supplies, materials, and other	72,550	70,699	1,851
Total expenditures	<u>142,920</u>	<u>133,604</u>	<u>9,316</u>
Excess (deficiency) of revenues over expenditures	<u>(21,570)</u>	<u>(11,990)</u>	<u>9,580</u>
Fund balances - Beginning of year		<u>5,411</u>	
Fund balances - End of year		<u>\$ (6,579)</u>	

COMMUNICATION SECTION

RUKKILA I NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Shelden Avenue, Houghton, Michigan 49931
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
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 then ended June 30, 2016 and the related notes to the financial statements and have issued our report thereon dated October 26, 2016.

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 these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

October 26, 2016

RUKKILA I NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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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, 2016. 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 11, 2016. 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, 2016. 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 26, 2016.

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 Matters

We applied certain limited procedures to the budgetary comparison schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on RSI.

We were engaged to report on the supplemental financial information, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

Restriction on Use

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

It has been a pleasure to provide audit services to Ewen-Trout Creek Consolidated School District. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

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

October 26, 2016