

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2017

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

June 30, 2017

ADMINISTRATION

Superintendent/Principal..... Alan Tulppo

BOARD OF EDUCATION

President..... Kirk Schott

Vice President..... John Pinkerton

Treasurer..... Samantha Schultz

Secretary..... Carol Maki

Trustee..... Holly Driesenga

Trustee..... Fred Sliger

Trustee..... Amanda Brady

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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, 2017, 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, 2017, 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 6 through 13 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 47 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 47 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 16, 2017 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 16, 2017

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

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, 2017. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

The Ewen-Trout Creek Consolidated School District administration and Board of Education continues to steer a conservative fiscal course with a goal to ensure the district will not enter in to a deficit situation. Ewen-Trout Creek Consolidated School District begins the 2017-18 school year with a \$541,770 general fund balance, which will amount to about 22% 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. The district has settled a two-year contract with the teaching staff that will expire in June, 2019 and will be negotiating a salary agreement with the support staff during the 2017-18 school year. The school administration anticipates that future negotiations with employee groups will possibly produce master agreements that will likely increase the districts employee compensation expenses. Employee compensation at the Ewen-Trout Creek Consolidated School District, while historically has lagged behind districts throughout the region, is now relatively competitive with the school districts that comprise the Gogebic-Ontonagon Intermediate School District and with districts of similar demographics throughout the Upper Peninsula.

Ewen-Trout Creek Consolidated School District continues to benefit from the Michigan Schools of Choice program and has maintained a K-12 enrollment of approximately 200 students over the past four years. Smaller class sizes in grades K-3 are generally offset by schools of choice students who transfer into the district in grades 4-12. The district is hopeful that this stabilization in student enrollment will continue 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 at least a 15% fund balance, ongoing downsizing where practicable, looking for savings at every juncture, and limiting all discretionary expenses for the foreseeable future.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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, 2017

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

	2017	2016
Assets		
Current and other assets	\$ 1,032,432	\$ 4,090,466
Restricted cash and investments	100,434	141,928
Capital assets - net	9,868,140	8,387,804
Total assets	<u>11,001,006</u>	<u>12,620,198</u>
Deferred outflows of resources - Pension	422,794	533,860
Liabilities		
Current liabilities	312,342	1,549,054
Long-term liabilities	7,686,023	8,176,393
Net pension liability	3,169,275	3,111,301
Total liabilities	<u>11,167,640</u>	<u>12,836,748</u>
Deferred inflows of resources - Pension	18,338	13,662
Net position		
Net investment in capital assets	2,177,299	2,155,375
Restricted		
Debt service	170,259	240,670
Capital projects	1,898,010	-
Food service	(18,343)	(4,511)
Unrestricted	(3,989,403)	(2,087,886)
Total net position	<u>\$ 237,822</u>	<u>\$ 303,648</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Overview of the Financial Statements (Continued)

Results of Operations in Governmental Activities		
	<u>2017</u>	<u>2016</u>
Program Revenues		
Charges for services	\$ 68,648	\$ 47,879
Operating grants and contributions	654,784	713,298
General Revenues		
Taxes	1,855,920	1,768,416
State foundation allowance	459,503	523,858
Interest	7,802	8,724
Transfers	45,538	19,966
Special item - sale of fixed assets	511	-
Other	67,117	86,953
Total revenues	<u>3,159,823</u>	<u>3,169,094</u>
Functions/program expenses		
Instruction	1,810,710	1,643,866
Supporting services	797,976	895,086
Food Service	143,329	132,834
Athletics	100,051	77,248
Community services	169,776	(81,469)
Interest expense	200,605	105,942
Other expense	3,202	50,028
Total expenses	<u>3,225,649</u>	<u>2,823,535</u>
Change in net position	(65,826)	345,559
Net position - Beginning	<u>303,648</u>	<u>(41,911)</u>
Net position - Ending	<u><u>\$ 237,822</u></u>	<u><u>\$ 303,648</u></u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Overview of the Financial Statements (Continued)

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

	<u>2017</u>	<u>% of total</u>	<u>2016</u>	<u>% of total</u>
Revenues				
Taxes	\$ 1,227,768	51.0 %	\$ 1,221,465	49.1 %
Penalties and interest	6,293	0.3 %	5,658	0.2 %
Other local sources	139,114	5.8 %	112,463	4.5 %
Other financing sources	45,538	1.9 %	33,040	1.3 %
Federal sources	375,694	15.6 %	459,784	18.4 %
State sources	613,974	25.4 %	661,990	26.5 %
Total revenues	<u>\$ 2,408,381</u>	<u>100.0 %</u>	<u>2,494,400</u>	<u>100.0 %</u>
Expenditures				
Pupil transportation	\$ 259,666	10.6 %	\$ 232,132	9.6 %
Pupil	2,061	0.1 %	5,547	0.2 %
Instructional staff	19,595	0.8 %	6,400	0.3 %
General administration	70,030	2.9 %	81,281	3.3 %
Instruction	1,478,037	60.2 %	1,489,812	61.3 %
School administration	126,312	5.1 %	121,386	5.0 %
Business-fiscal services	118,474	4.8 %	106,041	4.4 %
Athletics	100,051	4.1 %	77,248	3.2 %
Operations & maintenance	254,797	10.4 %	285,214	11.7 %
Technical support	20,315	0.8 %	24,867	1.0 %
Operating transfers out	5,358	0.2 %	-	- %
Total expenditures	<u>\$ 2,454,696</u>	<u>100.0 %</u>	<u>\$ 2,429,928</u>	<u>100.0 %</u>

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Significant Transactions and Changes in Individual Funds

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

	2017	2016	Change
General Fund			
Revenues/Transfers	\$ 2,408,381	\$ 2,494,400	\$ (86,019)
Expenditures/Transfers	\$ 2,449,338	\$ 2,429,928	\$ 19,410
Fund Balance	\$ 541,770	\$ 588,085	\$ (46,315)
Debt Service Fund			
Revenues/Transfers	\$ 629,401	\$ 690,956	\$ (61,555)
Expenditures/Transfers	\$ 699,812	\$ 642,943	\$ 56,869
Fund Balance	\$ 170,259	\$ 240,670	\$ (70,411)
School Service Fund			
Revenues/Transfers	\$ 124,280	\$ 121,614	\$ 2,666
Expenditures/Transfers	\$ 137,882	\$ 133,604	\$ 4,278
Fund Balance	\$ (20,181)	\$ (6,579)	\$ (13,602)
Capital Projects Fund			
Revenues/Transfers	\$ 3,619	\$ 4,494,782	\$ (4,491,163)
Expenditures/Transfers	\$ 1,742,112	\$ 2,596,772	\$ (854,660)
Fund Balance	\$ 159,517	\$ 1,898,010	\$ (1,738,493)

General Fund: There was a significant decrease in revenue. Local sources had a net increase of \$16,375, a majority being from athletics revenue. State sources decreased by \$48,016 comprising of decreases in State Aid At-Risk funding and state aid, and an increase in special education. Federal revenue had a large decrease of \$84,090, mainly due to Title I and Ottawa National Forest and a small increase Title II grants.

The District experienced an increase in supporting services expenditures of \$19,410 from the previous year.

Debt Service Fund: The major change in the debt retirement accounts is the ending of a millage for the bus/sidewalk debt fund in revenue and expenditures. The tax millage for the District's 2012 Debt Refunding and 2016 Debt Funds is 5.6000 mills.

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

Capital Projects Fund: The capital projects fund expenditures reports a majority of the expenditures for the building renovations and a school bus purchases.

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, 2017, the original budget was adopted in June 2016. 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, 2017**

General Fund Budgetary Highlights (Continued)

	Budgeted Amounts		Actual	Variance Final to Actual	% Variance
	Original	Final			
Revenues	\$ 2,145,046	\$ 2,302,141	\$ 2,361,832	\$ 59,691	2.6 %
Expenditures					
Instruction	\$ 1,272,182	\$ 1,442,700	\$ 1,478,037	\$ (35,337)	(2.4)%
Supporting services	922,552	957,239	971,301	(14,062)	(1.5)%
Total expenditures	\$ 2,194,734	\$ 2,399,939	\$ 2,449,338	\$ (49,399)	(2.1)%
Other financing sources (uses)	\$ (37,377)	\$ 39,214	\$ 41,191	\$ 1,977	5.0 %

Revenue budget had an increase from the original to the final in the amount of \$157,095 which represents increases in local and state revenue and reduction in federal. Athletic revenue was the major difference between the final budget and actual.

Instructional expenditure budget was increased by \$170,520 from the original to final budget. The final budget to actual had a variance of \$35,337 comprising of increases in instruction spending.

Supporting services expenditure budget was increased by \$34,687 from the original to final budget. The original budget was increased in pupil, instructional staff, school administration, business, and athletics. Decreases were noted in general administration, operation and maintenance expenditures. The final budget to actual variance of \$14,063 was in basically all areas of supporting services.

Capital Assets and Debt Administration

Capital Assets – Two buses were purchased on October 1, 2016 for \$169,233. A scoreboard and security camera system purchased and installed totaling \$30,101. Total cost of the capital building project totaled \$4,107,919. Depreciation expense totaled \$290,834.

Additional information on the District's capital assets can be found on page 27 of this report.

Long-term Debt – At the end of the current fiscal year, the District's total debt was \$7,660,000. This total amount is backed by the full faith and credit of the District. The District's net total debt decreased by \$490,000.

Additional information on the District's long-term debt can be found on pages 28 through 30 of this report.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

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

The table depicts a decrease of 12 students enrolled from the previous year, using the State Aid Membership Count.

Year	Student Total	Change
2012-13	243	-8
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 \$7,511 for the 2016-17 school year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Superintendent, 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 atulppo@etc.k12.mi.us.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**STATEMENT OF NET POSITION****June 30, 2017**

Assets	
Cash and cash equivalents	\$ 701,751
Taxes receivable	2
Accounts receivable	25,149
Due from governmental units	215,084
Prepaid expenses	83,114
Inventories	1,838
Restricted cash	100,434
Other current assets	5,494
Capital assets - Net	9,868,140
Total assets	<u>11,001,006</u>
Deferred outflows of resources - Pension	422,794
Liabilities	
Accounts payable	20,862
Accrued expenses and salaries payable	214,702
Due to governmental units	24,543
Due to fiduciary funds	13,857
Unearned revenue	7,537
Accrued interest	30,841
Bonds payable, due within one year	580,000
Bonds payable, due in more than one year	7,080,000
Compensated absences	26,023
Net pension liability	3,169,275
Total liabilities	<u>11,167,640</u>
Deferred inflows of resources - Pension	18,338
Net position	
Net investment in capital assets	2,177,299
Restricted	
Debt service	170,259
Capital projects	1,898,010
Food service	(18,343)
Unrestricted	(3,989,403)
Total net position	<u>\$ 237,822</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, 2017

	<u>Program Revenues</u>			<u>Governmental Activities</u>
	<u>Basic program</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Functions/Programs</u>				
Government Activities				
Instruction and instructional support	\$ 1,810,710	\$ 16,213	\$ 532,440	\$ (1,262,057)
Support services	797,976	3,000	108	(794,868)
School food service	143,329	31,388	87,439	(24,502)
Athletics	100,051	18,047	34,797	(47,207)
Capital projects	169,776	-	-	(169,776)
Interest on long-term debt	200,605	-	-	(200,605)
Other debt service	3,202	-	-	(3,202)
Total governmental activities	<u>\$ 3,225,649</u>	<u>\$ 68,648</u>	<u>\$ 654,784</u>	<u>(2,502,217)</u>
General revenues:				
Taxes, levied for general operations				1,227,768
Taxes, levied for debt service				628,152
Unrestricted state aid				459,503
Earnings on investments				7,802
Miscellaneous				67,117
Proceeds from the sale of capital assets				511
Incoming transfers - other schools				45,538
Total general revenues, and transfers				<u>2,436,391</u>
Change in net position				(65,826)
Net position - Beginning of year				<u>303,648</u>
Net position - End of year				<u>\$ 237,822</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, 2017

	General Fund	Debt Retirement	2016 Capital Project	Non-Major Funds (Food Service Fund)	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 445,176	\$ 64,329	\$ 159,517	\$ 32,729	\$ 701,751
Taxes receivable	-	2	-	-	2
Accounts receivable	25,149	-	-	-	25,149
Due from governmental units	214,140	-	-	944	215,084
Due from other funds	47,846	-	-	-	47,846
Inventories	-	-	-	1,838	1,838
Prepaid expenses	81,394	-	-	1,720	83,114
Other current assets	-	5,494	-	-	5,494
Restricted cash	-	100,434	-	-	100,434
Total assets	\$ 813,705	\$ 170,259	\$ 159,517	\$ 37,231	\$ 1,180,712
Liabilities					
Accounts payable	\$ 20,614	\$ -	\$ -	\$ 248	\$ 20,862
Accrued expenses and salaries payable	205,384	-	-	9,318	214,702
Due to other funds	-	-	-	47,846	47,846
Due to fiduciary funds	13,857	-	-	-	13,857
Due to governmental units	24,543	-	-	-	24,543
Unearned revenue	7,537	-	-	-	7,537
Total liabilities	271,935	-	-	57,412	329,347
Fund balances					
Non-spendable					
Inventories	-	-	-	1,838	1,838
Prepays	81,394	-	-	-	81,394
Restricted					
Debt service	-	170,259	-	-	170,259
Capital projects	-	-	159,517	-	159,517
Food service	-	-	-	(22,019)	(22,019)
Unassigned	460,376	-	-	-	460,376
Total fund balances	541,770	170,259	159,517	(20,181)	851,365
Total liabilities and fund balances	\$ 813,705	\$ 170,259	\$ 159,517	\$ 37,231	\$ 1,180,712

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, 2017

Fund Balance Reported in Governmental Funds	\$ 851,365
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	9,868,140
Net pension liability	(3,169,275)
Deferred outflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date	422,794
Deferred inflows from the difference between projected and actual investment earnings of the pension plan	(18,338)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(7,686,023)
Accrued interest is not included as a liability in governmental funds	<u>(30,841)</u>
Net position of governmental activities	<u><u>\$ 237,822</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, 2017

	General Fund	Debt Retirement	2016 Capital Project	Non-Major Funds (Food Service Fund)	Total
Revenues					
Local sources	\$ 1,372,164	\$ 629,401	\$ 3,619	\$ 31,483	\$ 2,036,667
State sources	613,974	-	-	7,295	621,269
Federal sources	375,694	-	-	80,144	455,838
Total revenues	<u>2,361,832</u>	<u>629,401</u>	<u>3,619</u>	<u>118,922</u>	<u>3,113,774</u>
Expenditures					
Instruction	1,478,037	-	-	-	1,478,037
Supporting services	871,250	-	-	-	871,250
School service	-	-	-	137,882	137,882
Athletics	100,051	-	-	-	100,051
Capital projects	-	-	1,742,112	-	1,742,112
Debt service	-	699,812	-	-	699,812
Total expenditures	<u>2,449,338</u>	<u>699,812</u>	<u>1,742,112</u>	<u>137,882</u>	<u>5,029,144</u>
Excess (deficiency) of revenues over expenditures	<u>(87,506)</u>	<u>(70,411)</u>	<u>(1,738,493)</u>	<u>(18,960)</u>	<u>(1,915,370)</u>
Other financing sources (uses)					
Proceeds from the sale of capital assets	1,011	-	-	-	1,011
Operating transfers in (out)	(5,358)	-	-	5,358	-
Incoming transfers - other schools	45,538	-	-	-	45,538
Total other financing sources (uses)	<u>41,191</u>	<u>-</u>	<u>-</u>	<u>5,358</u>	<u>46,549</u>
Net change in fund balances	(46,315)	(70,411)	(1,738,493)	(13,602)	(1,868,821)
Fund balances - Beginning of year	<u>588,085</u>	<u>240,670</u>	<u>1,898,010</u>	<u>(6,579)</u>	<u>2,720,186</u>
Fund balances - End of year	<u>\$ 541,770</u>	<u>\$ 170,259</u>	<u>\$ 159,517</u>	<u>\$ (20,181)</u>	<u>\$ 851,365</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, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ (1,868,821)
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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	1,480,336
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Accrued expenses are recorded in the statement of activities when incurred; they are not reported in governmental funds until paid	6,374
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The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds	(173,715)
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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>490,000</u>
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Change in net position of governmental activities	<u><u>\$ (65,826)</u></u>
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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, 2017

	<u>Student Activities</u>
Assets	
Cash and investments	\$ 40,186
Due from scholarship fund	129
Due from other funds	<u>13,857</u>
Total assets	<u><u>\$ 54,172</u></u>
Liabilities	
Due to student groups	<u>54,172</u>
Total liabilities	<u><u>\$ 54,172</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, 2017

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, 2017

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, 2017

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, 2017, 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 to August. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

The District received approximately 19% 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		\$	7,511.00
Less Local Support:			
Assumed Local Revenue	\$ 1,207,107.00		
Divided by General Education k-12 membership	199.73		
Calculated Local Support			(6,043.69)
Foundation Grant Allowance Per Pupil		\$	<u>1,467.31</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, 2017

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, 2017, 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	5.6000

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 \$155,357. 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 \$26,023 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 UIA through June 30 are accrued.

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

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

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, 2017

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, 2017

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	\$ 701,751	\$ -	\$ 701,751
Restricted cash	100,434	40,186	140,620
Total cash and cash equivalents	<u>\$ 802,185</u>	<u>\$ 40,186</u>	<u>\$ 842,371</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, 2017, \$218,821 of the District's bank balance of \$968,821 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, 2017

NOTE D - CAPITAL ASSETS

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

	Balance July 01, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated				
Land	\$ 4,000	\$ -	\$ 500	\$ 3,500
Capital assets, being depreciated				
Buildings and additions	8,742,436	\$ 4,107,919	\$ -	12,850,355
Construction in progress	2,535,583	-	2,535,583	-
Improvements other than building	309,244	-	-	309,244
Technology	61,283	-	17,447	43,836
Equipment and furniture	368,210	30,101	21,128	377,183
Vehicles	483,742	169,233	-	652,975
Food service equipment	104,054	-	14,738	89,316
Subtotal	<u>12,604,552</u>	<u>\$ 4,307,253</u>	<u>\$ 2,588,896</u>	<u>14,322,909</u>
Accumulated depreciation				
Building and additions	3,057,525	\$ 215,928	\$ -	3,273,453
Improvements other than building	254,679	15,462	-	270,141
Technology	50,334	2,946	17,447	35,833
Equipment and furniture	345,907	5,513	21,128	330,292
Vehicles	408,247	50,985	-	459,232
Food service equipment	104,055	-	14,738	89,317
Subtotal	<u>4,220,748</u>	<u>\$ 290,834</u>	<u>\$ 53,313</u>	<u>4,458,269</u>
Net capital assets being depreciated	8,383,804			9,864,640
Net capital assets	<u>\$ 8,387,804</u>			<u>\$ 9,868,140</u>

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

Governmental activities	
Athletic	\$ 7,357
Instruction	216,025
Operations and maintenance	15,027
Pupil transportation	52,425
Total governmental	<u>\$ 290,834</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, 2017 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General Fund	<u>\$ 47,846</u>	Food Service Fund	<u>\$ 47,846</u>
Fund	Transfer In	Fund	Transfer Out
Food Service Fund	<u>\$ 5,358</u>	General Fund	<u>\$ 5,358</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, 2017

NOTE F - ACCRUED EXPENDITURES & SALARIES PAYABLES

Accrued liabilities as of June 30, 2017, 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	\$ 113,459	\$ 4,426	\$ 117,885
Accrued expenditures	91,925	4,892	96,817
Total accrued liabilities	<u>\$ 205,384</u>	<u>\$ 9,318</u>	<u>\$ 214,702</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	
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>\$ 150,667</u>	<u>\$ 150,673</u>	<u>\$ 3,220,000</u>	<u>\$ 3,521,340</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, 2017

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	
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>\$ 552,000</u>	<u>\$ 552,000</u>	<u>\$ 4,440,000</u>	<u>\$ 5,544,000</u>

Long-term liabilities activity, as reported in and liquidated through the following funds for the fiscal year ended June 30, 2017, was as follows:

	Balance July 01, 2016	Increase	Decrease	Balance June 30, 2017	Current Portion
2012 Refunding	\$ 3,660,000	\$ -	\$ 440,000	\$ 3,220,000	\$ 440,000
2016 School Building & Site Bond	4,490,000	-	50,000	4,440,000	140,000
	8,150,000	-	490,000	7,660,000	<u>\$ 580,000</u>
Other accrued interest	36,846	-	6,005	30,841	
Accrued Benefits	26,393	-	370	26,023	
Total	<u>\$ 8,213,239</u>	<u>\$ -</u>	<u>\$ 496,375</u>	<u>\$ 7,716,864</u>	

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2017

NOTE G - LONG TERM DEBT (Continued)

As of June 30, 2017, 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>
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>\$ 7,660,000</u>	<u>\$ 1,405,340</u>	<u>\$ 9,065,340</u>

NOTE H - DEFINED BENEFIT PLAN

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS/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 (ORS) 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

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

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2017

NOTE H - DEFINED BENEFIT PLAN (Continued)

Benefit provisions of the defined 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. Retirement benefits for DB plan members are determined by final average compensation and years of service. Defined benefit pension plan 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 pension plan members. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% to 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employee's Retirement System (MPERS) who became a member of the MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution tax-deferred investment account that earns an employer match of 50% (up to 1 % of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided the member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount - total credited service as of the Transition Date times 1.5% of final average compensation.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2017**

NOTE H - DEFINED BENEFIT PLAN (Continued)

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

- Option 1 - Credited Service after the Transition Date times 1.5% times FAC
- Option 2 - Credited Service after the Transition Date (until total service reached 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.
- Option 3 - Credited Service after the Transition Date times 1.25% times FAC.
- Option 4 - None (member will receive benefit through a Defined Contribution plan). As a DC participant they receive a 4% employer contribution to a tax-deferred 401 (k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment benefits (OPEB). 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 the 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 September 30, 2016 valuation will be amortized over a 20-year period for fiscal year 2016.

The District's contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by ORS. The range of rates is as follows:

October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - September 30, 2017	15.27% - 19.03%

Required contributions to the pension plan from Ewen-Trout Creek Consolidated School District were \$285,251 for the year ended September 30, 2016.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2017

NOTE H - DEFINED BENEFIT PLAN (Continued)

Pension Liabilities

At June 30, 2017, the District reported a liability of \$3,169,275 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016 and 2015, the District's proportion was .01270% and .01273%.

<u>MPERS (Plan) Non-university employers</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Total Pension Liability	\$67,917,445,078	\$66,312,041,902
Plan Fiduciary Net Pension	\$42,968,263,308	\$41,887,015,147
Net Pension Liability	\$24,949,181,770	\$24,425,026,755
Proportionate Share	0.01270%	0.01273%
Net Pension Liability for the District	\$3,169,275	\$3,111,301

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

For the year ended June 30, 2017, the District recognized total pension expense of \$344,802. This amounts excludes contributions funded from state revenue Section 147c restricted to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 39,498	\$ 7,511
Changes of assumptions	49,549	-
Net difference between policies and actual earnings on pension plan investments	52,673	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	125,717	10,827
District's contributions subsequent to the measurement date	155,357	-
Total	<u>\$ 422,794</u>	<u>\$ 18,338</u>

\$155,357 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, 2018.

Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2017	\$ 67,688
2018	\$ 63,730
2019	\$ 106,983
2020	\$ 10,698

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2017

NOTE H - DEFINED BENEFIT PLAN (Continued)

Actuarial Assumptions

Investment rate of return - 8.0% per year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% per year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 2.5%

Mortality Assumptions - RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB for men and women were used.

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2015. 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.

Long-Term Expected Return on Plan Assets - The long-term expected rate of return on pension plan investments - The rate of 8% (7% for Pension Plus Plan) net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation as of September 30, 2016 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	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 - The discount rate used to measure the total pension liability was 8% (7% for Pension Plus Plan). The discount rate did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2017

NOTE H - DEFINED BENEFIT PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability, calculated using 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	\$ 4,081,228	\$ 3,169,275	\$ 2,400,410

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 2016 Comprehensive Annual Financial Report.

Payable to the Pension Plan - At year end the District is current on all required pension plan payments. Amounts accrued at year end were \$54,028. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

Other Information

Discount Rate - Assumed Rate of Return

On February 23, 2017, in accordance with PA 300 of 1980, as amended, the Michigan Public Schools Employees' Retirement System's board approved a decrease in the assumed investment rate of return (discount rate) used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8% to 7.5% effective for the fiscal year 2016 valuation and following.

The September 30, 2016 Annual Actuarial Valuation Report will be used to establish the employer contribution for fiscal year beginning October 1, 2018 and will be based upon the 7.5% investment rate of return assumption. The actuarial computed employer contributions and the net pension liability will increase as a result of lowering the assumed investment rate of return.

Pension Reform 2017

Senate Bill 401 amends the Public School Employees Retirement Act (PA 300 of 1980, as amended).

The bill closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but contains a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The bill includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

NOTE I - 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, 2017

NOTE J - RISK MANAGEMENT

The 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 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 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 K - 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 18 as follows:

Total current payments per MDE Reports	\$ 201,581
Less prior year revenues	
Title I	(101,406)
Title II	(24,963)
Plus current year receivables	
Title I	70,533
Title II	30,421
Other federal revenue	
Food commodities	7,713
Impact aid	126,906
Ottawa National Forest	145,053
Schedule of Expenditures of Federal Awards	<u>\$ 455,838</u>

The District expended less than \$750,000 in Federal awards during the fiscal year ended June 30, 2017 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.

NOTE L - 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.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2017

NOTE M - 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 its participation in the MPSERS 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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 1,272,518	\$ 1,313,408	\$ 1,372,164	\$ 58,756
State sources	449,508	612,059	613,974	1,915
Federal sources	423,020	376,674	375,694	(980)
Total revenues	<u>2,145,046</u>	<u>2,302,141</u>	<u>2,361,832</u>	<u>59,691</u>
Expenditures				
Instruction	1,272,182	1,442,700	1,478,037	(35,337)
Pupil	5,569	3,302	2,061	1,241
Instructional staff	2,676	18,070	19,595	(1,525)
General administration	80,130	69,102	70,030	(928)
School administration	115,660	123,060	126,312	(3,252)
Business-fiscal services	102,598	112,925	118,474	(5,549)
Operations & maintenance	279,382	255,745	254,797	948
Pupil transportation	243,438	254,529	259,666	(5,137)
Athletics	67,133	100,589	100,051	538
Technical support	25,966	19,917	20,315	(398)
Total expenditures	<u>2,194,734</u>	<u>2,399,939</u>	<u>2,449,338</u>	<u>(49,399)</u>
Excess (deficiency) of revenues over expenditures	(49,688)	(97,798)	(87,506)	10,292
Other financing sources (uses)				
Incoming transfers - other schools	11,500	53,538	45,538	(8,000)
Proceeds from the sale of capital assets	-	1,011	1,011	-
Operating transfers in (out)	(48,877)	(15,335)	(5,358)	9,977
Total other financing sources (uses)	<u>(37,377)</u>	<u>39,214</u>	<u>41,191</u>	<u>1,977</u>
Net change in fund balances	<u>\$ (87,065)</u>	<u>\$ (58,584)</u>	(46,315)	<u>\$ 12,269</u>
Fund balances - Beginning of year			<u>588,085</u>	
Fund balances - End of year			<u>\$ 541,770</u>	

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
PENSION REQUIREMENTS
Year Ended June 30, 2017

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

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

	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2016</u>
A. District's proportion of net pension liability	0.01184 %	0.01273 %	0.01270 %
B. District's proportionate share of net pension liability	\$ 2,608,141	\$ 3,111,301	\$ 3,169,275
C. District's covered payroll	\$ 1,016,731	\$ 1,095,761	\$ 1,078,932
D. District's proportionate share of net pension liability as a percentage of its covered payroll	39 %	35 %	34 %
E. Plan fiduciary net position as a percentage of total pension liability	66.20 %	63.17 %	63.27 %

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

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

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
A. Statutorily required contributions	\$ 226,980	\$ 199,243	\$ 192,001
B. Contributions in relation to statutorily required contributions	227,494	199,243	192,001
C. Contribution deficiency (excess)	<u>\$ 514</u>	<u>\$ -</u>	<u>\$ -</u>
D. District's covered payroll	\$ 1,032,660	\$ 1,064,148	\$ 1,024,988
E. Contributions as a percentage of covered payroll	22 %	19 %	19 %

NOTE A - CHANGE OF BENEFIT TERMS

There were no changes of benefit terms in 2016.

NOTE B - CHANGE OF ASSUMPTIONS

There were no changes of benefit assumptions in 2016.

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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources			
Taxes	\$ 1,223,244	\$ 1,227,768	\$ 4,524
Penalties and interest	6,293	6,293	-
Earnings on investments	2,810	2,794	(16)
Community services	15,000	16,213	1,213
Rentals	3,000	3,000	-
Athletics	-	52,893	52,893
Contributions	2,383	2,383	-
Miscellaneous	60,678	60,820	142
Total local sources	<u>1,313,408</u>	<u>1,372,164</u>	<u>58,756</u>
State sources			
Unrestricted grants			
Unrestricted state aid	459,222	459,503	281
Total unrestricted grants	<u>459,222</u>	<u>459,503</u>	<u>281</u>
Restricted grants			
Other grants	7,101	8,734	1,633
At-risk	74,912	74,913	1
Special education	70,824	70,824	-
Total restricted grants	<u>152,837</u>	<u>154,471</u>	<u>1,634</u>
Total state sources	<u>612,059</u>	<u>613,974</u>	<u>1,915</u>
Federal sources			
Title I	72,199	70,315	(1,884)
Title II	32,516	33,420	904
Ottawa National Forest	145,053	145,053	-
Impact aid	126,906	126,906	-
Total federal sources	<u>376,674</u>	<u>375,694</u>	<u>(980)</u>
Total revenues	<u>2,302,141</u>	<u>2,361,832</u>	<u>59,691</u>
Expenditures			
Instruction			
Basic program			
Elementary school	481,955	497,299	(15,344)
High school	465,518	472,295	(6,777)
Pre-kindergarten	66,134	64,790	1,344
Total basic program	<u>1,013,607</u>	<u>1,034,384</u>	<u>(20,777)</u>
Added needs			
Special education	233,852	242,534	(8,682)
Compensatory education	195,241	201,119	(5,878)
Total added needs	<u>429,093</u>	<u>443,653</u>	<u>(14,560)</u>
Total instruction	<u>1,442,700</u>	<u>1,478,037</u>	<u>(35,337)</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Supporting services			
Pupil			
Guidance	\$ 119	\$ (898)	\$ 1,017
Health	3,183	2,959	224
Total pupil	<u>3,302</u>	<u>2,061</u>	<u>1,241</u>
Instructional staff			
Improvement of instruction	3,712	3,711	1
Library	14,358	15,884	(1,526)
Total instructional staff	<u>18,070</u>	<u>19,595</u>	<u>(1,525)</u>
General administration			
Board of education	39,620	39,752	(132)
Executive administration	29,482	30,278	(796)
Total general administration	<u>69,102</u>	<u>70,030</u>	<u>(928)</u>
School administration			
Office of principal	123,060	126,312	(3,252)
Business-fiscal services	112,925	118,474	(5,549)
Operations & maintenance	255,745	254,797	948
Pupil transportation	254,529	259,666	(5,137)
Athletics	100,589	100,051	538
Technical support	<u>19,917</u>	<u>20,315</u>	<u>(398)</u>
Total supporting services	<u>957,239</u>	<u>971,301</u>	<u>(14,062)</u>
Total expenditures	<u>2,399,939</u>	<u>2,449,338</u>	<u>(49,399)</u>
Excess (deficiency) of revenues over expenditures	<u>(97,798)</u>	<u>(87,506)</u>	<u>10,292</u>
Other financing sources (uses)			
Incoming transfers - other schools	53,538	45,538	(8,000)
Proceeds from the sale of capital assets	1,011	1,011	-
Operating transfers in (out)	<u>(15,335)</u>	<u>(5,358)</u>	<u>9,977</u>
Total other financing sources (uses)	<u>39,214</u>	<u>41,191</u>	<u>1,977</u>
Net change in fund balances	<u>\$ (58,584)</u>	<u>(46,315)</u>	<u>\$ 12,269</u>
Fund balances - Beginning of year		<u>588,085</u>	
Fund balances - End of year		<u>\$ 541,770</u>	

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
DEBT SERVICE FUND
COMBINING BALANCE SHEET
June 30, 2017

	<u>2012 Debt Refunding</u>	<u>Sidewalk/Bus Debt</u>	<u>2016 Debt Fund</u>	<u>Total</u>
Assets				
Cash and investments	\$ 100,434	\$ -	\$ 64,329	\$ 164,763
Receivables	2	-	-	2
Other current assets	-	5,494	-	5,494
Total assets	<u>\$ 100,436</u>	<u>\$ 5,494</u>	<u>\$ 64,329</u>	<u>\$ 170,259</u>
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Restricted	100,436	5,494	64,329	170,259
Total fund balances	<u>100,436</u>	<u>5,494</u>	<u>64,329</u>	<u>170,259</u>
Total liabilities and fund balances	<u>\$ 100,436</u>	<u>\$ 5,494</u>	<u>\$ 64,329</u>	<u>\$ 170,259</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
DEBT SERVICE FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2017

	<u>2012 Debt Refunding</u>	<u>Sidewalk/Bus Debt</u>	<u>2016 Debt Fund</u>	<u>Total</u>
Revenues				
Taxes	\$ 471,601	\$ -	\$ 156,551	\$ 628,152
Penalties and interest	-	-	4	4
Earnings on investments	1,015	30	200	1,245
Total revenues	<u>472,616</u>	<u>30</u>	<u>156,755</u>	<u>629,401</u>
Expenditures				
Interest expense	73,795	-	132,815	206,610
Bond issuance costs	-	-	1,850	1,850
Redemption of bond principle	440,000	-	50,000	490,000
Tax collection fees	100	-	-	100
Other expense	246	-	1,006	1,252
Total expenditures	<u>514,141</u>	<u>-</u>	<u>185,671</u>	<u>699,812</u>
Excess (deficiency) of revenues over expenditures	<u>(41,525)</u>	<u>30</u>	<u>(28,916)</u>	<u>(70,411)</u>
Other financing sources (uses)				
Operating transfers in (out)	14,666	(14,666)	-	-
Total other financing sources (uses)	<u>14,666</u>	<u>(14,666)</u>	<u>-</u>	<u>-</u>
Fund balances - Beginning of year	<u>127,295</u>	<u>20,130</u>	<u>93,245</u>	<u>240,670</u>
Fund balances - End of year	<u>\$ 100,436</u>	<u>\$ 5,494</u>	<u>\$ 64,329</u>	<u>\$ 170,259</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources			
Adult lunches	\$ 3,006	\$ 3,006	\$ -
A-La-Carte	-	263	263
Special milk	263	-	(263)
Student lunches	23,193	23,329	136
Earnings on investments	84	95	11
Other food sales	4,415	4,790	375
Total local sources	<u>30,961</u>	<u>31,483</u>	<u>522</u>
State sources	<u>6,878</u>	<u>7,295</u>	<u>417</u>
Total state sources	<u>6,878</u>	<u>7,295</u>	<u>417</u>
Federal sources			
School lunch program	72,429	72,431	2
USDA entitlements	-	7,713	7,713
Total federal sources	<u>72,429</u>	<u>80,144</u>	<u>7,715</u>
Total revenues	<u>110,268</u>	<u>118,922</u>	<u>8,654</u>
Expenditures			
Salaries	32,013	32,133	(120)
Employee benefits	37,367	36,136	1,231
Supplies, materials, and other	61,580	69,613	(8,033)
Total expenditures	<u>130,960</u>	<u>137,882</u>	<u>(6,922)</u>
Excess (deficiency) of revenues over expenditures	(20,692)	(18,960)	1,732
Other financing sources (uses)			
Operating transfers in (out)	5,357	5,358	1
Total other financing sources (uses)	<u>5,357</u>	<u>5,358</u>	<u>1</u>
Net change in fund balances	<u>\$ (15,335)</u>	(13,602)	<u>\$ 1,733</u>
Fund balances - Beginning of year		<u>(6,579)</u>	
Fund balances - End of year		<u>\$ (20,181)</u>	

COMMUNICATION SECTION

RUKKILA I NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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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, 2017 and the related notes to the financial statements and have issued our report thereon dated October 16, 2017.

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 16, 2017

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, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable Government Auditing Standards, 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 31, 2017. 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, 2017. 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 judgments.

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 16, 2017.

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 16, 2017