

**EWEN-TROUT CREEK CONSOLIDATED  
SCHOOL DISTRICT**

**FINANCIAL REPORT  
With Supplemental Information**

**JUNE 30, 2015**



**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**

**JUNE 30, 2015**

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**ADMINISTRATION**

Superintendent/Principal ..... Loren Vannest

**BOARD OF EDUCATION**

President ..... Kirk Schott

Vice President ..... Holly Driesenga

Secretary ..... Amanda Brady

Treasurer ..... Nancy Kugler

Trustee ..... John Pinkerton

Trustee ..... Fred Sliger

**TABLE OF CONTENTS**

	Page
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	5
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	7
<b>BASIC FINANCIAL STATEMENTS</b>	
<u>District-wide Financial Statements:</u>	
Statement of Net Position .....	15
Statement of Activities .....	16
<u>Fund Financial Statements:</u>	
Governmental Funds:	
Balance Sheet .....	17
Statement of Revenues, Expenditures, and Changes in Fund Balance .....	18
Fiduciary Funds - Statement of Fiduciary Net Position .....	19
<b>NOTES TO FINANCIAL STATEMENTS</b> .....	20
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule - General Fund .....	37
Pension Requirements - GASB 68	
Schedule of the District's Proportionate Share of the Net Pension Liability .....	38
Schedule of the District's Contributions .....	38
Notes to Required Supplementary Information .....	39
<b>OTHER SUPPLEMENTAL FINANCIAL INFORMATION</b>	
<u>Major Governmental Funds</u>	
General Fund - Schedules of Revenues, Expenditures, and Changes in Fund Balances .....	41
Debt Service Funds	
Combining Balance Sheet .....	43
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances .....	44
<u>Non-Major Governmental Fund</u>	
Food Service Fund - Schedules of Revenues, Expenditures, and Changes in Fund Balances .....	45

**TABLE OF CONTENTS**  
**(Continued)**

Page

**FEDERAL AWARDS PROGRAMS:**

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 <i>Government Auditing Standards</i> .....	47
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	49
Schedule of Expenditures of Federal Awards .....	51
Notes to the Schedule of Expenditures of Federal Awards .....	52
Schedule of Findings and Questioned Costs .....	53

**COMMUNICATION SECTION**

Communication with Those Charged with Governance .....	55
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# RUKKILA | NEGRO AND ASSOCIATES

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ewen-Trout Creek Consolidated School District as of and for the year then ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinions

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 7 through page 14 and page 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2015 on our consideration of Ewen-Trout Creek Consolidated School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ewen-Trout Creek Consolidated School District's internal control over financial reporting and compliance.

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

October 21, 2015

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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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, 2015. Please read it in conjunction with the District's financial statements, which immediately follows this section.

**Financial Highlights**

Over the past three years Ewen-Trout Creek Consolidated School District has emerged from a deficit situation and gone on to establish a prudent fund balance. The school administration continues to steer a conservative fiscal course that aims to ensure the district will not return to a deficit situation. Ewen-Trout Creek Consolidated School District enters the 2015-16 school year with a \$523,613 general fund balance, which will amount to about 21% of annual expenses.

School administration will continue to recommend budgets that aim to maintain a fund balance that is equal to, or exceeds, 15% of annual expenses. As a result, school administration anticipates that negotiations with employee groups will possibly produce master agreements that will likely increase the districts employee compensation expenses. Employee compensation at Ewen-Trout Creek Consolidated School District is relatively low by comparison with state and the regional averages. Relatively lower employee compensation is due to primarily to two factors: 1) relatively large and sparsely populated district causes relatively higher transportation costs 2) relatively small school population causes relatively low pupil/staff ratios. While it is unlikely this lower compensation gap will be closed entirely due to the dynamics described in the foregoing, there will be ongoing pressure to close the gap to some degree. The district has already made efforts to compensate employees at levels comparable to neighboring districts in the region as a result of the collective bargaining agreements settled with employee groups during the last round of negotiations.

Ewen-Trout Creek Consolidated School District has experienced a severe, multiple decade long, declining enrollment pattern, that must be taken into account in all financial planning and decision making. The district enrollment profile (with far fewer students in the lower grades) suggests the possibility of continued enrollment decline going forward. However, the projected decline in enrollment for the 2015-16 school year did not occur and the district expects some stabilization in student enrollment in upcoming years. The district faces the same economic challenges as the other school systems in the Gogebic-Ontonagon Intermediate School District and will need to remain vigilant to safeguard the district's finances. The administration plans to use financial and personnel resources in a strategic manner to maximize educational opportunities for students.

The district is vulnerable to sudden and dramatic declines in revenues as a consequence of heavy dependence upon potentially unreliable streams that include Federal "Impact Aid" and that generated by the "Safe and Secure Rural Schools Act". The perceived discretionary portion of these two sources of revenue together amount to about 15% of the district's current annual budgeted revenue. Efforts to control expanding federal deficits conceivably could reduce or even eliminate such district revenue sources sometime in the future.

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

The District implemented GASB No. 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27. This statement changed how governments measure and report the long-term obligations and annual costs associated with the pension benefits they provide. Reflected on these statements is the proportionate share of the unfunded liability for active and retired members of the MPSERS defined benefit program.

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

## **Overview of the Financial Statements**

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

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

### *Statement of Net Position and the Statement of Activities*

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

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

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

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

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

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

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

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



**Overview of the Financial Statements (Continued)**

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

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

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

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Results of Operations**

		<b>Summary of Net Position</b>	
		<u>2015</u>	<u>2014</u>
Assets			
Current and other assets		\$ 848,730	\$ 762,300
Restricted cash and investments		137,161	108,586
Capital assets - Net of accumulated depreciation		<u>6,065,481</u>	<u>6,302,756</u>
	Total Assets	<u>7,051,372</u>	<u>7,173,642</u>
Deferred Outflows			
		286,871	177,420
Liabilities			
Current liabilities		278,029	388,954
Long-term liabilities		4,201,117	4,703,618
Net Pension Liability		<u>2,608,141</u>	<u>2,774,542</u>
	Total Liabilities	<u>7,087,287</u>	<u>7,867,114</u>
Deferred Inflows			
		292,867	-
Net Position			
Net investment in capital assets		1,881,662	1,583,824
Restricted:			
Debt service		192,657	199,380
Food service		5,411	10,348
Unrestricted		<u>(2,121,641)</u>	<u>(2,309,604)</u>
	Total Net Position	<u>\$ (41,911)</u>	<u>\$ (516,052)</u>

**Results of Operations in Governmental Activities**

		<u>2015</u>	<u>2014</u>
Program Revenue:			
Charges for services		\$ 43,559	\$ 49,316
Grants and contributions		817,403	728,615
General Revenue:			
Property taxes		1,787,385	1,731,901
State foundation allowance		675,444	574,681
Interest		3,663	2,580
Transfers		15,446	49,999
Special item - sale of fixed assets		610	-
Other		<u>73,882</u>	<u>120,003</u>
	Total Revenue	<u>3,417,392</u>	<u>3,257,095</u>
Functions/Program Expenses			
Instruction		1,665,591	1,606,323
Support services		1,049,531	1,071,300
Food service		135,055	137,149
Athletics		-	-
Interest on long-term debt		90,390	76,364
Other debt service		<u>2,684</u>	<u>458</u>
	Total Expenses	<u>2,943,251</u>	<u>2,891,594</u>
Change in Net Position			
		474,141	365,501
Net Position - Beginning, as restated			
		<u>(516,052)</u>	<u>(881,553)</u>
Net Position - Ending			
		<u>\$ (41,911)</u>	<u>\$ (516,052)</u>

See Note O of the Notes to the Financial Statements of this report for additional information of the implementation of GASB Statement No. 68 and the corresponding restatement of the beginning net position for the governmental activities.

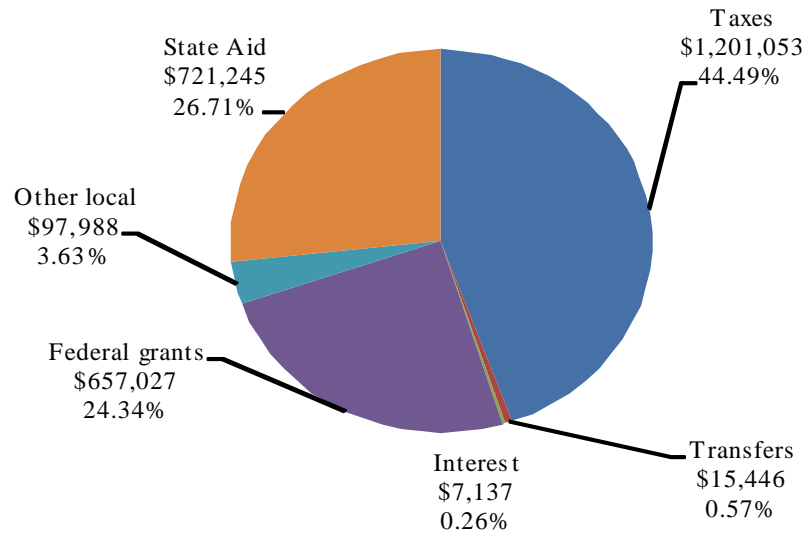
**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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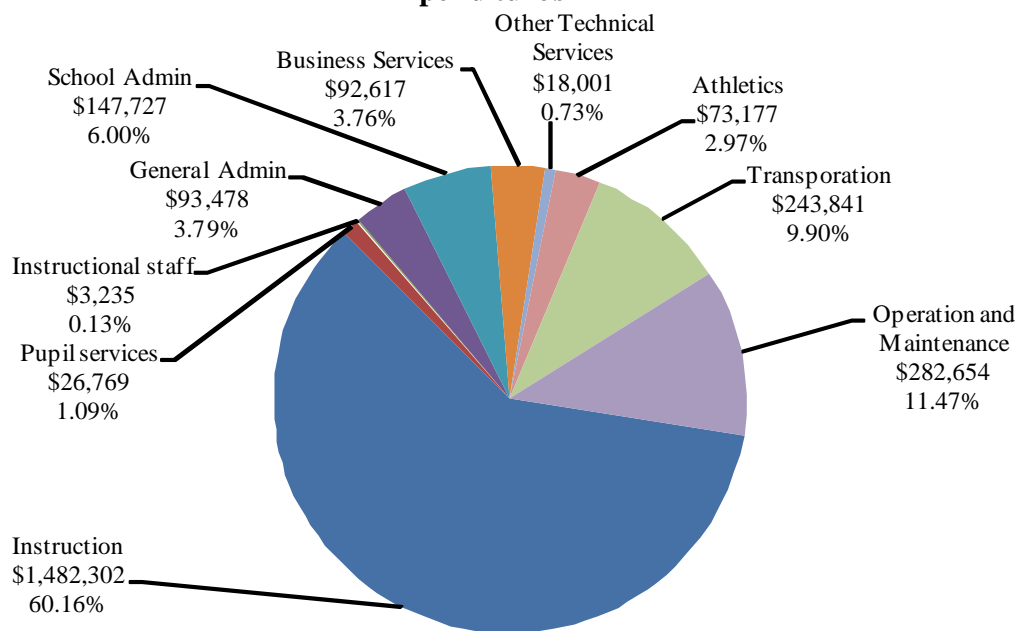
**Results of Operations (Continued)**

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

**Revenues**



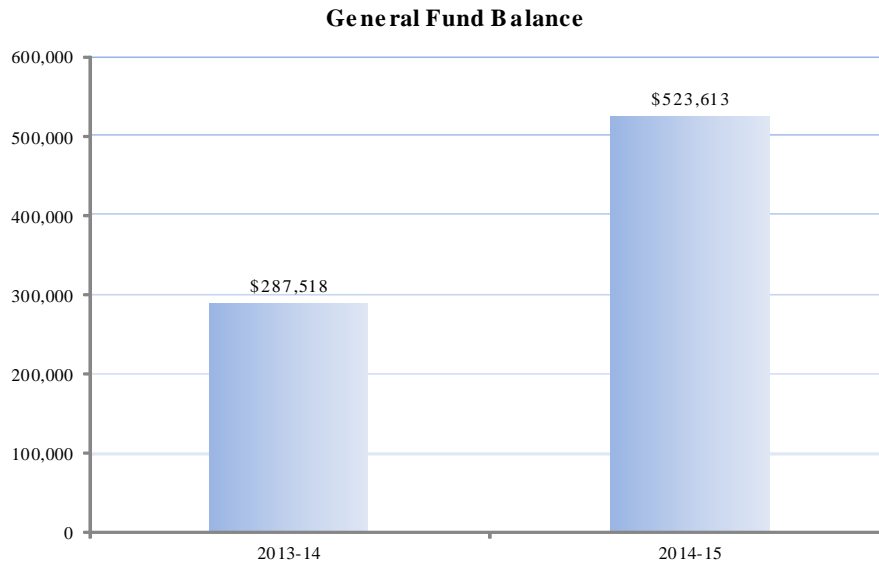
**Expenditures**



**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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**Results of Operations (Continued)**



**Significant Transactions and Changes in Individual Funds**

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

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
<b>General Fund:</b>			
Revenues/Transfers	\$ 2,699,896	\$ 2,565,485	\$ 134,411
Expenditures/Transfers	\$ 2,463,801	\$ 2,448,420	\$ 15,381
Fund Balance	\$ 523,613	\$ 287,518	\$ 236,095
<b>Debt Service Fund:</b>			
Revenues/Transfers	\$ 587,846	\$ 557,571	\$ 30,275
Expenditures/Transfers	\$ 594,569	\$ 565,297	\$ 29,272
Fund Balance	\$ 192,657	\$ 199,380	\$ (6,723)
<b>Food Service Fund:</b>			
Revenues/Transfers	\$ 129,650	\$ 133,668	\$ (4,018)
Expenditures/Transfers	\$ 134,587	\$ 134,084	\$ 503
Fund Balance	\$ 5,411	\$ 10,348	\$ (4,937)
<b>Capital Projects Fund:</b>			
Revenues/Transfers	\$ -	\$ 50	\$ (50)
Expenditures/Transfers	\$ -	\$ 44,914	\$ (44,914)
Fund Balance	\$ -	\$ -	\$ -

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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**Significant Transactions and Changes in Individual Funds (Continued)**

General Fund – There was a significant change in the general fund balance from June 2014 to June 2015. Decreases in local revenue equaled \$47,588, a majority being from athletics and miscellaneous revenue. State sources increase by \$38,672, this comprised of decreases in State Aid At-Risk funding and an increase in state aid. Federal revenue had a large increase of \$176,899, due to \$207,802 additional Impact Aid and a decrease in Title I and Title II grants.

The District experienced an increase in expenditures of \$15,381 over the previous year. The net increase is a combination of a reduction in instructional expenditures and an increase in support services due in part to the purchase of a new bus, utility increases, and legal services.

Debt Retirement – The major change in the debt retirement accounts for the building and bus/sidewalk debt was a increase in principal expense. The tax millage remains the same at 5.7 mills.

Food Service Fund – The net decrease in the food service program was from a decrease in federal funds.

**General Fund Budgetary Highlights**

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

For the fiscal year ended June 30, 2015, the original budget was adopted on June 26, 2014. The original budget is adopted two months before school is in session. We have many unknowns such as the number of students we will have for the year. Since much of the District’s revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances.

	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 2,548,198	\$ 2,675,243	\$ 2,683,840	\$ 8,597	0.3%
Expenditures					
Instruction	\$ 1,451,328	\$ 1,500,229	\$ 1,482,302	\$ 17,927	1.2%
Supporting services	1,037,328	1,021,977	981,499	40,478	4.1%
Total expenditures	\$ 2,488,656	\$ 2,522,206	\$ 2,463,801	\$ 58,405	2.4%
Other financing sources (uses)	\$ 5,000	\$ 16,056	\$ 16,056	\$ 0	0.0%

Revenue budget had an increase from the original to the final in the amount of \$127,045. Originally \$53,101 of MPSERs Stabilization and \$53,861 in revenue from the Ottawa National Forest was not included. There were no significant variances between the final budget and actual.

Instructional expenditure budget was increased by \$48,901 from the original to final budget. The final budget to actual decreased by \$17,927 comprising mostly of decrease in elementary spending.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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**General Fund Budgetary Highlights (Continued)**

Supporting services expenditure budget was decreased by \$15,351 from the original to final budget. The original budget was increased in instruction, pupil, school administration, business, and athletics. Decreases were noted in general administration, operation and maintenance expenditures. The final budget to actual variance of \$40,478 was mainly in instruction and operation and maintenance.

**Capital Assets and Debt Administration**

Capital Assets – Twenty CTO Prodesk Computers were purchased on July 16, 2014 for \$8,144. Depreciation expense totaled \$245,419.

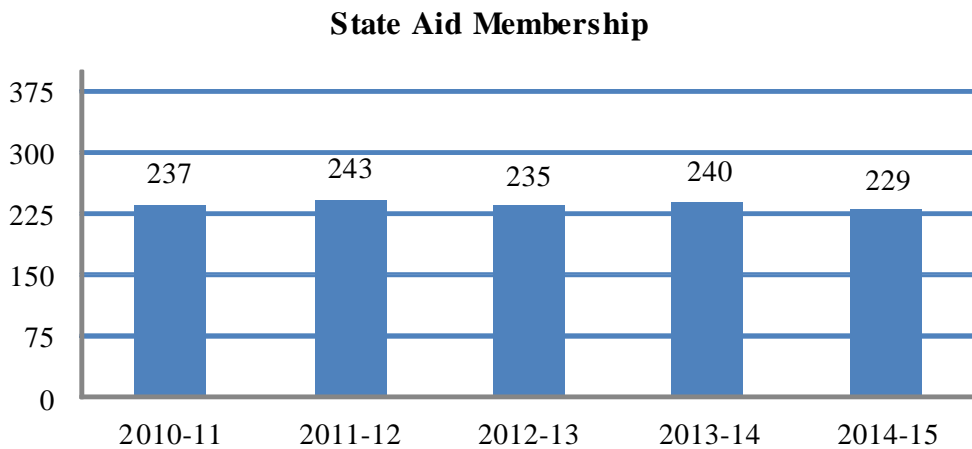
Additional information on the District’s capital assets can be found on page 26 of this report.

Long-term Debt – At the end of the current fiscal year, the District’s total debt was \$4,214,935. This total amount is backed by the full faith and credit of the District. The District’s total debt was decreased by \$503,996.

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

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

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



State revenues received by Michigan school districts are approved annually in a State Aid Act. This Act, approved by the State Legislature, provides a foundation amount (amount per student) of \$7,126 for the 2014-15 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 [tulppoj@etc.k12.mi.us](mailto:tulppoj@etc.k12.mi.us).

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2015**

ASSETS:

Cash and cash equivalents	\$	578,441
Taxes receivable		2
Accounts receivable		22
Due from other governmental units		222,186
Prepaid expenses		40,222
Inventories		2,363
Restricted cash		137,161
Other assets		5,494
Capital assets-Net		<u>6,065,481</u>
Total assets		<u>7,051,372</u>

DEFERRED OUTFLOWS OF RESOURCES - Pension 286,871

LIABILITIES:

Accounts payable	24,391
Accrued expenses	209,807
Accrued interest	13,819
Unearned revenue	16,155
Due to fiduciary funds	13,857
Bonds payable within one year	510,000
Bonds payable, due in more than one year	3,660,000
Compensated absences	31,117
Net pension liability	<u>2,608,141</u>
Total liabilities	<u>7,087,287</u>

DEFERRED INFLOWS OF RESOURCES - Pension 292,867

NET POSITION:

Net investment in capital assets	1,881,662
Restricted for:	
Debt service	192,657
Food Service	5,411
Unrestricted	<u>(2,121,641)</u>
Total net position	<u>\$ (41,911)</u>

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

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2015**

	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
<b><u>FUNCTIONS/PROGRAMS</u></b>				
Government Activities:				
Instruction and instructional support	\$ 1,665,591	\$ -	\$ 809,636	\$ (855,955)
Support services	1,049,531	15,097	10,640	(1,023,794)
Food service	135,055	28,462	101,110	(5,483)
Interest on long-term debt	90,390	-	-	(90,390)
Other debt service	2,684	-	-	(2,684)
Total Governmental Activities	<u>\$ 2,943,251</u>	<u>\$ 43,559</u>	<u>\$ 921,386</u>	<u>(1,978,306)</u>
 General Revenues:				
Property taxes, levied for general operations				1,201,053
Property taxes, levied for debt service				586,332
State revenue sharing				571,461
Interest and investment earnings				3,663
Other				73,882
Transfers				15,446
Special item - sale of fixed assets				610
Total general revenues and transfers				<u>2,452,447</u>
Change in Net Position				474,141
Net Position - Beginning				(516,052)
Net Position - Ending				\$ (41,911)

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



**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2015**

	General	Debt Service	Non-major Governmental Fund	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 568,999	\$ -	\$ 9,442	\$ 578,441
Taxes receivable	-	2	-	2
Accounts receivable	-	-	22	22
Due from other governmental units	221,258	-	928	222,186
Due from other funds	-	50,000	-	50,000
Inventory	-	-	2,363	2,363
Prepaid expenses	38,654	-	1,568	40,222
Other assets	-	5,494	-	5,494
Restricted cash	-	137,161	-	137,161
<b>TOTAL ASSETS</b>	<b>\$ 828,911</b>	<b>\$ 192,657</b>	<b>\$ 14,323</b>	<b>\$ 1,035,891</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 24,391	\$ -	\$ -	\$ 24,391
Accrued expenses	200,895	-	8,912	209,807
Due to other funds	50,000	-	-	50,000
Due to fiduciary fund	13,857	-	-	13,857
Unearned revenue	16,155	-	-	16,155
<b>TOTAL LIABILITIES</b>	<b>305,298</b>	<b>-</b>	<b>8,912</b>	<b>314,210</b>
<b>FUND BALANCES:</b>				
Nonspendable:				
Food service inventory	-	-	2,363	2,363
Prepays	38,654	-	-	38,654
Restricted:				
Debt Service	-	192,657	-	192,657
Food service	-	-	3,048	3,048
Unassigned	484,959	-	-	484,959
<b>TOTAL FUND BALANCES</b>	<b>523,613</b>	<b>192,657</b>	<b>5,411</b>	<b>721,681</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 828,911</b>	<b>\$ 192,657</b>	<b>\$ 14,323</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,065,481
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(4,201,117)
Net pension liability	(2,608,141)
Deferred outflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date.	286,871
Deferred inflows from the difference between projected and actual investment earnings and employer contributions and proportionate share of contributions of the pension plan	(292,867)
Accrued interest is not included as a liability in governmental funds	(13,819)
Net position of governmental activities	<b>\$ (41,911)</b>

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, 2015**

	General Fund	Debt Service Fund	Non-Major Governmental Fund	Totals
<b>Revenues</b>				
Local sources	\$ 1,305,568	\$ 587,846	\$ 28,540	\$ 1,921,954
State sources	721,245	-	7,039	728,284
Federal sources	657,027	-	94,071	751,098
Total revenues	<u>2,683,840</u>	<u>587,846</u>	<u>129,650</u>	<u>3,401,336</u>
<b>Expenditures</b>				
Instruction	1,482,302	-	-	1,482,302
Supporting services	981,499	-	-	981,499
Food service	-	-	134,587	134,587
Debt Service	-	594,569	-	594,569
Total expenditures	<u>2,463,801</u>	<u>594,569</u>	<u>134,587</u>	<u>3,192,957</u>
Excess (deficiency) of revenue over expenditures	<u>220,039</u>	<u>(6,723)</u>	<u>(4,937)</u>	<u>208,379</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other districts	15,446	-	-	15,446
Gain on sale of assets	610	-	-	610
Total other financing sources (uses)	<u>16,056</u>	<u>-</u>	<u>-</u>	<u>16,056</u>
Net Change in Fund Balance	236,095	(6,723)	(4,937)	224,435
Fund Balances - Beginning of year	<u>287,518</u>	<u>199,380</u>	<u>10,348</u>	
Fund Balances - End of year	<u>\$ 523,613</u>	<u>\$ 192,657</u>	<u>\$ 5,411</u>	

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

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(237,275)
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	3,996
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) and refunding bond activities	500,000
The change in net position liability amounts does not require the use of current resources and is not reported in the governmental funds.	<u>17,015</u>
Change in net position of governmental activities	<u>\$ 474,141</u>

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

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**June 30, 2015**

ASSETS	
Cash	\$ 20,915
Due from scholarship fund	129
Due from other funds	<u>13,857</u>
TOTAL ASSETS	<u><u>\$ 34,901</u></u>
LIABILITIES	
Due to student groups	<u><u>\$ 34,901</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, 2015**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**REPORTING ENTITY**

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

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

The District first utilizes restricted resources to finance qualifying activities.

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

The District does allocate indirect costs.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

The District reports the following major governmental funds:

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

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

Other Non-Major funds:

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

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, 2015**

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**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, 2015, 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 2013 to August 2015. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

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

Foundation	\$ 7,126.00
Less Local Support:	
Assumed Local Revenue	1,189,350
Divided by General Education K-12 membership	<u>222.70</u>
Calculated Local Support	<u>(5,340.59)</u>
Foundation Grant Allowance Per Pupil	<u><u>\$ 1,785.41</u></u>

*Other Accounting Policies*

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

Property Taxes – Property taxes levied by the District are collected by the various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and becomes a lien on the first day of the levy year.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

For the year ended June 30, 2015, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	18.000
Debt service fund - Homestead and non-homestead	5.320

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

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

Inventory – Inventory in the District’s Food Service Fund consist of food, a la carte items, and supplies totaling \$2,363. 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 \$31,117 consisted of accrued sick leave. Accrued sick leave is paid to employees upon retirement and accrued for only employees that qualify for retirement.

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

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

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

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Net Pension Liability - 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.

**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, 2015**

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**NOTE C - CASH AND CASH EQUIVALENTS**

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 578,441	\$ -	\$ 578,441
Restricted cash	137,161	20,915	158,076
Total cash and cash equivalents	<u>\$ 715,602</u>	<u>\$ 20,915</u>	<u>\$ 736,517</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, 2015, \$329,509 of the District’s bank balance of \$764,694 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, 2015**

**NOTE D - CAPITAL ASSETS**

Capital asset activity of the District’s governmental activities was as follows:

	Balance 06/30/14	Additions	Deletions	Balance 06/30/15
Non depreciable capital assets:				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Capital assets being depreciated:				
Building and improvements	8,742,436	-	-	8,742,436
Land improvements	309,244	-	-	309,244
Technology	50,886	8,144	-	59,030
Equipment	379,347	-	24,211	355,136
Vehicles	490,349	-	22,000	468,349
Food Service Equipment	104,054	-	-	104,054
Subtotal	<u>10,076,316</u>	<u>\$ 8,144</u>	<u>\$ 46,211</u>	<u>10,038,249</u>
Accumulated depreciation:				
Building and improvements	2,707,828	174,848	-	2,882,676
Land improvements	223,755	15,462	-	239,217
Technology	50,886	1,493	-	52,379
Equipment	361,029	3,664	24,211	340,482
Vehicles	328,548	49,952	22,000	356,500
Food Service Equipment	105,514	-	-	105,514
Subtotal	<u>3,777,560</u>	<u>\$ 245,419</u>	<u>\$ 46,211</u>	<u>3,976,768</u>
Net capital assets being depreciated	<u>6,298,756</u>			<u>6,061,481</u>
Net capital assets	<u>\$ 6,302,756</u>			<u>\$ 6,065,481</u>

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

Athletics	\$ 6,489
Instruction	173,806
Operations & Maintenance	13,733
Transportation	<u>51,391</u>
TOTAL	<u>\$ 245,419</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, 2015 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
Debt Service	<u>\$ 50,000</u>	General	<u>\$ 50,000</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, 2015**

**NOTE F - ACCRUED LIABILITIES**

Accrued liabilities as of June 30, 2015, for the District’s governmental funds individual major fund and non-major funds in the aggregate, are as follows:

	General Fund	Food Service Fund	Total
Salaries payable	\$ 119,119	\$ 5,959	\$ 125,078
Accrued expenses	81,776	2,953	84,729
	<u>\$ 200,895</u>	<u>\$ 8,912</u>	<u>\$ 209,807</u>

**NOTE G - LONG TERM DEBT**

2008 School Bus and Site Bonds

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

Fiscal Year	November 1 Interest	May 1 Interest	May 1 Principal	Total
2015-2016	<u>\$ 1,260</u>	<u>\$ 1,260</u>	<u>\$ 70,000</u>	<u>\$ 72,520</u>

2012 Refunding Bonds

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

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 Interest	May 1		Total
		Interest	Principal	
2015-2016	\$ 40,197	\$ 40,198	\$ 440,000	\$ 520,395
2016-2017	36,897	36,898	440,000	513,795
2017-2018	33,597	33,598	440,000	507,195
2018-2019	29,197	29,198	425,000	483,395
2019-2020	24,947	24,948	415,000	464,895
2020-2021	20,797	20,798	410,000	451,595
2021-2022	16,697	16,698	400,000	433,395
2022-2023	12,697	12,698	390,000	415,395
2023-2024	8,505	8,505	380,000	397,010
2024-2025	4,230	4,230	360,000	368,460
	<u>\$ 227,761</u>	<u>\$ 227,769</u>	<u>\$ 4,100,000</u>	<u>\$ 4,555,530</u>

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015**

**NOTE G - LONG TERM DEBT (Continued)**

Long-term liabilities activity, as reported in and liquidated through the following funds for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increase	Decrease	Balance June 30, 2015	Current Portion
2012 Refunding	4,530,000	-	430,000	4,100,000	440,000
2008 School Bus & Site	140,000	-	70,000	70,000	70,000
	<u>4,670,000</u>	-	<u>500,000</u>	<u>4,170,000</u>	<u>\$ 510,000</u>
Other Accrued Interest	15,314	-	1,495	13,819	
Accrued Benefits	33,617	-	2,500	31,117	
<b>TOTAL</b>	<u>\$ 4,718,931</u>	<u>\$ -</u>	<u>\$ 503,995</u>	<u>\$ 4,214,936</u>	

As of June 30, 2015, the aggregate maturities of long-term debt for the next ten years and thereafter are as follows:

Fiscal Year	Principal	Interest	Total
2015-2016	\$ 510,000	\$ 82,915	\$ 592,915
2016-2017	440,000	73,795	513,795
2017-2018	440,000	67,195	507,195
2018-2019	425,000	58,395	483,395
2019-2020	415,000	49,895	464,895
2020-2021	410,000	41,595	451,595
2021-2022	400,000	33,395	433,395
2022-2023	390,000	25,395	415,395
2023-2024	380,000	17,010	397,010
2024-2025	360,000	8,460	368,460
	<u>\$ 4,170,000</u>	<u>\$ 458,050</u>	<u>\$ 4,628,050</u>

**NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

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 Governor appointed board members consist of:

- Two active classroom teachers or other certified school personnel.
- One active member or retirant from a non-certified support position.
- One active school system superintendent.
- One active finance or operations (non-superintendent) member.
- One retirant from a classroom teaching position.
- One retirant from a finance or operations management position.
- One administrator or trustee of a community college that is a reporting unit of the System.
- Two from the general public, one with health insurance or actuarial science experience and one with institutional investment experience.
- One elected member of a reporting unit's board of control.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015**

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**NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

The System’s pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System’s health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees’ Retirement Act. There are 685 participating employers. A list of employers is provided in the Statistical Section. The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven universities are: Eastern Michigan, Central Michigan, Northern Michigan, Western Michigan, Ferris State, Michigan Technological and Lake Superior State. Employees, who first become employed by one of the seven universities on or after January 1, 1996, become members of an alternative plan.

The System’s financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report.

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

**Membership**

At September 30, 2014, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	181,489
Survivor benefits	16,855
Disability benefits	6,168
Total	<u>204,512</u>
Inactive plan members entitled to but not yet receiving benefits:	16,979
Active plan members:	
Vested	108,934
Non-Vested	101,843
Total	<u>210,777</u>
Total plan members	<u><u>432,268</u></u>

*Benefits Provided* – Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan. Retirement benefits for defined benefit pension 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.

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

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015**

**NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

*Member Contributions* – Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when 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. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987, through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member’s accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Their options are described in detail under Pension Reform 2012 beginning on page 23. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

*Employer Contributions* – Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

**NOTE I - NET PENSION LIABILITY**

Measurement of the MPSERS Net Pension Liability

The plan’s net pension liability is to be measured as the total pension liability, less the amount of the pension plan’s fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer’s contribution requirement).

<u>MPSERS (Plan) Net Pension Liability</u>	
As of September 30, 2014	
Total Pension Liability	\$ 65,160,887,182
Plan Fiduciary Net Position	43,134,384,072
Net Pension Liability	<u>\$ 22,026,503,110</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.20%
Net Pension Liability as a Percentage of Covered-Employee Payroll	250.11%

Year 1 MPSERS GASB 68 implementation recognizes a 0.00% change in the reporting unit's proportionate share between beginning net pension liability and ending net pension liability.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015**

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**NOTE I- NET PENSION LIABILITY (Continued)**

<u>MPSERS (Plan) Net Pension Liability</u>	
As of October 1, 2013	
Total Pension Liability	\$ 62,859,499,994
Plan Fiduciary Net Position	<u>39,427,686,072</u>
Net Pension Liability	<u><u>\$ 23,431,813,922</u></u>

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

At June 30, 2015, the Ewen-Trout Creek School District reported a liability of \$2,608,141 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, the District's proportionate share percent was .01184 percent.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	4.8%
% Alternative Investment Pools	18.0%	8.5%
International Equity	16.0%	6.1%
Fixed Income Pools	10.5%	1.5%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	15.5%	6.3%
Short Term Investment Pools	2.0%	(0.2)%
Total	<u><u>100.0%</u></u>	

\* Long term rate of return does not include 2.5% inflation

Rate of Return

For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 12.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015**

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**NOTE I- NET PENSION LIABILITY (Continued)**

Discount Rate

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

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

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

	1% Lower (7.0%)	Discount Rate (8.0%)	1% Higher (9.0%)
District’s proportionate share of the net pension liability	\$ 3,438,606	\$ 2,608,141	\$ 1,908,461

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan’s fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan’s fiscal year end.

The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures.

Actuarial Valuations and Assumptions

Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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



**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015**

**NOTE I- NET PENSION LIABILITY (Continued)**

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

	<u>Actuarial Assumptions</u>
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
– MIP and Basic Plans (Non-Hybrid)	8.0%
– Pension Plus Plan (Hybrid)	7.0%
Projected Salary Increases:	3.5 -12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP members
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% Year 12
Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables for mortality improvements to 2025 using projection scale BB. For retirees 100% of the table rates were used. For active members, 80% of the tables rates were used for males and 70% of the table rates were used for females.	

Notes:

- ▶ Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures, including the experience study.
- ▶ Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457
- ▶ Recognition period for assets in years is 5.0000
- ▶ Full actuarial assumptions are available in the 2014 MPSERS Comprehensive Annual Financial Report.

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

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

For the year ended June 30, 2015, the District recognized total pension expense of \$211,267. At June 30, 2015, 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	\$ -	\$ -
Changes of assumptions	96,235	-
Net difference between policies and actual earnings on pension plan investments	-	288,331
Changes in proportion and differences between reporting unit contributions and proportionate share of contributions	-	4,536
District's contributions subsequent to the measurement date*	190,636	-
Total	<u>\$ 286,871</u>	<u>\$ 292,867</u>

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015**

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**NOTE J - PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

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

Year Ended September 30	Amount
2015	\$ 48,239
2016	\$ 48,239
2017	\$ 48,239
2018	\$ 51,915

**NOTE K - 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 2013 Comprehensive Annual Financial Report, available here: <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

**NOTE L - PAYABLES TO THE PENSION PLAN**

At June 30, 2015 the District reported a payable of \$18,467 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**NOTE M - CHANGE IN ACCOUNTING PRINCIPLE**

The net position of the governmental activities were restated to reflect the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 changed how governments measure and report the long-term obligations and annual costs associated with the pension benefits they provide. GASB Statement No. 71 addressed the issue of contributions made to the defined benefit pension plan after the measurement date for the year in which GASB Statement No. 68 is implemented.

As a result of implementing this statement, the beginning net position the governmental activities has been restated as indicated:

Net Position - June 30, 2014 - As previously reported	\$ 2,081,070
Adjustment for implementation of GASB Statement No. 68	<u>(2,597,122)</u>
Net Position - June 30, 2014 - As restated	<u><u>\$ (516,052)</u></u>

**NOTE N - 403(b) RETIREMENT PLAN**

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

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2015**

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**NOTE O - RISK MANAGEMENT**

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

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

**NOTE P - 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
REVENUES:				
Local sources	\$ 1,286,327	\$ 1,304,629	\$ 1,305,568	\$ 939
State sources	640,429	721,771	721,245	(526)
Federal sources	<u>651,109</u>	<u>669,144</u>	<u>657,027</u>	<u>(12,117)</u>
TOTAL REVENUE	<u>2,577,865</u>	<u>2,695,544</u>	<u>2,683,840</u>	<u>(11,704)</u>
EXPENDITURES:				
Instruction	1,451,328	1,500,229	1,482,302	17,927
Pupil	20,686	28,186	26,769	1,417
Instructional staff support	12,983	5,774	3,235	2,539
General administration	108,672	97,381	93,478	3,903
School administration	136,176	151,822	147,727	4,095
Business	90,214	94,202	92,617	1,585
Operation and maintenance	317,207	305,270	282,654	22,616
Pupil transportation	257,037	242,428	243,841	(1,413)
Athletics	71,605	77,446	73,177	4,269
Other technical support	<u>22,748</u>	<u>19,468</u>	<u>18,001</u>	<u>1,467</u>
TOTAL EXPENDITURES	<u>2,488,656</u>	<u>2,522,206</u>	<u>2,463,801</u>	<u>58,405</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	89,209	173,338	220,039	46,701
OTHER FINANCING SOURCES (USES)				
Incoming transfers - other schools	5,000	15,446	15,446	-
Sale of fixed assets	<u>-</u>	<u>610</u>	<u>610</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,000</u>	<u>16,056</u>	<u>16,056</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 94,209</u>	<u>\$ 189,394</u>	236,095	<u>\$ 46,701</u>
FUND BALANCE - BEGINNING OF YEAR			<u>287,518</u>	
FUND BALANCE - END OF YEAR			<u>\$ 523,613</u>	

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT  
PENSION REQUIREMENTS - GASB 68  
Year Ended June 30, 2015**

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

Michigan Public School Employees Retirement Plan  
(Amounts were determined as of 9/30 of each fiscal year)\*

	2014
A. District's proportionate of net pension liability (%)	0.01184
B. District's proportionate share of net pension liability	\$ 2,608,141
C. District's covered-employee payroll	\$ 1,016,731
D. District's proportionate share of net pension liability as a percentage of its covered-employee payroll	39%
E. Plan fiduciary net position as a percentage of total pension	66.20%

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**

Michigan Public School Employees Retirement Plan  
(Amounts were determined as of 6/30 of each fiscal year)\*

	2015
A. Statutorily required contributions	\$ 226,980
B. Contributions in relation to statutorily required contributions	227,494
C. Contribution deficiency (excess)	\$ (514)
D. District's covered-employee payroll	\$ 1,032,661
E. Contributions as a percentage of covered-employee	22%

\*This is the first year for reporting.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - JUNE 30, 2015**

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**NOTE A - CHANGE OF BENEFIT TERMS**

There were no changes of benefit terms in 2015.

**NOTE B - CHANGE OF ASSUMPTIONS**

There were no changes of benefit assumptions in 2015.

**OTHER SUPPLEMENTAL FINANCIAL INFORMATION**



**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**GENERAL FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2015**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES:</b>			
Local sources:			
Taxes	\$ 1,201,052	\$ 1,201,053	\$ 1
Penalties and interest	6,943	7,137	194
Investment revenue	1,677	2,047	370
Rentals	5,425	5,425	-
Athletics	20,301	20,336	35
Contributions	2,825	2,825	-
Miscellaneous	66,406	66,745	339
Total local sources	<u>1,304,629</u>	<u>1,305,568</u>	<u>939</u>
State sources:			
Unrestricted grants:			
State aid	572,675	571,461	(1,214)
Restricted grants:			
At-risk	103,295	103,983	688
Special education	45,801	45,801	-
Total restricted grants	<u>149,096</u>	<u>149,784</u>	<u>688</u>
Total state sources	<u>721,771</u>	<u>721,245</u>	<u>(526)</u>
Federal sources:			
Title I	79,864	69,388	(10,476)
Title II	28,485	26,843	(1,642)
REAP	5,212	5,212	-
National Forest	220,875	220,876	1
Impact Aid	334,708	334,708	-
Total federal sources	<u>669,144</u>	<u>657,027</u>	<u>(12,117)</u>
<b>TOTAL REVENUES</b>	<u>2,695,544</u>	<u>2,683,840</u>	<u>(11,704)</u>
<b>EXPENDITURES:</b>			
Instruction:			
Basic program:			
Elementary School	569,945	571,709	(1,764)
High School	550,135	541,981	8,154
Total basic program	<u>1,120,080</u>	<u>1,113,690</u>	<u>6,390</u>
Added needs:			
Special education	163,294	160,037	3,257
Compensatory education	216,855	208,575	8,280
Total added needs	<u>380,149</u>	<u>368,612</u>	<u>11,537</u>
Total instruction	<u>1,500,229</u>	<u>1,482,302</u>	<u>17,927</u>

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**GENERAL FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES (Continued)**  
**Year Ended June 30, 2015**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Supporting services:			
Pupil:			
Guidance	11,308	11,069	239
Health	16,878	15,700	1,178
Total pupil	<u>28,186</u>	<u>26,769</u>	<u>1,417</u>
Instructional staff:			
Improvement of instruction	3,946	1,458	2,488
Library	1,828	1,777	51
Total instructional staff	<u>5,774</u>	<u>3,235</u>	<u>2,539</u>
General administration:			
Board of education	66,610	62,968	3,642
Executive administration	30,771	30,510	261
Total general administration	<u>97,381</u>	<u>93,478</u>	<u>3,903</u>
School administration:			
Office of principal	151,822	147,727	4,095
Business-fiscal services	94,202	92,617	1,585
Operation & maintenance	305,270	282,654	22,616
Pupil transportation	242,428	243,841	(1,413)
Athletics	77,446	73,177	4,269
Other technical support	19,468	18,001	1,467
Total supporting services	<u>1,021,977</u>	<u>981,499</u>	<u>40,478</u>
<b>TOTAL EXPENDITURES</b>	<u>2,522,206</u>	<u>2,463,801</u>	<u>58,405</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	173,338	220,039	46,701
<b>OTHER FINANCING SOURCES (USES):</b>			
Incoming transfers - other schools	15,446	15,446	-
Sale of fixed assets	610	610	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>16,056</u>	<u>16,056</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 189,394</u>	236,095	<u>\$ 46,701</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>287,518</u>	
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ 523,613</u>	

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**DEBT SERVICE FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2015**

ASSETS:	Debt Retirement	Sidewalk/ Bus Debt	Total
Restricted cash	\$ 126,485	\$ 10,676	\$ 137,161
Taxes receivable	2	-	2
Due from other funds	50,000	-	50,000
Other assets	-	5,494	5,494
<b>TOTAL ASSETS</b>	<b>\$ 176,487</b>	<b>\$ 16,170</b>	<b>\$ 192,657</b>
LIABILITIES:	-	-	-
FUND BALANCES:			
Restricted	176,487	16,170	192,657
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 176,487</b>	<b>\$ 16,170</b>	<b>\$ 192,657</b>

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**DEBT SERVICE FUNDS**  
**COMBINING SCHEDULES OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2015**

	Debt Retirement	Sidewalk/ Bus Debt	Total
REVENUES:			
Local sources:			
Taxes:			
Current taxes	\$ 515,905	\$ 70,427	\$ 586,332
Other taxes	870	133	1,003
Penalties & interest on delinquent taxes	444	67	511
Total taxes	<u>517,219</u>	<u>70,627</u>	<u>587,846</u>
 TOTAL REVENUES	 <u>517,219</u>	 <u>70,627</u>	 <u>587,846</u>
 EXPENDITURES:			
Interest on bonds	86,845	5,040	91,885
Redemption of bond principle	430,000	70,000	500,000
Tax collection fees	100	150	250
Other expense	2,114	320	2,434
 TOTAL EXPENDITURES	 <u>519,059</u>	 <u>75,510</u>	 <u>594,569</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(1,840)</u>	 <u>(4,883)</u>	 <u>(6,723)</u>
 FUND BALANCE, BEGINNING OF YEAR	 <u>178,327</u>	 <u>21,053</u>	 <u>199,380</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 176,487</u>	 <u>\$ 16,170</u>	 <u>\$ 192,657</u>

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**FOOD SERVICE FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2015**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:			
Local sources:			
Adult lunches	\$ 2,224	\$ 2,224	\$ -
Special milk	287	287	-
Student lunches	17,174	17,175	1
Earnings on investments	-	78	78
Miscellaneous	<u>8,841</u>	<u>8,776</u>	<u>(65)</u>
Total local sources	<u>28,526</u>	<u>28,540</u>	<u>14</u>
State sources	7,039	7,039	-
Federal sources:			
School lunch program	86,204	86,205	1
USDA entitlements	<u>-</u>	<u>7,866</u>	<u>7,866</u>
Total federal sources	<u>86,204</u>	<u>94,071</u>	<u>7,867</u>
TOTAL REVENUES	<u>121,769</u>	<u>129,650</u>	<u>7,881</u>
EXPENDITURES:			
Salaries and wages	31,396	31,607	(211)
Employee benefits	37,567	33,219	4,348
Supplies, materials, and other	<u>61,642</u>	<u>69,761</u>	<u>(8,119)</u>
TOTAL EXPENDITURES	<u>130,605</u>	<u>134,587</u>	<u>(3,982)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (8,836)</u>	<u>(4,937)</u>	<u>\$ 3,899</u>
FUND BALANCE, BEGINNING OF YEAR		<u>10,348</u>	
FUND BALANCE, END OF YEAR		<u>\$ 5,411</u>	

## **FEDERAL AWARDS**

# RUKKILA | 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 ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2015.

### **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

October 21, 2015



# RUKKILA | NEGRO AND ASSOCIATES

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

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

### **Report on Compliance for Each Major Federal Program**

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

### ***Management Responsibility***

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

### ***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ewen-Trout Creek Consolidated School District's compliance.

### ***Opinion on Each Major Federal Program***

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

### **Report on Internal Control Over Compliance**

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

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

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

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

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

October 21, 2015

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2015**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue 41820	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue 42184
<i>U.S. Department of Education:</i>						
Direct						
Small Rural Achievement Grant - REAP						
S358A111925 2012-13	84.358A	\$ 3,873	\$ 1,187	\$ 3,873	\$ 2,686	\$ -
S358A111925 2013-14	84.358A	1,542	-	1,542	1,542	-
S358A111925 2014-15	84.358A	984	-	984	984	-
Total Small Achievement Grant - REAP		<u>6,399</u>	<u>1,187</u>	<u>6,399</u>	<u>5,212</u>	<u>-</u>
P.L. 874 - Impact Aid S041A-2015-2435	84.041	334,708	-	334,708	334,708	-
Total Direct		<u>341,107</u>	<u>1,187</u>	<u>341,107</u>	<u>339,920</u>	<u>-</u>
Passed through Michigan Department of Education						
Title I Part A Grant 141520-1314	84.01	90,272	19,233	19,233	-	-
Title I Part A Grant 151530-1415	84.01	78,658	-	-	69,388	69,388
Title IIA Improving Teacher Quality 150520-1415	84.367	28,965	-	-	26,843	26,843
Title IIA Improving Teacher Quality 140520-1314	84.367	<u>33,198</u>	<u>6,762</u>	<u>6,762</u>	<u>-</u>	<u>-</u>
Total Passed through M.D.E.		<u>231,093</u>	<u>25,995</u>	<u>25,995</u>	<u>96,231</u>	<u>96,231</u>
Total U.S. Dept of Education		<u>572,200</u>	<u>27,182</u>	<u>367,102</u>	<u>436,151</u>	<u>96,231</u>
<i>U.S. Department of Agriculture:</i>						
Passed Through Michigan Dept of Education						
National School Lunch						
Section 11 - Free & Reduced	10.555	60,376	-	60,376	60,376	-
Breakfast	10.533	<u>25,829</u>	<u>-</u>	<u>25,829</u>	<u>25,829</u>	<u>-</u>
		86,205	-	86,205	86,205	-
Food Distributions- Entitlement Commodities	10.550	<u>7,866</u>	<u>-</u>	<u>7,866</u>	<u>7,866</u>	<u>-</u>
		<u>94,071</u>	<u>-</u>	<u>94,071</u>	<u>94,071</u>	<u>-</u>
Schools and Roads - USDA Forest Service						
Ottawa National Forest						
Passed Through Houghton County	10.665	23,123	-	23,123	23,123	-
Passed Through Ontonagon County	10.665	<u>197,753</u>	<u>-</u>	<u>197,753</u>	<u>197,753</u>	<u>-</u>
		<u>220,876</u>	<u>-</u>	<u>220,876</u>	<u>220,876</u>	<u>-</u>
Total U.S. Dept of Agriculture		<u>314,947</u>	<u>-</u>	<u>314,947</u>	<u>314,947</u>	<u>-</u>
<b>TOTALS</b>		<u>\$ 887,147</u>	<u>\$ 27,182</u>	<u>\$ 682,049</u>	<u>\$ 751,098</u>	<u>\$ 96,231</u>

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

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - JUNE 30, 2015**

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**NOTE A - OVERSIGHT AGENCY**

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

**NOTE B - BASIS OF ACCOUNTING**

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

**NOTE C - FINAL COST REPORT - FORM DS4044**

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

**NOTE D - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION**

A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards to federal revenue recognized on page 51 of these financial statements is \$751,098.

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

Total current payments per MDE grant reports	\$	200,337
Less State revenue reported on grant report		(2,050)
Less prior year revenues:		
Title I		(18,715)
Title IIA		(6,762)
Plus		
Receivables:		
Title I		8,184
Title IIA		1,442
Other federal revenue:		
Food Commodities		7,866
Small Rural Achievement Grant		5,212
Impact Aid		334,708
Ottawa National Forest		220,876
Schedule of Expenditures of Federal Awards	\$	<u>751,098</u>

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended June 30, 2015**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

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

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Current Year – No matters were reported.

Prior Year – No matters were reported.

**COMMUNICATION SECTION**

# RUKKILA | NEGRO AND ASSOCIATES

*Certified Public Accountants, PC*

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## 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, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable Government Auditing Standards and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 3, 2015. 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, 2015. We noted no transactions entered into by Ewen-Trout Creek Consolidated School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

#### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

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

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 21, 2015.

### *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 21, 2015