

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2019

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

June 30, 2019

ADMINISTRATION

Superintendent/Principal..... David Radovich

BOARD OF EDUCATION

President..... John Pinkerton

Vice President..... Shawn Brown

Treasurer..... Samantha Schutz

Secretary..... Carol Maki

Trustee..... Holly Driesenga

Trustee..... Margaret Brown

Trustee..... Cindy Ellsworth

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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ewen-Trout Creek Consolidated School District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension requirements on pages 6 through 13 and 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional information on pages 46 to 52 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information on pages 46 to 52 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 23, 2019 on our consideration of the Ewen-Trout Creek Consolidated School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ewen-Trout Creek Consolidated School District internal control over financial reporting and compliance.

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

October 23, 2019

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

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, 2019. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

The Ewen-Trout Creek Consolidated School District administration and Board of Education continues to steer a conservative fiscal course with a goal to ensure the district will not enter in to a deficit situation. Ewen-Trout Creek Consolidated School District begins the 2019-20 school year with a \$471,677 general fund balance, which will amount to about 19% of annual general fund expenses.

School administration will continue to recommend budgets that aim to maintain a fund balance that is equal to, or exceeds, 15% of annual expenses. The school administration and Board Negotiations Committee will be bargaining the salary and benefits portion of the contracts for both the Education Association and Support Staff during the 2019-20 school year. Employee compensation at the Ewen-Trout Creek Consolidated School District, while historically has lagged behind districts throughout the region, is now relatively competitive with the school districts that comprise the Gogebic-Ontonagon Intermediate School District and with districts of similar demographics throughout the Upper Peninsula.

Ewen-Trout Creek Consolidated School District continues to benefit from the Michigan Schools of Choice program and has maintained a K-12 enrollment of approximately 200 students over the past four years. However, the student count for 2018-19 was below 200 at 195. With our community's struggling economy, declining enrollment continues to be a concern for our District. 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 13% 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 in cooperation with the maintenance department will work to create a prioritized maintenance schedule to address needs that can be managed within the parameters of the school district's general fund budget, while having a minimal impact on the fund balance.

All of the above suggests an ongoing need for a very conservative fiscal approach that will entail: maintenance of at least a 15% fund balance, ongoing downsizing where practicable, looking for savings at every juncture, and limiting all discretionary expenses for the foreseeable future.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflow of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position, and how they have changed. Net position the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflow of resources is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities*: The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying debt, and its capital projects funds) or to show that it is properly using certain revenues (like school lunch).

The District has two kinds of funds.

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

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.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Financial Analysis of the District as a Whole

	Summary of Net Position	
	<u>2019</u>	<u>2018</u>
Assets		
Current and other assets	\$ 905,819	\$ 886,555
Restricted cash and investments	62,237	71,884
Capital assets - net	<u>9,336,779</u>	<u>9,635,263</u>
Total assets	<u>10,304,835</u>	<u>10,593,702</u>
Deferred outflows of resources	1,258,208	700,141
Liabilities		
Current liabilities	335,858	298,992
Long-term liabilities	6,541,915	7,120,993
Net pension liability	3,803,633	3,284,890
Net OPEB liability	<u>1,010,476</u>	<u>1,124,125</u>
Total liabilities	<u>11,691,882</u>	<u>11,829,000</u>
Deferred inflows of resources	529,208	224,642
Net position		
Net investment in capital assets	2,804,555	2,526,122
Restricted		
Debt service	147,362	153,263
Capital projects	50,078	49,933
Food service	2,407	2,518
Unrestricted	<u>(3,662,449)</u>	<u>(3,491,635)</u>
Total net position	<u>\$ (658,047)</u>	<u>\$ (759,799)</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Financial Analysis of the District as a Whole (Continued)

Results of Operations in Governmental Activities		
	<u>2019</u>	<u>2018</u>
Program Revenues		
Charges for services	\$ 44,791	\$ 57,052
Operating grants and contributions	703,805	755,958
General Revenues		
Taxes	1,990,089	1,986,765
State foundation allowance	455,679	470,968
Interest	3,109	4,350
Transfers	33,068	11,963
Special item - sale of fixed assets	-	3,570
Other	46,777	47,352
Total revenues	<u>3,277,318</u>	<u>3,337,978</u>
Functions/program expenses		
Instruction	1,845,464	1,892,132
Supporting services	941,057	814,362
Food Service	124,042	112,843
Athletics	85,854	84,805
Community services	-	110,305
Interest expense	172,855	183,345
Other expense	6,294	628
Total expenses	<u>3,175,566</u>	<u>3,198,420</u>
Change in net position	101,752	139,558
Net position - Beginning	<u>(759,799)</u>	<u>(899,357)</u>
Net position - Ending	<u><u>\$ (658,047)</u></u>	<u><u>\$ (759,799)</u></u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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

	<u>2019</u>	<u>% of total</u>	<u>2018</u>	<u>% of total</u>
Revenues				
Taxes	\$ 1,240,887	51.3 %	\$ 1,239,145	49.9 %
Penalties and interest	6,684	0.3 %	5,703	0.2 %
Other local sources	88,921	3.7 %	110,510	4.5 %
Other financing sources	33,068	1.4 %	11,963	0.5 %
Federal sources	434,721	18.0 %	455,603	18.4 %
State sources	617,238	25.3 %	658,542	26.5 %
Total revenues	<u>\$ 2,421,519</u>	<u>100.0 %</u>	<u>2,481,466</u>	<u>100.0 %</u>
Expenditures				
Pupil transportation	\$ 232,445	9.5 %	\$ 206,611	8.2 %
Pupil	2,412	0.1 %	8,566	0.3 %
Instructional staff	4,932	0.2 %	6,088	0.2 %
General administration	93,616	3.8 %	74,618	3.0 %
Instruction	1,477,319	60.4 %	1,597,152	63.2 %
School administration	128,745	5.3 %	137,396	5.4 %
Business-fiscal services	115,779	4.7 %	106,705	4.2 %
Athletics	85,854	3.5 %	84,805	3.4 %
Operations & maintenance	246,278	10.1 %	268,901	10.6 %
Technical support	41,992	1.7 %	21,714	0.9 %
Operating transfers out	16,150	0.7 %	15,000	0.6 %
Total expenditures	<u>\$ 2,445,522</u>	<u>100.0 %</u>	<u>\$ 2,527,556</u>	<u>100.0 %</u>

Significant Transactions and Changes in Individual Funds

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

	<u>2019</u>	<u>2018</u>	<u>Change</u>
General Fund			
Revenues/Transfers	\$ 2,421,519	\$ 2,481,466	\$ (59,947)
Expenditures/Transfers	\$ 2,445,522	\$ 2,512,556	\$ (67,034)
Fund Balance	\$ 471,677	\$ 495,680	\$ (24,003)
Debt Service Fund			
Revenues/Transfers	\$ 750,165	\$ 748,677	\$ 1,488
Expenditures/Transfers	\$ 756,066	\$ 765,673	\$ (9,607)
Fund Balance	\$ 147,362	\$ 153,263	\$ (5,901)
Food Service Fund			
Revenues/Transfers	\$ 121,639	\$ 122,114	\$ (475)
Expenditures/Transfers	\$ 121,046	\$ 112,221	\$ 8,825
Fund Balance	\$ (9,695)	\$ (10,288)	\$ 593
Capital Projects Fund			
Revenues/Transfers	\$ 145	\$ 721	\$ (576)
Expenditures/Transfers	\$ -	\$ 110,305	\$ (110,305)
Fund Balance	\$ 50,078	\$ 49,933	\$ 145

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

Significant Transactions and Changes in Individual Funds (Continued)

General Fund: There was an increase in revenue. Local sources had a net decrease of \$15,296, a majority being from athletics and contributions. State sources decreased by \$41,904 comprising of decreases in both unrestricted and restricted sources. Federal revenue had decreased by \$20,882, mainly due to Title I and Ottawa National Forest.

The District experienced a decrease in instructional services expenditures of \$119,833 and a increase in supporting services of \$36,647 from the previous year.

Debt Service Fund: The major change in the debt retirement accounts is the ending of a millage for the bus/sidewalk debt fund in revenue and expenditures. The tax millage for the District's 2012 Debt Refunding and 2016 Debt Funds is 6.6000 mills.

School Service Fund: The net decrease in the food service program was from a decrease in all areas of revenue.

Capital Projects Fund: There were no expenditures in the capital project fund.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2019, the original budget was adopted in June 2018. 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.

	Budgeted Amounts		Actual	Variance Final to Actual	% Variance
	Original	Final			
Revenues	\$ 2,207,331	\$ 2,412,163	\$ 2,388,451	\$ (23,712)	(1.0)%
Expenditures					
Instruction	\$ 1,424,274	\$ 1,474,720	\$ 1,477,319	\$ (2,599)	(0.2)%
Supporting services	943,469	945,156	952,053	(6,897)	(0.7)%
Total expenditures	\$ 2,367,743	\$ 2,419,876	\$ 2,429,372	\$ (9,496)	(0.4)%
Other financing sources (uses)	\$ (12,303)	\$ (16,150)	\$ 16,918	\$ 33,068	(204.8)%

Revenue budget had an increase from the original to the final in the amount of \$204,832 which represents increases in local, state, and federal revenue.

Instructional expenditure budget was increased by \$50,446 from the original to final budget. The final budget to actual had a variance of \$(2,599).

Supporting services expenditure budget was increased by \$1,687 from the original to final budget. The final budget to actual variance of \$(6,897).

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

Capital Assets and Debt Administration

Capital Assets – Computers were purchased for \$21,029. Depreciation expense totaled \$319,514.

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

Long-term Debt – At the end of the current fiscal year, the District's total debt was \$6,505,000. This total amount is backed by the full faith and credit of the District. The District's total debt decreased by \$575,000.

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

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

The table depicts a decrease of 6 students enrolled from the previous year, using the State Aid Membership Count.

Year	Student Total	Change
2014-15	229	(11)
2015-16	217	(12)
2016-17	204	(13)
2017-18	201	(3)
2018-19	195	(6)

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 \$7,871 for the 2018-19 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, David Radovich, at Ewen-Trout Creek Consolidated School District, 14312 Airport Road, Ewen, Michigan 49925. Telephone number (906) 813-0620, fax (906) 813-0622, or email dradovich@etc.k12.mi.us.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT**STATEMENT OF NET POSITION****June 30, 2019**

Assets	
Cash and cash equivalents	\$ 702,663
Accounts receivable	8,650
Due from governmental units	139,433
Prepaid expenses	53,939
Inventories	1,134
Restricted cash	62,237
Capital assets - Net	9,336,779
Total assets	<u>10,304,835</u>
Deferred outflows of resources	
Pension	1,082,983
OPEB	175,225
Total deferred outflows of resources	<u>1,258,208</u>
Liabilities	
Accounts payable	15,789
Accrued expenses and salaries payable	226,146
Due to governmental units	25,618
Due to fiduciary funds	13,857
Unearned revenue	27,224
Accrued interest	27,224
Bonds payable, due within one year	590,000
Bonds payable, due in more than one year	5,915,000
Compensated absences	36,915
Net pension liability	3,803,633
Net OPEB liability	1,010,476
Total liabilities	<u>11,691,882</u>
Deferred inflows of resources	
Pension	302,123
OPEB	227,085
Total deferred inflows of resources	<u>529,208</u>
Net position	
Net investment in capital assets	2,804,555
Restricted	
Debt service	147,362
Capital projects	50,078
Food service	2,407
Unrestricted	(3,662,449)
Total net position	<u>\$ (658,047)</u>

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	<u>Program Revenues</u>			<u>Governmental</u>
				<u>Activities</u>
	<u>Basic program</u>	<u>Charges for</u>	<u>Operating</u>	<u>Net (Expense)</u>
<u>Functions/Programs</u>		<u>services</u>	<u>grants and</u>	<u>Revenue and</u>
			<u>contributions</u>	<u>Changes in Net</u>
				<u>Position</u>
Government Activities				
Instruction and instructional support	\$ 1,845,464	\$ -	\$ 598,380	\$ (1,247,084)
Support services	941,057	-	-	(941,057)
School food service	124,042	21,980	83,425	(18,637)
Athletics	85,854	22,811	22,000	(41,043)
Interest on long-term debt	172,855	-	-	(172,855)
Other debt service	6,294	-	-	(6,294)
Total governmental activities	<u>\$ 3,175,566</u>	<u>\$ 44,791</u>	<u>\$ 703,805</u>	<u>(2,426,970)</u>
General revenues:				
Taxes, levied for general operations				1,240,887
Taxes, levied for debt service				743,549
Other taxes				5,653
Unrestricted state aid				455,679
Earnings on investments				3,109
Miscellaneous				46,777
Incoming transfers - other schools				33,068
Total general revenues, and transfers				<u>2,528,722</u>
Change in net position				101,752
Net position - Beginning of year				<u>(759,799)</u>
Net position - End of year				<u>\$ (658,047)</u>

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2019

	General Fund	Debt Retirement	Non-Major Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 546,556	\$ 85,125	\$ 70,982	\$ 702,663
Accounts receivable	8,629	-	21	8,650
Due from governmental units	138,675	-	758	139,433
Due from other funds	27,027	-	-	27,027
Inventories	-	-	1,134	1,134
Prepaid expenses	52,666	-	1,273	53,939
Restricted cash	-	62,237	-	62,237
Total assets	<u>\$ 773,553</u>	<u>\$ 147,362</u>	<u>\$ 74,168</u>	<u>\$ 995,083</u>
Liabilities				
Accounts payable	\$ 15,789	\$ -	\$ -	\$ 15,789
Accrued expenses and salaries payable	219,388	-	6,758	226,146
Due to other funds	-	-	27,027	27,027
Due to fiduciary funds	13,857	-	-	13,857
Due to governmental units	25,618	-	-	25,618
Unearned revenue	27,224	-	-	27,224
Total liabilities	<u>301,876</u>	<u>-</u>	<u>33,785</u>	<u>335,661</u>
Fund balances				
Non-spendable				
Inventories	-	-	1,134	1,134
Prepays	52,666	-	1,273	53,939
Restricted				
Debt service	-	147,362	-	147,362
Capital projects	-	-	50,078	50,078
Unassigned	419,011	-	(12,102)	406,909
Total fund balances	<u>471,677</u>	<u>147,362</u>	<u>40,383</u>	<u>659,422</u>
Total liabilities and fund balances	<u>\$ 773,553</u>	<u>\$ 147,362</u>	<u>\$ 74,168</u>	<u>\$ 995,083</u>

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET POSITION
June 30, 2019

Fund Balance Reported in Governmental Funds	\$ 659,422
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds	9,336,779
Net pension liability	(3,803,633)
Deferred outflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date	1,082,983
Deferred inflows from the difference between projected and actual investment earnings of the pension plan	(302,123)
OPEB obligation	(1,010,476)
Deferred outflows from the difference between OPEB changes of assumptions and contributions subsequent to the measurement date	175,225
Deferred inflows from the difference between projected and actual investment earnings of the OPEB plan	(227,085)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(6,541,915)
Accrued interest is not included as a liability in governmental funds	<u>(27,224)</u>
Net position of governmental activities	<u><u>\$ (658,047)</u></u>

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2019

	<u>General Fund</u>	<u>Debt Retirement</u>	<u>Non-Major Funds</u>	<u>Total</u>
Revenues				
Local sources	\$ 1,336,492	\$ 750,165	\$ 22,209	\$ 2,108,866
State sources	617,238	-	3,953	621,191
Federal sources	434,721	-	79,472	514,193
Total revenues	<u>2,388,451</u>	<u>750,165</u>	<u>105,634</u>	<u>3,244,250</u>
Expenditures				
Instruction	1,477,319	-	-	1,477,319
Supporting services	866,199	-	-	866,199
School service	-	-	121,046	121,046
Athletics	85,854	-	-	85,854
Debt service	-	756,066	-	756,066
Total expenditures	<u>2,429,372</u>	<u>756,066</u>	<u>121,046</u>	<u>3,306,484</u>
Excess (deficiency) of revenues over expenditures	<u>(40,921)</u>	<u>(5,901)</u>	<u>(15,412)</u>	<u>(62,234)</u>
Other financing sources (uses)				
Operating transfers in (out)	(16,150)	-	16,150	-
Incoming transfers - other schools	33,068	-	-	33,068
Total other financing sources (uses)	<u>16,918</u>	<u>-</u>	<u>16,150</u>	<u>33,068</u>
Net change in fund balances	(24,003)	(5,901)	738	(29,166)
Fund balances - Beginning of year	<u>495,680</u>	<u>153,263</u>	<u>39,645</u>	<u>688,588</u>
Fund balances - End of year	<u>\$ 471,677</u>	<u>\$ 147,362</u>	<u>\$ 40,383</u>	<u>\$ 659,422</u>

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ (29,166)
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	(298,486)
Accrued expenses are recorded in the statement of activities when incurred; they are not reported in governmental funds until paid	5,997
The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds	(171,342)
The change in OPEB obligation does not require the use of current resources and is not reported in the governmental funds	19,749
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>575,000</u>
Change in net position of governmental activities	<u><u>\$ 101,752</u></u>

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
June 30, 2019

	<u>Student Activities</u>
Assets	
Cash and investments	\$ 35,816
Due from scholarship fund	129
Due from other funds	<u> 13,857</u>
Total assets	<u><u>\$ 49,802</u></u>
 Liabilities	
Due to student groups	<u><u>\$ 49,802</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, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

The District first utilizes restricted resources to finance qualifying activities.

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

The District does allocate indirect costs.

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The District reports the following major governmental funds:

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

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

Other Non-Major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific revenue sources such as the Capital Projects Fund and 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, 2019

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, 2019, the foundation allowance was based on pupil membership counts taken in February and October of previous years for a three year blended average.

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

The District received approximately 19% of its General Fund revenue from the Michigan Department of Education Membership Allowance. Due to the significance of this revenue source to the District, the District is considered to be economically dependent.

Foundation		\$	7,871.00
Less Local Support:			
Assumed Local Revenue	\$ 1,231,010.00		
Divided by General Education k-12 membership	<u>195.39</u>		
Calculated Local Support			<u>(6,300.27)</u>
Foundation Grant Allowance Per Pupil		\$	<u><u>1,570.73</u></u>

Other Accounting Policies

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For the year ended June 30, 2019, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General fund - Non-homestead	18.0000
Debt service fund - Homestead and non-homestead -1995	4.1900
Debt service fund - Homestead and non-homestead - 2015	2.4100

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

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

Inventory – Inventory in the District’s Food Service Fund consist of food, a la carte items, and supplies totaling \$1,134. 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 \$36,915 consisted of accrued sick leave. Accrued sick leave is paid to employees upon retirement and accrued only for employees that qualify for retirement.

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

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

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

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.

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

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

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

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

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

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, are noted in the required supplementary information section.

NOTE C - CASH AND CASH EQUIVALENTS

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

	Governmental Funds	Student Activities	Total Primary Government
Unrestricted cash	\$ 702,663	\$ -	\$ 702,663
Restricted cash	62,237	35,816	98,053
Total cash and cash equivalents	<u>\$ 764,900</u>	<u>\$ 35,816</u>	<u>\$ 800,716</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, 2019, \$287,623 of the District's bank balance of \$921,724 was exposed to custodial credit risk because it was uninsured and uncollateralized.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

NOTE C - CASH AND CASH EQUIVALENTS (Continued)

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.

NOTE D - CAPITAL ASSETS

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

	Balance July 01, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets, not being depreciated				
Land	\$ 3,500	\$ -	\$ -	\$ 3,500
Capital assets, being depreciated				
Buildings and additions	12,850,355	\$ -	\$ -	12,850,355
Improvements other than building	309,244	-	-	309,244
Technology	28,523	21,029	5,396	44,156
Equipment and furniture	372,446	-	3,749	368,697
Vehicles	665,623	-	-	665,623
Food service equipment	89,317	-	-	89,317
Subtotal	14,315,507	\$ 21,029	\$ 9,145	14,327,392
Accumulated depreciation				
Building and additions	3,530,461	\$ 257,007	\$ -	3,787,468
Improvements other than building	285,603	8,457	-	294,060
Technology	23,466	7,151	5,396	25,221
Equipment and furniture	332,011	5,180	3,749	333,442
Vehicles	422,885	41,719	-	464,604
Food service equipment	89,317	-	-	89,317
Subtotal	4,683,744	\$ 319,514	\$ 9,145	4,994,113
Net capital assets being depreciated	9,631,763			9,333,279
Net capital assets	<u>\$ 9,635,263</u>			<u>\$ 9,336,779</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

NOTE D - CAPITAL ASSETS (Continued)

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

Governmental activities	
Athletic	\$ 5,655
Instruction	261,309
Operations and maintenance	9,391
Pupil transportation	43,159
Total governmental	<u>\$ 319,514</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, 2019 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General Fund	<u>\$ 27,027</u>	Food Service Fund	<u>\$ 27,027</u>
<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Food Service Fund	<u>\$ 16,150</u>	General Fund	<u>\$ 16,150</u>

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

NOTE F - ACCRUED EXPENDITURES & SALARIES PAYABLES

Accrued liabilities as of June 30, 2019, for the District's governmental funds individual major fund and non-major funds in the aggregate, are as follows:

<u>Accrued liabilities</u>	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Salaries payable	\$ 171,227	\$ 4,279	\$ 175,506
Accrued expenditures	48,161	2,479	50,640
Total accrued liabilities	<u>\$ 219,388</u>	<u>\$ 6,758</u>	<u>\$ 226,146</u>

NOTE G - LONG TERM DEBT

2012 Refunding Bonds

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

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

NOTE G - LONG TERM DEBT (Continued)

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

Fiscal Year	November 1	May 1		Total
	Interest	Interest	Principal	
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>\$ 87,873</u>	<u>\$ 87,877</u>	<u>\$ 2,355,000</u>	<u>\$ 2,530,750</u>

2016 School Building and Site Bonds

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

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

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

The Bonds due May 1, 2030 are term bonds subject to mandatory redemption in part, by lot, on the redemption dates and in the principal amounts set forth below and at the redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date.

Fiscal Year	November 1	May 1		Total
	Interest	Interest	Principal	
2019-2020	56,725	56,725	175,000	288,450
2020-2021	54,975	54,975	195,000	304,950
2021-2022	53,025	53,025	220,000	326,050
2022-2023	50,825	50,825	245,000	346,650
2023-2024	48,375	48,375	270,000	366,750
2024-2025	45,675	45,675	295,000	386,350
2025-2026	41,250	41,250	530,000	612,500
2026-2027	33,300	33,300	540,000	606,600
2027-2028	25,200	25,200	550,000	600,400
2028-2029	16,950	16,950	560,000	593,900
2029-2030	8,550	8,550	570,000	587,100
	<u>\$ 434,850</u>	<u>\$ 434,850</u>	<u>\$ 4,150,000</u>	<u>\$ 5,019,700</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

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, 2019, was as follows:

	Balance July 01, 2018	Increase	Decrease	Balance June 30, 2019	Current Portion
2012 Refunding	\$ 2,780,000	\$ -	\$ 425,000	\$ 2,355,000	\$ 415,000
2016 School Building & Site Bond	4,300,000	-	150,000	4,150,000	175,000
	7,080,000	-	575,000	6,505,000	<u>\$ 590,000</u>
Other accrued interest	29,141	-	1,917	27,224	
Retirement Incentive	13,000	-	6,500	6,500	
Accrued Benefits	27,994	2,422	-	30,416	
Total	<u>\$ 7,150,135</u>	<u>\$ 2,422</u>	<u>\$ 583,417</u>	<u>\$ 6,569,140</u>	

As of June 30, 2019, the aggregate maturities of long-term debt for the next ten years and thereafter are as follows:

Fiscal Year	Principal	Interest	Total
2019-2020	\$ 590,000	\$ 163,345	\$ 753,345
2020-2021	605,000	151,545	756,545
2021-2022	620,000	139,445	759,445
2022-2023	635,000	127,045	762,045
2023-2024	650,000	113,760	763,760
2024-2025	655,000	99,810	754,810
2025-2026	530,000	82,500	612,500
2026-2027	540,000	66,600	606,600
2027-2028	550,000	50,400	600,400
2028-2029	560,000	33,900	593,900
2029-2030	570,000	17,100	587,100
	<u>\$ 6,505,000</u>	<u>\$ 1,045,450</u>	<u>\$ 7,550,450</u>

NOTE H - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS

Plan Description

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

The System'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, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

NOTE H - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation date	September 30, 2017
Actuarial cost method	Entry age, normal
Wage inflation rate	2.75
Investment rate of return:	
Pension	6.00%-7.05%
OPEB	7.15%
Projected salary increases	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare cost trend rate	7.5% Year 1 graded to 3.0% Year 12
Mortality	Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. Active members: RP-2014 Male and Female Healthy Employee Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other OPEB Assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

NOTE H - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPERS) PENSION AND OPEB PLANS (Continued)

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for pension liabilities is the average of the expected remaining service lives of all employees in years which is 4.5304 for non-university employers.
- Recognition period for pension assets in years is 5.0000
- Recognition period for OPEB liabilities is the average of the expected remaining service lives of all employees in years which is 5.6018 for non-university employers.
- Recognition period for OPEB assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 MPERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation as of September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7%
Private Equity Pools	18.0 %	9.2%
International Equity Pools	16.0 %	7.2%
Fixed Income Pools	10.5 %	0.5%
Real Estate and Infrastructure Pools	10.0 %	3.9%
Absolute Return Pools	15.5 %	5.2%
Short Term Investment Pools	2.0 %	0.0%
Total	100.0 %	

* Long term rate of return does not include 2.3% inflation

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment and OPEB plan investment net of pension plan and OPEB investment expense, was 11.11% and 10.75% respectively. 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, 2019

NOTE H - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). A discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. 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 and the OPEB plan's fiduciary net position were 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

PENSION PLAN

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 (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB 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 DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. 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.

Contributions

Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under the method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period for fiscal year beginning October 1, 2017 and ending September 30, 2038.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

NOTE H - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

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

Benefit Structure	<u>Pension Contribution Rates</u>	
	Member Rate	Employer
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from Ewen-Trout Creek Consolidated School District were \$344,536 for the year ended September 30, 2018.

Pension Liabilities

At June 30, 2019, the District reported a liability of \$3,803,633 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2017. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018 and 2017, the District's proportion was .01266% and .01268% respectively.

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

For the year ended June 30, 2019, the District recognized total pension expense of \$515,032. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 17,650	\$ 27,640
Changes of assumptions	880,918	260,072
Changes in proportion and differences between employer contributions and proportionate share of contributions	33,135	14,411
District's contributions subsequent to the measurement date	151,280	-
Total	<u>\$ 1,082,983</u>	<u>\$ 302,123</u>

\$151,280 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

NOTE H - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPERS) PENSION AND OPEB PLANS (Continued)

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

Year Ending September 30	Amount
2017	\$ 275,122
2018	\$ 179,089
2019	\$ 124,799
2020	\$ 50,570

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability, calculated using a discount rate of 7.05% for the Basic and Member Investment Plan, 7.0% for the Pension Plus Plan, and 6.0% for the Pension Plus 2 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 (6.05%/6.0%/5.0%)	Discount Rate (7.05%/7.0%/6.0%)	1% Higher (8.05%/8.0%/7.0%)
District's proportionate share of the net pension liability	\$ 4,993,876	\$ 3,803,633	\$ 2,814,734

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At year end the District is current on all required pension plan payments. Amounts accrued at year end were \$34,081. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

OPEB PLAN

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

NOTE H - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018.

<u>OPEB Contribution Rates</u>		
<u>Benefit Structure</u>	Member	<u>Employer</u>
	<u>Rate</u>	
Premium Subsidy	3.0%	6.44%
Personal Healthcare Fund	0.0%	6.13%

Required contributions to the OPEB plan from Ewen-Trout Creek Consolidated School District were \$82,513 for the year ended September 30, 2018.

OPEB Liabilities

At June 30, 2019, the District reported a liability of \$1,010,476 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018 and 2017, the District's proportion was .01271% and .01269% respectively.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

NOTE H - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized total OPEB expense of \$49,576. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ -	\$ 188,075
Changes of assumptions	107,010	-
Net difference between policies and actual earnings on OPEB plan investments	-	38,835
Changes in proportion and differences between reporting using contributions and proportionate share of contributions	1,348	175
District's contributions subsequent to the measurement date	66,867	-
Total	<u>\$ 175,225</u>	<u>\$ 227,085</u>

\$66,867 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Year Ended September 30	Amount
2019	\$ (29,360)
2020	\$ (29,360)
2021	\$ (29,360)
2022	\$ (21,425)
2023	\$ (9,222)

Sensitivity of the District's Proportionate Share of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 1,213,055	\$ 1,010,476	\$ 840,081

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

NOTE H - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

Sensitivity of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability, calculated using assumed trend rates, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 831,105	\$ 1,010,476	\$ 1,216,250

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payable to the OPEB Plan

At year end the District is current on all required OPEB payments. Amounts accrued at year end were \$34,081. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

NOTE I - 403 (b) RETIREMENT PLAN

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

NOTE J - RISK MANAGEMENT

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

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019

NOTE K - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION

The amounts reported as current payments on MDE grant reports prepared by the State of Michigan, reconcile with the federal revenue on the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances on page 18 as follows:

Total current payments per MDE Reports	\$ 275,561
Less prior year revenues	
Title I	(94,075)
Title II	(10,484)
Title IV	(10,000)
Plus current year receivables	
Title I	17,591
Title II	4,690
Title IV	127,513
Other federal revenue	
Food commodities	6,732
Small Rural Achievement Grant (REAP)	5,166
Impact aid	1,220
Ottawa National Forest	190,279
Schedule of Expenditures of Federal Awards	<u>\$ 514,193</u>

The District expended less than \$750,000 in Federal awards during the fiscal year ended June 30, 2019 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.

NOTE L - UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, Fiduciary Activities which will be effective for the District's 2020 fiscal year. This statement establishes criteria for identifying fiduciary activities of School Districts. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor, is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 1,294,841	\$ 1,368,473	\$ 1,336,492	\$ (31,981)
State sources	484,727	611,053	617,238	6,185
Federal sources	427,763	432,637	434,721	2,084
Total revenues	<u>2,207,331</u>	<u>2,412,163</u>	<u>2,388,451</u>	<u>(23,712)</u>
Expenditures				
Instruction	1,424,274	1,474,720	1,477,319	(2,599)
Pupil	5,796	2,412	2,412	-
Instructional staff	5,916	4,932	4,932	-
General administration	80,167	93,757	93,616	141
School administration	134,478	127,462	128,745	(1,283)
Business-fiscal services	109,579	113,329	115,779	(2,450)
Operations & maintenance	260,787	244,261	246,278	(2,017)
Pupil transportation	226,257	231,046	232,445	(1,399)
Athletics	81,041	85,984	85,854	130
Technical support	39,448	41,973	41,992	(19)
Total expenditures	<u>2,367,743</u>	<u>2,419,876</u>	<u>2,429,372</u>	<u>(9,496)</u>
Excess (deficiency) of revenues over expenditures	(160,412)	(7,713)	(40,921)	(33,208)
Other financing sources (uses)				
Incoming transfers - other schools	2,500	-	33,068	33,068
Operating transfers in (out)	(14,803)	(16,150)	(16,150)	-
Total other financing sources (uses)	<u>(12,303)</u>	<u>(16,150)</u>	<u>16,918</u>	<u>33,068</u>
Net change in fund balances	<u>\$ (172,715)</u>	<u>\$ (23,863)</u>	(24,003)	<u>\$ (140)</u>
Fund balances - Beginning of year			<u>495,680</u>	
Fund balances - End of year			<u>\$ 471,677</u>	

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
PENSION REQUIREMENTS
Year Ended June 30, 2019

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

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

	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>
A. District's proportion of net pension liability	0.01184 %	0.01273 %	0.01270 %	0.01268 %	0.01266 %
B. District's proportionate share of net pension liability	\$ 2,608,141	\$ 3,111,301	\$ 3,169,275	\$ 3,284,890	\$ 3,803,633
C. District's covered payroll	\$ 1,016,731	\$ 1,095,761	\$ 1,078,932	\$ 1,057,395	\$ 1,086,932
D. District's proportionate share of net pension liability as a percentage of its covered payroll	256.52 %	283.94 %	293.74 %	310.66 %	349.94 %
E. Plan fiduciary net position as a percentage of total pension liability	66.20 %	63.17 %	63.27 %	64.21 %	62.36 %

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

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

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>
A. Statutorily required contributions	\$ 226,980	\$ 199,243	\$ 192,001	\$ 195,427	\$ 188,233
B. Contributions in relation to statutorily required contributions	227,494	199,243	192,001	195,427	188,233
C. Contribution deficiency (excess)	<u>\$ 514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. District's covered payroll	\$ 1,032,660	\$ 1,064,148	\$ 1,024,988	\$ 1,106,484	\$ 1,068,079
E. Contributions as a percentage of covered payroll	22.03 %	18.72 %	18.73 %	17.66 %	17.62 %

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
OPEB REQUIREMENTS
Year Ended June 30, 2019

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

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

	<u>9/30/2017</u>	<u>9/30/2018</u>
A. District's proportion of net OPEB liability	0.01269 %	0.01271 %
B. District's proportionate share of net OPEB liability	\$ 1,124,125	\$ 1,010,476
C. District's covered payroll	\$ 1,057,395	\$ 1,086,932
D. District's proportionate share of net OPEB liability as a percentage of its covered payroll	106.31 %	92.97 %
E. Plan fiduciary net position as a percentage of total OPEB liability	36.39 %	42.95 %

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS

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

	<u>6/30/2018</u>	<u>6/30/2019</u>
A. Statutorily required contributions	\$ 80,135	\$ 82,948
B. Contributions in relation to statutorily required contributions	<u>80,135</u>	<u>82,948</u>
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
D. District's covered payroll	\$ 1,106,484	\$ 1,068,079
E. Contributions as a percentage of covered payroll	7.24 %	7.77 %

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - June 30, 2019

Pension Information

Ten years of data are required in the pension related schedules. The number of years presented as of June 30, 2019 represent the number of years since the accounting standard requiring these schedules came into effect.

NOTE A - CHANGE OF BENEFIT TERMS

There were no changes of benefit terms in 2018.

NOTE B - CHANGE OF ASSUMPTIONS

During the year, MPSERS approved a decrease in the discount rate for the September 30, 2018 annual actuarial valuation of 0.45 percent from 7.50% to 7.05% for the non-hybrid plan.

OPEB Information

Ten years of data are required in the OPEB related schedules. The number of years presented as of June 30, 2019 represent the number of years since the accounting standard requiring these schedules came into effect.

NOTE A - CHANGE OF BENEFIT TERMS

There were no changes of benefit terms in 2018.

NOTE B - CHANGE OF ASSUMPTIONS

During the year, MPSERS approved a decrease in the discount rate for the September 30, 2018 annual actuarial valuation of 0.35 percent from 7.50% to 7.15% for the OPEB plan.

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources			
Taxes	\$ 1,240,814	\$ 1,240,887	\$ 73
Penalties and interest	6,639	6,684	45
Earnings on investments	1,800	1,836	36
Athletics	44,912	44,933	21
Contributions	2,100	2,100	-
Miscellaneous	72,208	40,052	(32,156)
Total local sources	<u>1,368,473</u>	<u>1,336,492</u>	<u>(31,981)</u>
State sources			
Unrestricted grants			
Unrestricted state aid	<u>454,289</u>	<u>455,679</u>	<u>1,390</u>
Restricted grants			
Other grants	5,129	5,734	605
At-risk	61,577	65,767	4,190
Special education	90,058	90,058	-
Total restricted grants	<u>156,764</u>	<u>161,559</u>	<u>4,795</u>
Total state sources	<u>611,053</u>	<u>617,238</u>	<u>6,185</u>
Federal sources			
Title I	86,368	86,168	(200)
Title II	13,311	15,595	2,284
Title IV	10,000	10,000	-
REAP	5,166	5,166	-
Ottawa National Forest	190,279	190,279	-
Impact aid	127,513	127,513	-
Total federal sources	<u>432,637</u>	<u>434,721</u>	<u>2,084</u>
Total revenues	<u>2,412,163</u>	<u>2,388,451</u>	<u>(23,712)</u>
Expenditures			
Instruction			
Basic program			
Elementary school	590,912	584,058	6,854
High school	472,401	476,653	(4,252)
Total basic program	<u>1,063,313</u>	<u>1,060,711</u>	<u>2,602</u>
Added needs			
Special education	235,957	237,519	(1,562)
Compensatory education	175,450	179,089	(3,639)
Total added needs	<u>411,407</u>	<u>416,608</u>	<u>(5,201)</u>
Total instruction	<u>1,474,720</u>	<u>1,477,319</u>	<u>(2,599)</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Supporting services			
Pupil			
Health	2,412	2,412	-
Instructional staff			
Improvement of instruction	4,932	4,932	-
General administration			
Board of education	49,502	48,750	752
Executive administration	44,255	44,866	(611)
Total general administration	93,757	93,616	141
School administration	127,462	128,745	(1,283)
Business-fiscal services	113,329	115,779	(2,450)
Operations & maintenance	244,261	246,278	(2,017)
Pupil transportation	231,046	232,445	(1,399)
Athletics	85,984	85,854	130
Technical support	41,973	41,992	(19)
Total supporting services	945,156	952,053	(6,897)
Total expenditures	2,419,876	2,429,372	(9,496)
Excess (deficiency) of revenues over expenditures	(7,713)	(40,921)	(33,208)
Other financing sources (uses)			
Incoming transfers - other schools	-	33,068	33,068
Operating transfers in (out)	(16,150)	(16,150)	-
Total other financing sources (uses)	(16,150)	16,918	33,068
Net change in fund balances	<u>\$ (23,863)</u>	(24,003)	<u>\$ (140)</u>
Fund balances - Beginning of year		495,680	
Fund balances - End of year		<u>\$ 471,677</u>	

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
DEBT SERVICE FUND
COMBINING BALANCE SHEET
June 30, 2019

	<u>2012 Debt Refunding</u>	<u>Sidewalk/Bus Debt</u>	<u>2016 Debt Fund</u>	<u>Total</u>
Assets				
Cash and investments	\$ 62,237	\$ -	\$ 85,125	\$ 147,362
Total assets	<u>\$ 62,237</u>	<u>\$ -</u>	<u>\$ 85,125</u>	<u>\$ 147,362</u>
 Fund balances				
Restricted	<u>\$ 62,237</u>	<u>\$ -</u>	<u>\$ 85,125</u>	<u>\$ 147,362</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
DEBT SERVICE FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2019

	<u>2012 Debt Refunding</u>	<u>Sidewalk/Bus Debt</u>	<u>2016 Debt Fund</u>	<u>Total</u>
Revenues				
Taxes	\$ 472,688	\$ -	\$ 270,861	\$ 743,549
Other taxes	-	-	5,653	5,653
Penalties and interest	-	-	41	41
Earnings on investments	731	-	191	922
Total revenues	<u>473,419</u>	<u>-</u>	<u>276,746</u>	<u>750,165</u>
Expenditures				
Interest expense	58,395	-	116,377	174,772
Bond issuance costs	-	-	500	500
Redemption of bond principle	425,000	-	150,000	575,000
Tax collection fees	300	-	-	300
Other expense	5,494	-	-	5,494
Total expenditures	<u>489,189</u>	<u>-</u>	<u>266,877</u>	<u>756,066</u>
Excess (deficiency) of revenues over expenditures	<u>(15,770)</u>	<u>-</u>	<u>9,869</u>	<u>(5,901)</u>
Other financing sources (uses)				
Operating transfers in (out)	5,494	(5,494)	-	-
Total other financing sources (uses)	<u>5,494</u>	<u>(5,494)</u>	<u>-</u>	<u>-</u>
Fund balances - Beginning of year	<u>72,513</u>	<u>5,494</u>	<u>75,256</u>	<u>153,263</u>
Fund balances - End of year	<u>\$ 62,237</u>	<u>\$ -</u>	<u>\$ 85,125</u>	<u>\$ 147,362</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NON-MAJOR FUNDS
COMBINING BALANCE SHEET
June 30, 2019

	<u>2016 Capital Project</u>	<u>Food Service Fund</u>	<u>Total</u>
Assets			
Cash and investments	\$ 50,078	\$ 20,904	\$ 70,982
Receivables	-	21	21
Due from governmental units	-	758	758
Prepaid expenses	-	1,273	1,273
Inventories	-	1,134	1,134
Total assets	<u>\$ 50,078</u>	<u>\$ 24,090</u>	<u>\$ 74,168</u>
Liabilities			
Accrued expenses and salaries payable	-	6,758	6,758
Due to other funds	-	27,027	27,027
Total liabilities	<u>-</u>	<u>33,785</u>	<u>33,785</u>
Fund balances			
Non-spendable			
Inventories	-	1,134	1,134
Prepays	-	1,273	1,273
Restricted	50,078	-	50,078
Unrestricted	<u>-</u>	<u>(12,102)</u>	<u>(12,102)</u>
Total fund balances	<u>50,078</u>	<u>(9,695)</u>	<u>40,383</u>
Total liabilities and fund balances	<u>\$ 50,078</u>	<u>\$ 24,090</u>	<u>\$ 74,168</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2019

	<u>2016 Capital Project</u>	<u>Food Service Fund</u>	<u>Total</u>
Revenues			
Local sources	\$ 145	\$ 22,064	\$ 22,209
State sources	-	3,953	3,953
Federal sources	-	79,472	79,472
Total revenues	<u>145</u>	<u>105,489</u>	<u>105,634</u>
Expenditures			
School service	-	121,046	121,046
Total expenditures	<u>-</u>	<u>121,046</u>	<u>121,046</u>
Excess (deficiency) of revenues over expenditures	<u>145</u>	<u>(15,557)</u>	<u>(15,412)</u>
Other financing sources (uses)			
Operating transfers in (out)	-	16,150	16,150
Total other financing sources (uses)	<u>-</u>	<u>16,150</u>	<u>16,150</u>
Fund balances - Beginning of year	<u>49,933</u>	<u>(10,288)</u>	<u>39,645</u>
Fund balances - End of year	<u>\$ 50,078</u>	<u>\$ (9,695)</u>	<u>\$ 40,383</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources			
Adult lunches	\$ 1,585	\$ 1,585	\$ -
A-La-Carte	-	28	28
Special milk	133	105	(28)
Student lunches	19,223	19,455	232
Earnings on investments	81	84	3
Other food sales	790	807	17
Total local sources	<u>21,812</u>	<u>22,064</u>	<u>252</u>
State sources	<u>3,951</u>	<u>3,953</u>	<u>2</u>
Total state sources	<u>3,951</u>	<u>3,953</u>	<u>2</u>
Federal sources			
School lunch program	71,519	72,740	1,221
USDA entitlements	7,044	6,732	(312)
Total federal sources	<u>78,563</u>	<u>79,472</u>	<u>909</u>
Total revenues	<u>104,326</u>	<u>105,489</u>	<u>1,163</u>
Expenditures			
Salaries	22,495	22,495	-
Employee benefits	24,244	23,784	460
Supplies, materials, and other	56,246	56,796	(550)
Purchased services	17,179	17,971	(792)
Total expenditures	<u>120,164</u>	<u>121,046</u>	<u>(882)</u>
Excess (deficiency) of revenues over expenditures	(15,838)	(15,557)	281
Other financing sources (uses)			
Operating transfers in (out)	16,150	16,150	-
Total other financing sources (uses)	<u>16,150</u>	<u>16,150</u>	<u>-</u>
Net change in fund balances	<u>\$ 312</u>	593	<u>\$ 281</u>
Fund balances - Beginning of year		<u>(10,288)</u>	
Fund balances - End of year		<u>\$ (9,695)</u>	

COMMUNICATION SECTION

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 then ended June 30, 2019 and the related notes to the financial statements and have issued our report thereon dated October 23, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

October 23, 2019

RUKKILA I NEGRO AND ASSOCIATES

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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, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 2, 2019. 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, 2019. 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 estimates affecting the Governmental Activities financial statements were:

Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout:

- We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the lives of capital assets:

- We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension and net OPEB liability:

- We evaluated the key factors and assumptions used to develop the liabilities related to the Municipal Employees' Retirement System of Michigan, which are based on actuarial valuations.

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 23, 2019.

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.

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

October 23, 2019

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
COMMENTS AND RECOMMENDATIONS
JUNE 30, 2019

During our audit we became aware of an opportunity for strengthening internal controls and operating efficiencies. The following item summarizes our comment and suggestion regarding this matter.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Budget Review

The Uniform Budgeting Act requires entities to approve an operating budget prior to the beginning of the year and that all amendments to budget made throughout the year are approved. Districts shall not incur expenditures in excess of the amount appropriated. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended June 30, 2019, the District incurred expenditures which were in excess of the amounts appropriated as shown within the required supplemental financial information.

The District should control expenditures in each governmental fund so as not to exceed the amounts appropriated. When this is not possible, the budget should be amended accordingly. We recommend that the District review the provisions of Public Act 2 of 1968, as amended, to determine proper compliance procedures.