

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
<u>District-wide Financial Statements:</u>	
Statement of Net Position.....	15
Statement of Activities.....	16
<u>Fund Financial Statements:</u>	
Governmental Funds:	
Balance Sheet.....	17
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds.....	20
NOTES TO FINANCIAL STATEMENTS	21
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund.....	41
Budgetary Comparison Schedule - Student Activities Fund.....	42
Pension Requirements	
Schedule of the District's Proportionate Share of the Net Pension Liability.....	43
Schedule of the District Pension Contribution.....	43
OPEB Requirements	
Schedule of the District's Proportionate Share of Net OPEB Liability.....	44
Schedule of the District OPEB Contributions.....	44
Notes to the Required Supplementary Information.....	45
OTHER SUPPLEMENTAL FINANCIAL INFORMATION	
<u>Major Governmental Funds</u>	
General Fund - Schedules of Revenues, Expenditures, and Changes in Fund Balances.....	47
Debt Service Fund	
Combining Balance Sheet.....	49
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	50
<u>Non-Major Governmental Funds</u>	
Combining Balance Sheet.....	51
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	52
Food Service Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	53

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon Avenue, Houghton, Michigan 49931
906.482.6601 906.482.9046 fax www.rukkilanegro.com

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, 2020, 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, 2020, 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.

Emphasis of Matter - Change in Accounting Principle

As described in Note M to the financial statements, the District implemented Governmental Accounting Standards board (GASB) Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension requirements on pages 7 through 14 and 41 through 45 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 47 to 53 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information on pages 47 to 53 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 November 2, 2020 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*

November 2, 2020

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

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, 2020. 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 into a deficit situation. Ewen-Trout Creek Consolidated School District begins the 2020-21 school year with a \$464,262 general fund balance, which will amount to about 19% of annual general fund expenses. A portion of the general fund balance in the amount of \$54,911 is assigned to a project that was embarked on in 2019 with a generous donation from a community member. The District began equipping a "Fab Lab" – a digital fabrication laboratory. The Fab Lab will become operational during the 2020-21 school year.

School administration will continue to recommend budgets that aim to maintain a fund balance that is equal to, or exceeds, 15% of annual expenses. The District has current contracts with both of the EA and ESP bargaining units that are active through June 2022. The school administration and Board Negotiations Committee may bargain the salary and benefits portion of the contracts for both the Education Association and Support Staff during the 2020-21 and 2021-22 school year upon request from either the Association or the District. 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. However, the actual student count for 2019-20 was down to 185. Declining enrollment and the physical size of the District allows us to take advantage of a three year average blend for our student foundation count. 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 continues to struggle with costly maintenance projects for school grounds including resurfacing of parking lots and replacing playground equipment. 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 or by exploring other funding streams.

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, 2020**

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, athletics, food service and student activities. State aid and property taxes finance most of these activities.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

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 and student activities).

The District has one type of fund.

- 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.

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.

Government-Wide Financial Analysis

Net position serves as an indicator of the District's financial position and overall performance. As shown on the following table, total liabilities exceeded assets by \$530,675 for the District's primary government.

Net investment in capital assets (land, building, and equipment) are currently at a deficit. These capital assets are used to provide services to students and are not available for future spending. Even though net investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

There were no significant changes in total assets or total liabilities from prior year.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

	Net Position	
	<u>2020</u>	<u>2019</u>
Assets		
Current and other assets	\$ 829,613	\$ 941,635
Restricted cash and investments	120,658	62,237
Capital assets - net	9,113,200	9,336,779
Total assets	<u>10,063,471</u>	<u>10,340,651</u>
Deferred outflows of resources	1,240,955	1,258,208
Liabilities		
Current liabilities	303,364	322,001
Long-term liabilities	5,947,506	6,541,915
Net pension liability	4,127,913	3,803,633
Net OPEB liability	885,410	1,010,476
Total liabilities	<u>11,264,193</u>	<u>11,678,025</u>
Deferred inflows of resources	570,908	529,208
Net position		
Net investment in capital assets	3,172,943	2,804,555
Restricted		
Debt service	149,883	147,362
Community service	54,911	-
Capital projects	9	50,078
Food service	4,262	2,407
Unrestricted	<u>(3,912,683)</u>	<u>(3,612,776)</u>
Total net position	<u>\$ (530,675)</u>	<u>\$ (608,374)</u>

Governmental Activities

As shown on the following table, governmental activities changed the District's net position by \$77,699. In prior year, the net position of governmental activities changed by \$101,752. The current to prior year change in governmental activities is due to a decrease in overall revenues of \$16,965 and an increase in overall expenditures of \$7,088. The decrease in overall revenue were mainly due to unrestricted state aid. The increase in expenses was mainly due to changes in instruction, supporting service and food service.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

Changes in Net Position

	<u>2020</u>	<u>2019</u>
Program Revenues		
Charges for services	\$ 24,162	\$ 44,791
Operating grants and contributions	885,127	835,807
General Revenues		
Taxes	2,031,348	1,990,089
State foundation allowance	406,434	455,679
Interest	3,389	3,109
Transfers	16,426	33,068
Other	25,469	46,777
Total revenues	<u>3,392,355</u>	<u>3,409,320</u>
Functions/program expenses		
Instruction	1,913,690	1,845,464
Supporting services	948,516	941,057
Food Service	130,715	124,042
Athletics	66,261	85,854
Student activities	93,400	132,002
Interest expense	161,274	172,855
Other expense	800	6,294
Total expenses	<u>3,314,656</u>	<u>3,307,568</u>
Change in net position	77,699	101,752
Net position - Beginning of year, as restated	<u>(608,374)</u>	<u>(710,126)</u>
Net position - Ending of year	<u>\$ (530,675)</u>	<u>\$ (608,374)</u>

Governmental Funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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

	<u>2020</u>	<u>% of total</u>	<u>2019</u>	<u>% of total</u>
Revenues				
Taxes	\$ 1,275,599	52.5 %	\$ 1,240,887	51.1 %
Other local sources	160,005	6.7 %	88,921	3.7 %
Penalties and interest	6,702	0.3 %	6,684	0.3 %
State sources	573,635	23.7 %	617,238	25.5 %
Federal sources	390,590	16.1 %	434,721	18.0 %
Other financing sources	16,426	0.7 %	33,068	1.4 %
Total revenues	<u>\$ 2,422,957</u>	<u>100.0 %</u>	<u>2,421,519</u>	<u>100.0 %</u>

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

Expenditures					
Instruction	\$ 1,471,554	60.6 %	\$ 1,477,319	60.4 %	
Pupil	19,572	0.8 %	2,412	0.1 %	
Instructional staff	3,095	0.1 %	4,932	0.2 %	
General administration	94,273	3.9 %	93,616	3.8 %	
School administration	133,808	5.5 %	128,745	5.3 %	
Business-fiscal services	117,760	4.8 %	115,779	4.7 %	
Operations & maintenance	255,264	10.5 %	246,278	10.1 %	
Pupil transportation	211,294	8.7 %	232,445	9.5 %	
Athletics	66,261	2.7 %	85,854	3.5 %	
Technical support	33,186	1.4 %	41,992	1.7 %	
Operating transfers out	24,305	1.0 %	16,150	0.7 %	
Total expenditures	<u>\$ 2,430,372</u>	<u>100.0 %</u>	<u>\$ 2,445,522</u>	<u>100.0 %</u>	

Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District decreased by \$36,931 from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
General Fund			
Revenues/Transfers	\$ 2,422,957	\$ 2,421,519	\$ 1,438
Expenditures/Transfers	\$ 2,430,372	\$ 2,445,522	\$ (15,150)
Fund Balance	\$ 464,262	\$ 471,677	\$ (7,415)
Debt Service Fund			
Revenues/Transfers	\$ 756,562	\$ 750,165	\$ 6,397
Expenditures/Transfers	\$ 754,041	\$ 756,066	\$ (2,025)
Fund Balance	\$ 149,883	\$ 147,362	\$ 2,521
Food Service Fund			
Revenues/Transfers	\$ 129,738	\$ 121,639	\$ 8,099
Expenditures/Transfers	\$ 125,553	\$ 121,046	\$ 4,507
Fund Balance	\$ (5,510)	\$ (9,695)	\$ 4,185
Student Activity Fund			
Revenues/Transfers	\$ 107,247	\$ -	\$ 107,247
Expenditures/Transfers	\$ 93,400	\$ -	\$ 93,400
Capital Projects Fund			
Revenues/Transfers	\$ 156	\$ 145	\$ 11
Expenditures/Transfers	\$ 50,225	\$ -	\$ 50,225
Fund Balance	\$ 9	\$ 50,078	\$ (50,069)

General Fund: There was an increase in revenue. Local sources had a net increase of \$106,614, a majority being from taxes and contributions, with decreases in athletics, and miscellaneous. State sources decreased by \$44,403 comprising of decreases in both unrestricted and restricted sources. Federal revenue had decreased by \$44,131, mainly due to Title I, Title II, REAP, and Ottawa National Forest.

The District experienced a decrease in instructional services expenditures of \$5,765, an increase in supporting services of \$2,053, and a decrease in athletics of \$19,593.

Debt Service Fund: There were no significant changes. The tax millage for the District's 2012 Debt Refunding and 2016 Debt Funds is 6.4500 mills.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

Significant Transactions and Changes in Individual Funds (Continued)

School Service Fund: Due to the COVID-19 pandemic shutdown, the food service program changed. Meals were given to any child under the age of 18, free of charge. The federal reimbursement rate for this program is higher than the normal program run during the year, resulting in more federal revenue. As a result of providing meals to many children, expenses increased as well.

Capital Projects Fund: A portion of the school bus purchase was paid through the Capital Project Fund of \$50,225.

Student Activity Fund: Comparatives from previous year are non-applicable in current year because this is the first year the fund is being reported.

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, 2020, the original budget was adopted in June 2019. 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	\$ 2,210,840	\$ 2,212,619	\$ 2,406,531	\$ 193,912	8.8 %
Expenditures					
Instruction	\$ 1,447,371	\$ 1,454,115	\$ 1,471,554	\$ (17,439)	(1.2)%
Supporting services	965,406	946,914	934,513	12,401	1.3 %
Total expenditures	\$ 2,412,777	\$ 2,401,029	\$ 2,406,067	\$ (5,038)	(0.2)%
Other financing sources (uses)	\$ 14,302	\$ (10,265)	\$ (7,879)	\$ 2,386	(23.2)%

Revenue budget had an increase from the original to the final in the amount of \$1,779 which represents increases in local, state, and federal revenue.

Instructional expenditure budget was increased by \$6,744 from the original to final budget. The final budget to actual had a variance of \$(17,439).

Supporting services expenditure budget was increased by \$(18,492) from the original to final budget. The final budget to actual variance of \$12,401.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

Capital Assets and Debt Administration

Capital Assets – Purchases included a new school bus and a plasma cutting system. Depreciation expense totaled \$310,645.

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

Long-term Debt – At the end of the current fiscal year, the District’s total debt was \$5,915,000. This total amount is backed by the full faith and credit of the District. The District’s total debt decreased by \$590,000.

Additional information on the District’s long-term debt can be found on pages 28 through 29 of this report.

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

The table depicts a decrease of 4 students enrolled from the previous year, using the State Aid Membership Count.

Year	Student Total	Change
2015-16	217	(12)
2016-17	204	(13)
2017-18	201	(3)
2018-19	195	(6)
2019-20	191	(4)

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 \$8,111 for the 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, 2020

Assets	
Cash and cash equivalents	\$ 578,213
Taxes receivable	303
Accounts receivable	899
Due from governmental units	159,591
Prepaid expenses	87,647
Inventories	2,960
Restricted cash	120,658
Capital assets - Net	<u>9,113,200</u>
Total assets	<u>10,063,471</u>
Deferred outflows of resources	
Pension	980,668
OPEB	<u>260,287</u>
Total deferred outflows of resources	<u>1,240,955</u>
Liabilities	
Accounts payable	15,059
Accrued expenses and salaries payable	215,739
Due to governmental units	27,148
Unearned revenue	20,161
Accrued interest	25,257
Bonds payable, due within one year	605,000
Bonds payable, due in more than one year	5,310,000
Compensated absences	32,506
Net pension liability	4,127,913
Net OPEB liability	<u>885,410</u>
Total liabilities	<u>11,264,193</u>
Deferred inflows of resources	
Pension	201,972
OPEB	<u>368,936</u>
Total deferred inflows of resources	<u>570,908</u>
Net position	
Net investment in capital assets	3,172,943
Restricted	
Debt service	149,883
General fund	54,911
Capital projects	9
Food service	4,262
Unrestricted	<u>(3,912,683)</u>
Total net position	<u>\$ (530,675)</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, 2020

<u>Functions/Programs</u>	Program Revenues			<u>Governmental Activities</u>
	<u>Basic program</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Government Activities				
Instruction and instructional support	\$ 1,913,690	\$ -	\$ 660,766	\$ (1,252,924)
Support services	948,516	-	-	(948,516)
School food service	130,715	6,278	99,114	(25,323)
Athletics	66,261	17,884	18,000	(30,377)
Student school activities	93,400	-	107,247	13,847
Interest on long-term debt	161,274	-	-	(161,274)
Other debt service	800	-	-	(800)
Total governmental activities	\$ 3,314,656	\$ 24,162	\$ 885,127	(2,405,367)
General revenues:				
				1,275,599
				747,683
				8,066
				406,434
				3,389
				25,469
				16,426
				2,483,066
Change in net position				77,699
Net position - Beginning of year, as restated				(608,374)
Net position - End of year				\$ (530,675)

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, 2020

	<u>General Fund</u>	<u>Debt Retirement</u>	<u>Student Activities</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 364,740	\$ 83,339	\$ 118,431	\$ 11,703	\$ 578,213
Taxes receivable	-	303	-	-	303
Accounts receivable	899	-	-	-	899
Due from governmental units	140,833	494	-	18,264	159,591
Due from other funds	86,915	-	-	-	86,915
Inventories	-	-	-	2,960	2,960
Prepaid expenses	86,345	-	-	1,302	87,647
Restricted cash	54,911	65,747	-	-	120,658
Total assets	<u>\$ 734,643</u>	<u>\$ 149,883</u>	<u>\$ 118,431</u>	<u>\$ 34,229</u>	<u>\$ 1,037,186</u>
Liabilities					
Accounts payable	\$ 14,215	\$ -	\$ -	\$ 844	\$ 15,059
Accrued expenses and salaries payable	208,857	-	-	6,882	215,739
Due to other funds	-	-	54,911	32,004	86,915
Due to governmental units	27,148	-	-	-	27,148
Unearned revenue	20,161	-	-	-	20,161
Total liabilities	<u>270,381</u>	<u>-</u>	<u>54,911</u>	<u>39,730</u>	<u>365,022</u>
Fund balances					
Non-spendable					
Inventories	-	-	-	2,960	2,960
Prepays	86,345	-	-	1,302	87,647
Restricted					
Debt service	-	149,883	-	-	149,883
Capital projects	-	-	-	9	9
General fund	54,911	-	-	-	54,911
Committed for student school activities	-	-	63,520	-	63,520
Unassigned	323,006	-	-	(9,772)	313,234
Total fund balances	<u>464,262</u>	<u>149,883</u>	<u>63,520</u>	<u>(5,501)</u>	<u>672,164</u>
Total liabilities and fund balances	<u>\$ 734,643</u>	<u>\$ 149,883</u>	<u>\$ 118,431</u>	<u>\$ 34,229</u>	<u>\$ 1,037,186</u>

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET POSITION
June 30, 2020

Fund Balance Reported in Governmental Funds	\$ 672,164
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	9,113,200
Net pension liability	(4,127,913)
Deferred outflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date	980,668
Deferred inflows from the difference between projected and actual investment earnings of the pension plan	(201,972)
OPEB obligation	(885,410)
Deferred outflows from the difference between OPEB changes of assumptions and contributions subsequent to the measurement date	260,287
Deferred inflows from the difference between projected and actual investment earnings of the OPEB plan	(368,936)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(5,947,506)
Accrued interest is not included as a liability in governmental funds	<u>(25,257)</u>
Net position of governmental activities	<u><u>\$ (530,675)</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, 2020

	<u>General Fund</u>	<u>Debt Retirement</u>	<u>Student Activities</u>	<u>Non-Major Funds</u>	<u>Total</u>
Revenues					
Local sources	\$ 1,442,306	\$ 756,562	\$ 107,247	\$ 6,475	\$ 2,312,590
State sources	573,635	-	-	5,714	579,349
Federal sources	390,590	-	-	93,400	483,990
Total revenues	<u>2,406,531</u>	<u>756,562</u>	<u>107,247</u>	<u>105,589</u>	<u>3,375,929</u>
Expenditures					
Instruction	1,471,554	-	-	-	1,471,554
Supporting services	868,252	-	-	-	868,252
School service	-	-	-	125,553	125,553
Athletics	66,261	-	-	-	66,261
Capital projects	-	-	-	50,225	50,225
Student activities	-	-	93,400	-	93,400
Debt service	-	754,041	-	-	754,041
Total expenditures	<u>2,406,067</u>	<u>754,041</u>	<u>93,400</u>	<u>175,778</u>	<u>3,429,286</u>
Excess (deficiency) of revenues over expenditures	<u>464</u>	<u>2,521</u>	<u>13,847</u>	<u>(70,189)</u>	<u>(53,357)</u>
Other financing sources (uses)					
Operating transfers in (out)	(24,305)	-	-	24,305	-
Incoming transfers - other schools	16,426	-	-	-	16,426
Total other financing sources (uses)	<u>(7,879)</u>	<u>-</u>	<u>-</u>	<u>24,305</u>	<u>16,426</u>
Net change in fund balances	(7,415)	2,521	13,847	(45,884)	(36,931)
Fund balances - Beginning of year, as restated	<u>471,677</u>	<u>147,362</u>	<u>49,673</u>	<u>40,383</u>	<u>709,095</u>
Fund balances - Ending of year	<u>\$ 464,262</u>	<u>\$ 149,883</u>	<u>\$ 63,520</u>	<u>\$ (5,501)</u>	<u>\$ 672,164</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, 2020

Net Change in Fund Balances - Total Governmental Funds	\$	(36,931)
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		(223,579)
Accrued expenses are recorded in the statement of activities when incurred; they are not reported in governmental funds until paid		6,376
The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds		(326,444)
The change in OPEB obligation does not require the use of current resources and is not reported in the governmental funds		68,277
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		590,000
Change in net position of governmental activities	\$	77,699

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, 2020**

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, 2020**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds. 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.

Student Activities Fund - The Student Activities Fund is used to account for the co-curricular and extra-curricular activities controlled and administered by the school district.

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.

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.

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.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020, 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 17% 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		\$ 8,111.00
Less Local Support:		
Assumed Local Revenue	\$ 1,272,622.00	
Divided by General Education K-12 membership	<u>191.44</u>	
Calculated Local Support		<u>(6,647.63)</u>
Foundation Grant Allowance Per Pupil		<u><u>\$ 1,463.37</u></u>

Other Accounting Policies

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

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

For the year ended June 30, 2020, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	18.0000
Debt service fund - Homestead and non-homestead -1995	4.0000
Debt service fund - Homestead and non-homestead - 2015	2.4500

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

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

Inventory – Inventory in the District’s Food Service Fund consist of food, a la carte items, and supplies totaling \$2,960. 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.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$32,506 consisted of accrued sick leave. Accrued sick leave is paid to employees upon retirement and accrued only for employees that qualify for retirement.

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

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

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

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

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.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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*, is reported from amounts that can be used for specific purposes pursuant to constraints imposed by formal action by the government’s highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

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

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

In the body of the financial statements, the District’s actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, 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
Unrestricted cash	\$ 578,213
Restricted cash	120,658
Total cash and cash equivalents	\$ 698,871

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE C - CASH AND CASH EQUIVALENTS (Continued)

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, 2020, \$288,560 of the District’s bank balance of \$824,504 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Michigan law authorizes the District to deposit and invest in:

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

NOTE D - CAPITAL ASSETS

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

	Balance July 01, 2019	Additions	Deletions	Balance June 30, 2020
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	44,156	-	1,251	42,905
Equipment and furniture	458,014	20,016	13,849	464,181
Vehicles	665,623	67,050	-	732,673
Subtotal	<u>14,327,392</u>	<u>\$ 87,066</u>	<u>\$ 15,100</u>	<u>14,399,358</u>

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE D - CAPITAL ASSETS (Continued)

Accumulated depreciation				
Building and additions	3,787,468	\$ 257,007	\$ -	4,044,475
Improvements other than building	294,060	1,518	-	295,578
Technology	25,221	5,659	1,251	29,629
Equipment and furniture	422,760	4,742	13,849	413,653
Vehicles	464,604	41,719	-	506,323
Subtotal	<u>4,994,113</u>	<u>\$ 310,645</u>	<u>\$ 15,100</u>	<u>5,289,658</u>
Net capital assets being depreciated	<u>9,333,279</u>			<u>9,109,700</u>
Net capital assets	<u>\$ 9,336,779</u>			<u>\$ 9,113,200</u>

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

Governmental activities	
Athletic	\$ 3,317
Instruction	260,651
Operations and maintenance	3,518
Pupil transportation	43,159
Total governmental	<u>\$ 310,645</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, 2020 are as follows:

<u>Fund</u>	Inter-fund Receivable	<u>Fund</u>	Inter-fund Payable
General Fund	<u>\$ 86,915</u>	Food Service Fund	\$ 32,004
		Student Activities	54,911
Total		Total	<u>\$ 86,915</u>
<u>Fund</u>	Transfer In	<u>Fund</u>	Transfer Out
Food Service Fund	<u>\$ 24,305</u>	General Fund	<u>\$ 24,305</u>

NOTE F - ACCRUED EXPENDITURES & SALARIES PAYABLES

Accrued liabilities as of June 30, 2020, for the District's governmental funds individual major fund and non-major funds in the aggregate, are as follows:

<u>Accrued liabilities</u>	General Fund	Food Service Fund	Total
Salaries payable	\$ 161,857	\$ 4,360	\$ 166,217
Accrued expenditures	47,000	2,522	49,522
Total accrued liabilities	<u>\$ 208,857</u>	<u>\$ 6,882</u>	<u>\$ 215,739</u>

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE G - LONG TERM DEBT

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	
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>\$ 378,125</u>	<u>\$ 378,125</u>	<u>\$ 3,975,000</u>	<u>\$ 4,731,250</u>

2012 Refunding Bonds

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

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

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

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE G - LONG TERM DEBT (Continued)

Fiscal Year	November 1	May 1		Total
	Interest	Interest	Principal	
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>\$ 62,926</u>	<u>\$ 62,929</u>	<u>\$ 1,940,000</u>	<u>\$ 2,065,855</u>

Long-term liabilities activity, as reported in and liquidated through the following funds for the fiscal year ended June 30, 2020, was as follows:

	Balance July 01, 2019	Increase	Decrease	Balance June 30, 2020	Current Portion
2012 Refunding	\$ 2,355,000	\$ -	\$ 415,000	\$ 1,940,000	\$ 410,000
2016 School Building & Site Bond	4,150,000	-	175,000	3,975,000	195,000
	6,505,000	-	590,000	5,915,000	<u>\$ 605,000</u>
Other accrued interest	27,224	-	1,967	25,257	
Accrued Benefits	30,416	2,090	-	32,506	
Total	<u>\$ 6,569,140</u>	<u>\$ 2,090</u>	<u>\$ 591,967</u>	<u>\$ 5,972,763</u>	

As of June 30, 2020, the aggregate maturities of long-term debt for the next ten years and thereafter are as follows:

Fiscal Year	Principal	Interest	Total
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>\$ 5,915,000</u>	<u>\$ 882,105</u>	<u>\$ 6,797,105</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).

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

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

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).

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, 2018
Actuarial cost method	Entry age, normal
Wage inflation rate	2.75
Investment rate of return:	
Pension	6.00%-6.80%
OPEB	7.15%
Projected salary increases	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-living pension adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% 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 coverage 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, 2020**

NOTE H - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) 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, 2019, is based on the results of an actuarial valuation date of September 30, 2018, 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 4.4977 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 2019 MPSERS 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, 2019 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 %	5.5%
Private Equity Pools	18.0 %	8.6%
International Equity Pools	16.0 %	7.3%
Fixed Income Pools	10.5 %	1.2%
Real Estate and Infrastructure Pools	10.0 %	4.2%
Absolute Return Pools	15.5 %	5.4%
Short Term Investment Pools	2.0 %	0.8%
Total	100.0 %	

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment and OPEB plan investment net of pension plan and OPEB investment expense, was 5.14% 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, 2020**

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

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% 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 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). A discount rate of 6.95% 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 6.95%. 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, 2018 valuation will be amortized over a 20-year period for fiscal year beginning October 1, 2018 and ending September 30, 2038.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

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%	18.25%
Member Investment Plan	3.0 - 7.0%	18.25%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.75%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from Ewen-Trout Creek Consolidated School District were \$331,132 for the year ended September 30, 2019.

Pension Liabilities

At June 30, 2020, the District reported a liability of \$4,127,913 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2018. 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, 2019 and 2018, the District's proportion was .01246% and .01266% respectively.

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

For the year ended June 30, 2020, the District recognized total pension expense of \$651,183. 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, 2020, 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	\$ 18,503	\$ 17,213
Changes of assumptions	808,248	132,293
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	52,466
District's contributions subsequent to the measurement date	153,917	-
Total	<u>\$ 980,668</u>	<u>\$ 201,972</u>

\$153,917 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, 2021.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE H - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) 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
2020	\$ 251,787
2021	\$ 198,337
2022	\$ 125,236
2023	\$ 49,419

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 6.80% for the Basic and Member Investment Plan, 6.80% 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:

	<u>1% Lower</u>	<u>Discount Rate</u>	<u>1% Higher</u>
District's proportionate share of the net pension liability	\$ 5,366,551	\$ 4,127,913	\$ 3,101,039

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued 2019 MPSERS 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 \$47,572. 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.

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, 2020**

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, 2019 valuation will be amortized over a 20-year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2019.

Benefit Structure	<u>OPEB Contribution Rates</u>	
	Member Rate	Employer
Premium Subsidy	3.0%	7.93%
Personal Healthcare Fund	0.0%	7.57%

Required contributions to the OPEB plan from Ewen-Trout Creek Consolidated School District were \$84,696 for the year ended September 30, 2019.

OPEB Liabilities

At June 30, 2020, the District reported a liability of \$885,410 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. 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, 2019 and 2018, the District's proportion was .01234% and .01271% respectively.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

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, 2020, the District recognized total OPEB expense of \$16,842. 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, 2020, 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	\$ -	\$ 324,882
Changes of assumptions	191,851	-
Net difference between policies and actual earnings on OPEB plan investments	-	15,398
Changes in proportion and differences between reporting using contributions and proportionate share of contributions	1,055	28,656
District's contributions subsequent to the measurement date	67,381	-
Total	<u>\$ 260,287</u>	<u>\$ 368,936</u>

\$67,381 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, 2021.

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
2021	\$ (47,024)
2022	\$ (47,024)
2023	\$ (39,324)
2024	\$ (27,488)
2025	\$ (15,170)

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 6.95%, 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	Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 1,086,089	\$ 885,410	\$ 716,896

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

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:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 709,752	\$ 885,410	\$ 1,086,065

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 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 \$10,267. 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, 2020**

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 19 as follows:

Total current payments per MDE Reports	\$	241,560
Less prior year revenues		
Title I		(86,229)
Title II		(15,595)
Plus current year receivables		
Title I		14,293
Title II		4,370
National School Lunch Program		17,461
Other federal revenue		
Food commodities		5,615
Impact aid		130,443
Ottawa National Forest		172,072
Schedule of Expenditures of Federal Awards	\$	<u>483,990</u>

The District expended less than \$750,000 in Federal awards during the fiscal year ended June 30, 2020 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.

NOTE L - SUBSEQUENT EVENTS

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

On July 31, 2020 the Governor signed Public Act 146 of 2020 which retroactively reduced the per pupil foundation allowance by \$175 per pupil for the 2019-2020 fiscal year. This reduced the School District's 2019-2020 state aid revenue by \$33,502 and was deducted from the August 20, 2020 state aid payment.

On September 1, 2020, the District was awarded a grant from Portage Health Foundation in the amount of \$14,250 to be used for the purchase of additional supplies, materials and other resources to assist with the District's COVID-19 response and reopening plans.

On September 13, 2020, the District received \$15,555 from the Gogebic-Ontonagon Intermediate School District to be used for the purchase of additional supplies, materials and other resources to assist with the District's COVID-19 response and reopening plans.

As a result of the spread of the COVID-19 coronavirus, numerous economic uncertainties have arisen. To combat the spread of the COVID-19, the governor of Michigan issued a "stay at home" order beginning on March 23, 2020, that lasted for over 70 days. This order required the closure of all non-essential businesses and required residents to shelter in place. The "stay at home" order, like many others across the country, has disrupted supply chains and affected production and sales across a range of industries. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE M - CHANGE IN ACCOUNTING PRINCIPLE

The net position of the governmental activities and other governmental funds were restated effective July 1, 2019 to reflect the implementation of GASB Statement No. 84, *Fiduciary Activities*.

Governmental Accounting standards Board Statement 84, *Fiduciary Activities*, was issued by GASB in January 2017 and is effective for the District's 2021 year end. The District early implemented this statement as it was originally effective with the 2020 year. The objective of this Statement is to improve guidance regarding identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on 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. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position,

As a result of implementing this accounting change, Michigan Department of Education established a Special Revenue Fund for Student Activity Fund. The beginning net position of the Student Activity Fund was determined to be \$49,673.

The restatement of net position at the beginning of the year and fund balance at beginning of the year is as follows:

	Fund Balances	
	Student Activity Fund	Total Governmental Funds
Fund balances at beginning, as previously stated	\$ -	\$ 659,422
Adoption of GASB Statement 84	49,673	49,673
Fund balances at beginning, as restated	\$ 49,673	\$ 709,095
		Governmental Activities
Net position at beginning of year, as previously stated		\$ (658,047)
Adoption of GASB Statement 84		49,673
Net position at beginning, as restated		\$ (608,374)

NOTE N - UPCOMING ACCOUNTING PRONOUNCEMENTS

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 financing 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, 2020

	<u>Budgeted Amounts</u>			Variance Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	\$ 1,300,982	\$ 1,350,731	\$ 1,442,306	\$ 91,575
State sources	531,049	467,072	573,635	106,563
Federal sources	378,809	394,816	390,590	(4,226)
Total revenues	<u>2,210,840</u>	<u>2,212,619</u>	<u>2,406,531</u>	<u>193,912</u>
Expenditures				
Instruction	1,447,371	1,454,115	1,471,554	(17,439)
Pupil	2,543	21,009	19,572	1,437
Instructional staff	5,646	3,009	3,095	(86)
General administration	97,625	98,306	94,273	4,033
School administration	133,220	133,996	133,808	188
Business-fiscal services	117,561	121,577	117,760	3,817
Operations & maintenance	257,921	255,756	255,264	492
Pupil transportation	229,094	215,283	211,294	3,989
Athletics	76,657	64,737	66,261	(1,524)
Technical support	45,139	33,241	33,186	55
Total expenditures	<u>2,412,777</u>	<u>2,401,029</u>	<u>2,406,067</u>	<u>(5,038)</u>
Excess (deficiency) of revenues over expenditures	(201,937)	(188,410)	464	188,874
Other financing sources (uses)				
Incoming transfers - other schools	33,165	14,040	16,426	2,386
Operating transfers in (out)	(18,863)	(24,305)	(24,305)	-
Total other financing sources (uses)	<u>14,302</u>	<u>(10,265)</u>	<u>(7,879)</u>	<u>2,386</u>
Net change in fund balances	<u>\$ (187,635)</u>	<u>\$ (198,675)</u>	(7,415)	<u>\$ 191,260</u>
Fund balances - Beginning of year			<u>471,677</u>	
Fund balances - End of year			<u>\$ 464,262</u>	

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
STUDENT ACTIVITIES FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Student activities	\$ -	\$ 75,000	\$ 107,247	\$ 32,247
Expenditures				
Student activities	-	65,000	93,400	(28,400)
Net change in fund balances	<u>\$ -</u>	<u>\$ 10,000</u>	13,847	<u>\$ 3,847</u>
Fund balances - Beginning of year			<u>49,673</u>	
Fund balances - End of year			<u>\$ 63,520</u>	

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
PENSION REQUIREMENTS
Year Ended June 30, 2020**

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

Michigan Public School Employees Retirement Plan
Last Six 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>	<u>9/30/2019</u>
A. District's proportion of net pension liability	0.01184 %	0.01273 %	0.01270 %	0.01268 %	0.01266 %	0.01246 %
B. District's proportionate share of net pension liability	\$ 2,608,141	\$ 3,111,301	\$ 3,169,275	\$ 3,284,890	\$ 3,803,633	\$ 4,127,913
C. District's covered payroll	\$ 1,016,731	\$ 1,095,761	\$ 1,078,932	\$ 1,057,395	\$ 1,086,932	\$ 1,080,638
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 %	381.99 %
E. Plan fiduciary net position as a percentage of total pension liability	66.20 %	63.17 %	63.27 %	64.21 %	62.36 %	60.31 %

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

Michigan Public School Employees Retirement Plan
Last Six 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>	<u>6/30/2020</u>
A. Statutorily required contributions	\$ 226,980	\$ 199,243	\$ 192,001	\$ 195,427	\$ 188,233	\$ 193,693
B. Contributions in relation to statutorily required contributions	227,494	199,243	192,001	195,427	188,233	193,693
C. Contribution deficiency (excess)	<u>\$ 514</u>	<u>\$ -</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	\$ 1,078,065
E. Contributions as a percentage of covered payroll	22.03 %	18.72 %	18.73 %	17.66 %	17.62 %	17.97 %

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
OPEB REQUIREMENTS
Year Ended June 30, 2020**

**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>	<u>9/30/2019</u>
A. District's proportion of net OPEB liability	0.01269 %	0.01271 %	0.01234 %
B. District's proportionate share of net OPEB liability	\$ 1,124,125	\$ 1,010,476	\$ 885,410
C. District's covered payroll	\$ 1,057,395	\$ 1,086,932	\$ 1,080,638
D. District's proportionate share of net OPEB liability as a percentage of its covered payroll	106.31 %	92.97 %	81.93 %
E. Plan fiduciary net position as a percentage of total OPEB liability	36.39 %	42.95 %	48.46 %

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>	<u>6/30/2020</u>
A. Statutorily required contributions	\$ 80,135	\$ 82,948	\$ 84,993
B. Contributions in relation to statutorily required contributions	80,135	82,948	84,993
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. District's covered payroll	\$ 1,106,484	\$ 1,068,079	\$ 1,078,065
E. Contributions as a percentage of covered payroll	7.24 %	7.77 %	7.88 %

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - June 30, 2020**

Pension Information

Ten years of data are required in the pension related schedules. The number of years presented as of June 30, 2020 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 2019.

NOTE B - CHANGE OF ASSUMPTIONS

During the year, MPSERS approved a decrease in the discount rate for the September 30, 2019 annual actuarial valuation of 0.25 percent from 7.05% to 6.8% 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, 2020 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 2019.

NOTE B - CHANGE OF ASSUMPTIONS

During the year, MPSERS approved a decrease in the discount rate for the September 30, 2019 annual actuarial valuation of 0.20 percent from 7.15% to 6.95% 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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources			
Taxes	\$ 1,277,600	\$ 1,275,599	\$ (2,001)
Penalties and interest	6,702	6,702	-
Earnings on investments	2,100	2,264	164
Athletics	36,009	36,010	1
Contributions	2,975	102,975	100,000
Miscellaneous	25,345	18,756	(6,589)
Total local sources	<u>1,350,731</u>	<u>1,442,306</u>	<u>91,575</u>
State sources			
Unrestricted grants			
Unrestricted state aid	299,893	406,434	106,541
Restricted grants			
Other grants	8,030	7,478	(552)
At-risk	85,834	86,408	574
Special education	73,315	73,315	-
Total restricted grants	<u>167,179</u>	<u>167,201</u>	<u>22</u>
Total state sources	<u>467,072</u>	<u>573,635</u>	<u>106,563</u>
Federal sources			
Title I	65,640	64,191	(1,449)
Title II	13,733	13,884	151
Title IV	10,000	10,000	-
Ottawa National Forest	175,000	172,072	(2,928)
Impact aid	130,443	130,443	-
Total federal sources	<u>394,816</u>	<u>390,590</u>	<u>(4,226)</u>
Total revenues	<u>2,212,619</u>	<u>2,406,531</u>	<u>193,912</u>
Expenditures			
Instruction			
Basic program			
Elementary school	537,592	538,587	(995)
High school	460,616	481,582	(20,966)
Total basic program	<u>998,208</u>	<u>1,020,169</u>	<u>(21,961)</u>
Added needs			
Special education	280,714	278,232	2,482
Compensatory education	175,193	173,153	2,040
Total added needs	<u>455,907</u>	<u>451,385</u>	<u>4,522</u>
Total instruction	<u>1,454,115</u>	<u>1,471,554</u>	<u>(17,439)</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Supporting services			
Pupil			
Guidance	\$ 17,551	\$ 18,090	\$ (539)
Health	3,458	1,482	1,976
Total pupil	<u>21,009</u>	<u>19,572</u>	<u>1,437</u>
Instructional staff			
Improvement of instruction	<u>3,009</u>	<u>3,095</u>	<u>(86)</u>
General administration			
Board of education	53,529	50,240	3,289
Executive administration	44,777	44,033	744
Total general administration	<u>98,306</u>	<u>94,273</u>	<u>4,033</u>
School administration	133,996	133,808	188
Business-fiscal services	121,577	117,760	3,817
Operations & maintenance	255,756	255,264	492
Pupil transportation	215,283	211,294	3,989
Athletics	64,737	66,261	(1,524)
Technical support	33,241	33,186	55
Total supporting services	<u>946,914</u>	<u>934,513</u>	<u>12,401</u>
Total expenditures	<u>2,401,029</u>	<u>2,406,067</u>	<u>(5,038)</u>
Excess (deficiency) of revenues over expenditures	<u>(188,410)</u>	<u>464</u>	<u>188,874</u>
Other financing sources (uses)			
Incoming transfers - other schools	14,040	16,426	2,386
Operating transfers in (out)	<u>(24,305)</u>	<u>(24,305)</u>	<u>-</u>
Total other financing sources (uses)	<u>(10,265)</u>	<u>(7,879)</u>	<u>2,386</u>
Net change in fund balances	<u>\$ (198,675)</u>	<u>(7,415)</u>	<u>\$ 191,260</u>
Fund balances - Beginning of year		<u>471,677</u>	
Fund balances - End of year		<u>\$ 464,262</u>	

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
DEBT SERVICE FUND
COMBINING BALANCE SHEET
June 30, 2020

	<u>2012 Debt</u> <u>Refunding</u>	<u>2016 Debt</u> <u>Fund</u>	<u>Total</u>
Assets			
Cash and investments	\$ 65,747	\$ 83,339	\$ 149,086
Receivables	-	303	303
Due from governmental units	494	-	494
Total assets	<u>\$ 66,241</u>	<u>\$ 83,642</u>	<u>\$ 149,883</u>
Fund balances			
Restricted	<u>\$ 66,241</u>	<u>\$ 83,642</u>	<u>\$ 149,883</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
DEBT SERVICE FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2020

	<u>2012 Debt</u> <u>Refunding</u>	<u>2016 Debt</u> <u>Fund</u>	<u>Total</u>
Revenues			
Taxes	\$ 468,613	\$ 279,070	\$ 747,683
Other taxes	-	8,066	8,066
Penalties and interest	-	11	11
Earnings on investments	586	216	802
Total revenues	<u>469,199</u>	<u>287,363</u>	<u>756,562</u>
Expenditures			
Interest expense	49,895	113,346	163,241
Redemption of bond principle	415,000	175,000	590,000
Tax collection fees	300	-	300
Other expense	-	500	500
Total expenditures	<u>465,195</u>	<u>288,846</u>	<u>754,041</u>
Excess (deficiency) of revenues over expenditures	<u>4,004</u>	<u>(1,483)</u>	<u>2,521</u>
Fund balances - Beginning of year	<u>62,237</u>	<u>85,125</u>	<u>147,362</u>
Fund balances - End of year	<u>\$ 66,241</u>	<u>\$ 83,642</u>	<u>\$ 149,883</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NON-MAJOR FUNDS
COMBINING BALANCE SHEET
June 30, 2020

	<u>2016 Capital Project</u>	<u>Food Service Fund</u>	<u>Total</u>
Assets			
Cash and investments	\$ 9	\$ 11,694	\$ 11,703
Due from governmental units	-	18,264	18,264
Prepaid expenses	-	1,302	1,302
Inventories	-	2,960	2,960
Total assets	<u>\$ 9</u>	<u>\$ 34,220</u>	<u>\$ 34,229</u>
Liabilities			
Accounts payable	\$ -	\$ 844	\$ 844
Accrued expenses and salaries payable	-	6,882	6,882
Due to other funds	-	32,004	32,004
Total liabilities	<u>-</u>	<u>39,730</u>	<u>39,730</u>
Fund balances			
Non-spendable			
Inventories	-	2,960	2,960
Prepays	-	1,302	1,302
Restricted	9	-	9
Unrestricted	-	(9,772)	(9,772)
Total fund balances	<u>9</u>	<u>(5,510)</u>	<u>(5,501)</u>
Total liabilities and fund balances	<u>\$ 9</u>	<u>\$ 34,220</u>	<u>\$ 34,229</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2020

	<u>2016 Capital Project</u>	<u>Food Service Fund</u>	<u>Total</u>
Revenues			
Local sources	\$ 156	\$ 6,319	\$ 6,475
State sources	-	5,714	5,714
Federal sources	-	93,400	93,400
Total revenues	<u>156</u>	<u>105,433</u>	<u>105,589</u>
Expenditures			
School service	-	125,553	125,553
Capital projects	50,225	-	50,225
Total expenditures	<u>50,225</u>	<u>125,553</u>	<u>175,778</u>
Excess (deficiency) of revenues over expenditures	<u>(50,069)</u>	<u>(20,120)</u>	<u>(70,189)</u>
Other financing sources (uses)			
Operating transfers in (out)	-	24,305	24,305
Total other financing sources (uses)	<u>-</u>	<u>24,305</u>	<u>24,305</u>
Fund balances - Beginning of year, as restated	<u>50,078</u>	<u>(9,695)</u>	<u>40,383</u>
Fund balances - End of year	<u>\$ 9</u>	<u>\$ (5,510)</u>	<u>\$ (5,501)</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources			
Adult lunches	\$ 1,438	\$ 1,438	\$ -
A-La-Carte	14	14	-
Special milk	6	6	-
Earnings on investments	50	41	(9)
Other food sales	4,820	4,820	-
Total local sources	<u>6,328</u>	<u>6,319</u>	<u>(9)</u>
State sources	<u>5,854</u>	<u>5,714</u>	<u>(140)</u>
Federal sources			
School lunch program	85,914	87,785	1,871
USDA entitlements	7,092	5,615	(1,477)
Total federal sources	<u>93,006</u>	<u>93,400</u>	<u>394</u>
Total revenues	<u>105,188</u>	<u>105,433</u>	<u>245</u>
Expenditures			
Salaries	25,274	25,271	3
Employee benefits	26,947	26,261	686
Supplies, materials, and other	58,124	54,294	3,830
Purchased services	19,148	19,727	(579)
Total expenditures	<u>129,493</u>	<u>125,553</u>	<u>3,940</u>
Excess (deficiency) of revenues over expenditures	(24,305)	(20,120)	4,185
Other financing sources (uses)			
Operating transfers in (out)	24,305	24,305	-
Total other financing sources (uses)	<u>24,305</u>	<u>24,305</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	4,185	<u>\$ 4,185</u>
Fund balances - Beginning of year		<u>(9,695)</u>	
Fund balances - End of year		<u>\$ (5,510)</u>	

COMMUNICATION SECTION

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon Avenue, Houghton, Michigan 49931
906.482.6601 906.482.9046 fax www.rukkilanegro.com

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, 2020 and the related notes to the financial statements and have issued our report thereon dated November 2, 2020.

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 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*

November 2, 2020

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon Avenue, Houghton, Michigan 49931
906.482.6601 906.482.9046 fax www.rukkilanegro.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ewen-Trout Creek Consolidated School District for the year ended June 30, 2020. 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 11, 2020. 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, 2020. 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 November 2, 2020.

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*

November 2, 2020

**EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
COMMENTS AND RECOMMENDATIONS
JUNE 30, 2020**

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, 2020, 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.