



EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

Ontonagon County, Michigan

Annual Financial Report

For the year ended June 30, 2021

**Ewen-Trout Creek Consolidated School District
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Year ended June 30, 2021

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

October 26, 2021

The Board of Education
Ewen-Trout Creek Consolidated School District

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 (the "District") as of and for the year ended June 30, 2021, 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 Ewen-Trout Creek Consolidated School District as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information as listed in the table of contents, 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 Ewen-Trout Creek Consolidated School District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2021 on our consideration of Ewen-Trout Creek Consolidated School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Ewen-Trout Creek Consolidated School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ewen-Trout Creek Consolidated School District's internal control over financial reporting and compliance.



Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS



**Ewen-Trout Creek Consolidated School District
Management's Discussion and Analysis
June 30, 2021**

As management of the Ewen-Trout Creek School District ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

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.

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 inflows 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 it has changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows 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 is 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.



**Ewen-Trout Creek Consolidated School District
Management's Discussion and Analysis
June 30, 2021**

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

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

Condensed District-wide Financial Information

The Statement of Net Position provides financial information on the District as a whole.

	<u>2021</u>	<u>2020</u>
Assets		
Current assets	\$ 953,460	\$ 950,271
Net capital assets	<u>8,823,896</u>	<u>9,113,200</u>
Total Assets	<u>9,777,356</u>	<u>10,063,471</u>
Deferred Outflows of Resources	<u>1,174,782</u>	<u>1,240,955</u>
Liabilities		
Current liabilities	975,125	303,364
Long-term liabilities	4,721,223	5,947,506
Net pension liability	4,127,056	4,127,913
Net OPEB liability	<u>638,826</u>	<u>885,410</u>
Total Liabilities	<u>10,462,230</u>	<u>11,264,193</u>
Deferred Inflows of Resources	<u>667,894</u>	<u>570,908</u>
Net Position		
Net investment in capital assets	3,513,896	3,172,943
Restricted	202,551	209,065
Unrestricted (deficit)	<u>(3,894,433)</u>	<u>(3,912,683)</u>
Total Net Position	<u>\$ (177,986)</u>	<u>\$ (530,675)</u>



**Ewen-Trout Creek Consolidated School District
Management's Discussion and Analysis
June 30, 2021**

The Statement of Activities presents changes in net position from operating results:

	<u>2021</u>	<u>2020</u>
Program Revenues		
Charges for services	\$ 49,664	\$ 24,162
Operating grants	1,104,445	885,127
General Revenues		
Property taxes	2,097,428	2,031,348
State school aid, unrestricted	142,544	406,434
Interest and investment earnings	1,437	3,389
Other	58,488	41,895
Total Revenues	<u>3,454,006</u>	<u>3,392,355</u>
Expenses		
Instruction	1,511,470	1,913,690
Supporting services	986,963	1,108,177
Food service	131,186	130,715
Other	1,579	800
Interest on long-term debt	150,856	161,274
Depreciation (unallocated)	319,263	-
Total Expenses	<u>3,101,317</u>	<u>3,314,656</u>
Increase in net position	352,689	77,699
Net Position, Beginning of Year	<u>(530,675)</u>	<u>(608,374)</u>
Net Position, End of Year	<u><u>\$ (177,986)</u></u>	<u><u>\$ (530,675)</u></u>

Financial Analysis of the District as a Whole

Total revenues exceeded expenses by \$352,689 on the Statement of Activities, increasing total net position from a deficit of \$530,675 at June 30, 2020 to a deficit of \$177,675 at June 30, 2021. Unrestricted net assets decreased by \$18,250 to a deficit of \$3,894,433 at June 30, 2021. The District's net pension liability, including deferred outflows and inflows of resources, increased by \$42,480 during the fiscal year. In addition, the District's net OPEB liability, including deferred outflows and inflows of resources, decreased by \$126,762 during the fiscal year.

The District's financial position is the product of many factors.

The District's total revenues were \$3.5 million. Property taxes and unrestricted State aid accounted for most of the District's revenues, contributing 64.9% of the total. The remainder came from State and federal aid for specific programs, fees charged for services, interest earnings and other local sources.



**Ewen-Trout Creek Consolidated School District
Management's Discussion and Analysis
June 30, 2021**

The total cost of all programs was \$3.1 million. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (69%). The District's operation and maintenance services accounted for 12% of total costs.

The current position of the District's finances can be credited to careful monitoring of economic changes and appropriate cost-cutting measures to maintain programs during these challenging economic times. Despite the ongoing uncertainty of funding revenue from the State of Michigan, the District has endeavored to maintain a positive fund balance.

- The District has conducted a thorough budget analysis and has broken the budget down into specific components and their related expenses. This has allowed the District to prioritize expenses, and also to identify where cuts could occur if necessary.
- Regular updates were provided to the Board of Education during the school year. This information is also presented to the community via the District's website transparency reporting.
- Collaboration with the surrounding districts have helped reduce expenditures in many areas including special education, special education transportation, technology, and business services.

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.

The District utilizes one kind 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 the reader 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, additional information following the governmental funds' statements explain the relationship (or differences) between them.



**Ewen-Trout Creek Consolidated School District
Management's Discussion and Analysis
June 30, 2021**

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Ewen-Trout Creek School District's funds are described as follows:

Major Funds

General Fund

The General Fund is the District's primary operating fund. The General Fund had total revenues of \$2,525,168, total expenditures of \$2,569,154, and other financing uses of \$15,309. The General Fund ended the fiscal year with a \$59,295 decrease in fund balance for a total fund balance of \$404,967, down from \$464,262 at June 30, 2020.

2012 Debt Service Fund

The District has one major Debt Service Fund. Total revenues were \$450,774 and total expenditures were \$452,220. The fund balance at June 30, 2021 totaled \$64,795, down from \$66,241 at 2020 June 30, 2020.

Nonmajor Funds

Special Revenue Funds

The District operates two Special Revenue Funds, the Food Service Fund and the Student/School Activity Fund. The total revenue for all Special Revenue funds was \$164,838, total expenditures of \$170,989, and other financing sources of \$13,730. The ending fund balances totaled \$65,589. Of the ending fund balances, a deficit of \$4,183 is attributed to the Food Service Fund and \$69,772 is attributed to the Student/School Activity Fund.

Debt Service Fund

The District has one nonmajor Debt Service Fund. Total revenues were \$313,221, total expenditures were \$305,652, and other financing sources were \$14. The ending fund balance totaled \$91,225, up from \$83,642 at June 30, 2020.

Capital Projects Fund

There is one nonmajor Capital Projects Fund incorporated into the financial statements of the District. The 2016 Construction Fund had total revenues of \$5 and other financing uses of \$14 for the fiscal year, which included a transfer to close out the fund as of June 30, 2021.

General Fund Budgetary Highlights

The Ewen-Trout Creek Consolidated School District begins the 2021-22 school year with a \$404,967 general fund balance, which is about 16% of annual general fund expenses. A portion of the general fund balance in the amount of \$31,354 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 became operational during the 2020-21 school year.

The original 2020-21 Budget proposed by the District in June 2020 included an impending state aid revenue proration due to COVID. Fortunately, with the additional funding provided by the federal government our state aid was not reduced and we ended the year with a general fund balance reduction of only \$59,295 compared to the original projected reduction of \$220,206. The final budget amendment in June 2021 made adjustments related to increased state and federal funding related to the COVID-19 pandemic and the increased expenses covered by those funds.



**Ewen-Trout Creek Consolidated School District
Management's Discussion and Analysis
June 30, 2021**

Capital Asset and Debt Administration

Capital Assets

At June 30, 2021, the District had a \$14,431,169 investment in a broad range of capital assets, including land, school buildings, athletic facilities, school buses, and furniture and equipment. (More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.) Total depreciation expense for the year was \$319,263.

At June 30, 2021, the District's investments in capital assets (net of accumulated depreciation), which decreased by \$289,304 from the previous year-end, is detailed as follows:

Land	\$	3,500
Land improvements		12,148
Buildings and additions		8,548,873
Vehicles		183,546
Furniture and equipment		<u>75,829</u>
Net Capital Assets		<u><u>\$ 8,823,896</u></u>

Long-term Obligations

At year end, the District had \$5,346,223 in general obligation bonds and other long-term obligations outstanding - a net decrease of \$601,283 from last year. During the current year, the District added \$6,104 in long-term obligations and retired obligations in the amount of \$607,387.

The District's bond rating for general obligation debt was affirmed by Moody's as "Aa1" with a negative outlook. The District's other obligations are sick leave. There is more detailed information about long-term liabilities in Note F in the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

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 bargained the salary and benefits portion of the contracts for both the Education Association and Support Staff for the 2021-22 school year upon request from the bargaining units. Both the Education Association and the Support Staff received increases for the 2021-22 school year.

Ewen-Trout Creek Consolidated School District continues to benefit from the Michigan Schools of Choice program. However, the actual student count for 2020-21 was down to 176 from 185 the previous year. 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 schools in the Upper Peninsula 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.



**Ewen-Trout Creek Consolidated School District
Management's Discussion and Analysis
June 30, 2021**

Due to COVID-19 we had a 29% increase in federal funds under the Cares Act. The Elementary and Secondary School Emergency Relief programs and American Rescue Plan will provide additional federal funding that will continue for the next two to three years. The following are some of the expenses covered by these funds: technology purchases - one on one devices for students and staff, additional custodial staff to implement increased disinfecting and sanitizing practices, purchase of sanitizing stations, face masks, etc. and additional instructional staff to mitigate the loss of learning encountered during the pandemic.

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 is working 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 and looking for savings at every juncture. 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.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Ewen-Trout Creek School District, 14312 Ewen Airport Road, Ewen, Michigan, 49925.

BASIC FINANCIAL STATEMENTS

Ewen-Trout Creek Consolidated School District
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash equivalents, deposits and investments (Note B)	\$ 599,627
Due from other governmental units (Note C)	276,384
Inventory	891
Prepaid expenses	76,558
Capital assets not being depreciated (Note E)	3,500
Capital assets being depreciated, net (Note E)	8,820,396
Total Assets	9,777,356
Deferred Outflows of Resources	
Deferred pension amounts	876,016
Deferred OPEB amounts	298,766
Total Deferred Outflows of Resources	1,174,782
Liabilities	
Accounts payable	24,360
Due to other governmental units (Note C)	28,391
Payroll liabilities payable	4,983
Accrued interest payable	23,241
Salaries payable	222,082
Unearned revenue	47,068
Long-term liabilities (Note G):	
Due within one year	625,000
Due in more than one year	4,721,223
Net pension liability	4,127,056
Net OPEB liability	638,826
Total Liabilities	10,462,230
Deferred Inflows of Resources	
Deferred pension amounts	140,657
Deferred OPEB amounts	527,237
Total Deferred Inflows of Resources	667,894
Net Position	
Net investment in capital assets	3,513,896
Restricted for:	
Debt service	132,779
Student activities	69,772
Unrestricted (deficit)	(3,894,433)
Total Net Position	\$ (177,986)

See accompanying notes to basic financial statements.

Ewen-Trout Creek Consolidated School District
Statement of Activities
For the year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 1,511,470	\$ -	\$ 976,130	\$ (535,340)
Supporting services	986,963	42,472	4,790	(939,701)
Food service	131,186	269	121,925	(8,992)
Community services	-	6,923	-	6,923
Other	1,579	-	-	(1,579)
Interest on long-term debt	150,856	-	1,600	(149,256)
Depreciation - unallocated*	319,263	-	-	(319,263)
Total Governmental Activities	<u>\$ 3,101,317</u>	<u>\$ 49,664</u>	<u>\$ 1,104,445</u>	<u>(1,947,208)</u>
General Revenues				
Taxes:				
				1,335,145
				762,283
				142,544
				1,437
				58,488
				<u>2,299,897</u>
				352,689
				<u>(530,675)</u>
				<u>\$ (177,986)</u>

*This amount excludes direct depreciation expenses of the various programs.

See accompanying notes to basic financial statements.

**Ewen-Trout Creek Consolidated School District
Balance Sheet
Governmental Funds
June 30, 2021**

Assets	<u>General</u>	<u>2012 Debt</u>	<u>Nonmajor</u>	<u>Total</u>
Cash equivalents, deposits and investments (Note B)	\$ 355,858	\$ 64,336	\$ 179,433	\$ 599,627
Due from other funds (Note D)	27,312	-	4,737	32,049
Due from other governmental units (Note C)	268,074	459	7,851	276,384
Inventory	-	-	891	891
Prepaid expenditures	75,248	-	1,310	76,558
Total Assets	<u>\$ 726,492</u>	<u>\$ 64,795</u>	<u>\$ 194,222</u>	<u>\$ 985,509</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 22,850	\$ -	\$ 1,510	\$ 24,360
Due to other funds (Note D)	4,737	-	27,312	32,049
Due to other governmental units	28,391	-	-	28,391
Payroll liabilities payable	4,983	-	-	4,983
Salaries payable	215,075	-	7,007	222,082
Unearned revenue	45,489	-	1,579	47,068
Total Liabilities	<u>321,525</u>	<u>-</u>	<u>37,408</u>	<u>358,933</u>
Fund Balances (Note A)				
Nonspendable	75,248	-	2,201	77,449
Restricted	-	64,795	160,997	225,792
Unassigned	329,719	-	(6,384)	323,335
Total Fund Balances	<u>404,967</u>	<u>64,795</u>	<u>156,814</u>	<u>626,576</u>
Total Liabilities and Fund Balances	<u>\$ 726,492</u>	<u>\$ 64,795</u>	<u>\$ 194,222</u>	<u>\$ 985,509</u>

See accompanying notes to basic financial statements.

**Ewen-Trout Creek Consolidated School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2021**

Total governmental fund balances		\$ 626,576
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$14,431,169 and accumulated depreciation is \$5,607,273.		8,823,896
Long-term obligations, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$ (5,310,000)	
Accumulated sick leave	(36,223)	(5,346,223)
Accrued interest is not included as a liability in governmental funds		(23,241)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(4,127,056)	
Deferred outflows	876,016	
Deferred inflows	(140,657)	(3,391,697)
Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB liability	(638,826)	
Deferred outflows	298,766	
Deferred inflows	(527,237)	(867,297)
Total net position - governmental activities		\$ (177,986)

See accompanying notes to basic financial statements.

**Ewen-Trout Creek Consolidated School District
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2021**

	General	2012 Debt	Nonmajor	Total
Revenues				
Local sources	\$1,401,704	\$ 449,830	\$ 355,483	\$2,207,017
State sources	508,296	944	9,144	518,384
Federal sources	599,613	-	113,437	713,050
Interdistrict sources	15,555	-	-	15,555
Total Revenues	<u>2,525,168</u>	<u>450,774</u>	<u>478,064</u>	<u>3,454,006</u>
Expenditures				
Current:				
Instruction	1,562,840	-	-	1,562,840
Supporting services	1,006,314	-	36,220	1,042,534
Food service	-	-	134,769	134,769
Debt service:				
Principal repayment	-	410,000	195,000	605,000
Interest and fiscal charges	-	42,220	110,652	152,872
Total Expenditures	<u>2,569,154</u>	<u>452,220</u>	<u>476,641</u>	<u>3,498,015</u>
Deficiency of Revenues Over Expenditures	<u>(43,986)</u>	<u>(1,446)</u>	<u>1,423</u>	<u>(44,009)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	15,323	15,323
Transfers out	(15,309)	-	(14)	(15,323)
Other	-	-	(1,579)	(1,579)
Total Other Financing Sources (Uses)	<u>(15,309)</u>	<u> </u>	<u>13,730</u>	<u>(1,579)</u>
Net Change in Fund Balances	(59,295)	(1,446)	15,153	(45,588)
Fund Balances, Beginning of Year	<u>464,262</u>	<u>66,241</u>	141,661	<u>672,164</u>
Fund Balances, End of Year	<u>\$ 404,967</u>	<u>\$ 64,795</u>	<u>\$ 156,814</u>	<u>\$ 626,576</u>

See accompanying notes to basic financial statements.

**Ewen-Trout Creek Consolidated School District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2021**

Net change in fund balances - total governmental funds		\$	(45,588)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>			
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays for the current period.</p>			
Capital outlays		\$	29,959
Depreciation expense		(319,263)	(289,304)
<hr style="width: 100%;"/>			
<p>Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not effect the Statement of Activities:</p>			
Repayment of general obligation bonds			605,000
<p>Interest on long-term obligations in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid.</p>			
			2,016
<p>In the Statement of Net Position, severance pay and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned (\$6,104) exceeded the amounts used/paid (\$2,387).</p>			
			(3,717)
<p>The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.</p>			
			(42,480)
<p>The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.</p>			
			126,762
			<hr style="width: 100%;"/>
Total changes in net position - governmental activities			\$ 352,689

See accompanying notes to basic financial statements.

Ewen-Trout Creek Consolidated School District
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources	\$ 1,386,864	\$ 1,400,338	\$ 1,401,704	\$ 1,366
State sources	323,837	493,581	508,296	14,715
Federal sources	469,051	600,838	599,613	(1,225)
Interdistrict sources	16,895	16,055	15,555	(500)
Total Revenues	<u>2,196,647</u>	<u>2,510,812</u>	<u>2,525,168</u>	<u>14,356</u>
Expenditures				
Current:				
Instruction:				
Basic programs	1,427,349	1,088,502	1,095,710	(7,208)
Added needs	-	473,103	467,130	5,973
Supporting services:				
Pupil services	21,168	1,385	1,384	1
Instructional staff services	6,685	39,827	20,922	18,905
General administrative services	99,375	103,203	97,387	5,816
School administrative services	132,019	134,770	133,120	1,650
Business services	119,722	117,729	114,157	3,572
Operation and maintenance services	270,279	307,094	306,096	998
Pupil transportation services	202,576	221,557	218,264	3,293
Central services	37,595	29,597	35,368	(5,771)
Other support services	75,533	71,633	79,616	(7,983)
Total Expenditures	<u>2,392,301</u>	<u>2,588,400</u>	<u>2,569,154</u>	<u>19,246</u>
Deficiency of Revenues Over Expenditures	<u>(195,654)</u>	<u>(77,588)</u>	<u>(43,986)</u>	<u>(33,602)</u>
Other Financing Uses				
Transfers out	(24,552)	(15,309)	(15,309)	-
Net Change in Fund Balances	(220,206)	(92,897)	(59,295)	33,602
Fund Balances, Beginning of Year	<u>464,262</u>	<u>464,262</u>	<u>464,262</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 244,056</u>	<u>\$ 371,365</u>	<u>\$ 404,967</u>	<u>\$ 33,602</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Ewen-Trout Creek Consolidated School District
Notes to Basic Financial Statements
June 30, 2021

A Pension Plus 2 member may retire at age 60 with 10 or more years of credited service. Section 81c(5) of PA 300 as amended requires the regular retirement age to be increased in whole year increments based on the results of mortality analysis five-year actuarial experience studies performed after October 1, 2019 and the actuarial funding status of the plan. If the regular retirement age for Pension Plus 2 members is increased in accordance with this provision, members within five years of retirement from the effective date of the increase are automatically exempted and the retirement board may additionally authorize those between five and eight years of the then current retirement age to be exempted.

A Basic Plan member may retire at:

- age 55 with 30 or more years of service; or
- age 60 with 10 or more years of service.

There is no mandatory retirement age.

Early Retirement

A MIP or Basic member may retire with an early permanently reduced pension:

- after completing at least 15 but less than 30 years of credited service; and
- after attaining age 55; and
- with credited service in each of the 5 school years immediately preceding the pension effective date.

The early pension is computed in the same manner as a regular pension, but is permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60.

Deferred Retirement

If a member terminates employment before attaining the age qualification, but after accruing 10 or more years of credited service, the member becomes a deferred member and is eligible for a pension at the time the age qualification is attained.

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled due to any non-duty related cause and who has not met the age requirement for a regular pension is eligible for a non-duty disability pension computed in the same manner as an age and service pension, upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by 2% for each year retired; first year 100%, next year 102%, etc.).

Ewen-Trout Creek Consolidated School District
Notes to Basic Financial Statements
June 30, 2021

Duty Disability Benefit

A member who becomes totally and permanently disabled as a result of a duty-related cause, who has not met the age and service requirement for a regular pension, and who is in receipt of weekly workers' compensation is eligible for a duty disability pension computed in the same manner as an age and service pension (but based upon a minimum of 10 years of service) upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by 2% for each year retired; first year 100%, next year 102%, etc.).

Pension Payment Options

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with the System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one of the following options.

Straight Life Pension - the Straight Life Pension pays the largest level pension a retiree can receive during his or her lifetime and stops with the month of the retiree's death. There are no monthly benefits for a beneficiary. The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to any beneficiaries.

Survivor Options - Under the Survivor Options, 100% Survivor Pension, 100% Equated, 75% Survivor Pension, 75% Equated, 50% Survivor Pension and 50% Equated, the reduction is an actuarial determination dependent upon the combined life expectancies of a retiree and a beneficiary, and varies from case to case. A beneficiary may only be a spouse, brother, sister, parent or child (including an adopted child) of a retiring member. If the beneficiary predeceases a retiree, the pension will revert to either the Straight Life or Straight Life Equated amount ("pop-up" provision). If, however, a retiree was single at the time of retirement and subsequently married, the retiree can request to nominate a new spouse if they elected the straight life option at retirement. Also, if a retiree was married at the time of retirement and has since been widowed and remarried, the retiree can request to nominate a new spouse as a pension beneficiary as long as they elected a survivor option for the spouse at the time of retirement.

100% Survivor Pension - pays a reduced pension to a retiree. The month after a retiree's death, the same amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

75% Survivor Pension - pays a reduced pension to a retiree. The month after a retiree's death, 75% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

50% Survivor Pension - pays a reduced pension to a retiree. The month after a retiree's death, 50% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

Equated Plan - For MIP and Basic members, the Equated Plan may be combined with the Straight Life, 100% Survivor, 75% Survivor, or 50% Survivor pension by any member under age 61, except a disability applicant. The Equated Plan provides a higher pension every month until age 62, at which time the monthly pension is permanently decreased to a lower amount than the Straight Life, 100%, 75%, or 50% Survivor alone would provide.

Ewen-Trout Creek Consolidated School District
Notes to Basic Financial Statements
June 30, 2021

The intent of the Equated Plan is for the retiree's pension to decrease at age 62 by approximately the same amount as that person's Social Security benefit will provide. The System pension until age 62 should be about the same as the combined System pension and Social Security after age 62.

The projected Social Security pension the retiring member obtains from the Social Security Administration and furnishes to the System is used in the Equated Plan calculation. The actual Social Security pension may vary from the estimate.

NOTE: The reduction in the pension at age 62 pertains to the Equated Plan only and affects only the retiree. A beneficiary under 100% Equated, 75% Equated or 50% Equated will receive the 100%, 75%, or 50% Survivor amount the month following the retiree's death as if the Equated Plan had not been chosen. A beneficiary does not participate in the Equated Plan.

Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan (MIP) member has 10 years of credited service or, if age 60 or older, with five years of credited service; the date they became a MIP member does not matter. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, with 10 years of credited service. An active member may nominate as a survivor beneficiary a spouse, child(ren) (including adopted child(ren)), brother, sister, or parent. If other than the spouse is nominated and a spouse exists, the spouse must waive this benefit. If no beneficiary has been nominated, the beneficiary is automatically the spouse; or, if there is no spouse, unmarried children under age 18 share the benefit equally until age 18. The benefit is computed as a regular pension but reduced in accordance with an Option 2 (100% survivor pension factor). The pension begins the first of the month following the member's death. In the event of death of a deferred member, the System begins payment to the nominated beneficiary at the time the member would have attained the minimum age qualification.

A duty survivor pension is payable if weekly Workers' Compensation is being paid to the eligible beneficiary due to the member's death. A spouse receives the benefit (based on a minimum of 10 years of service credit) reduced in accordance with a 100% survivor pension factor. If there is no spouse, unmarried children under age 18 share the benefit equally until age 18; if there is no spouse or child(ren), a disabled and dependent parent is eligible.

Postemployment Adjustments

A retiree who became a Member Investment Plan (MIP) member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of 3% of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

On January 1, 1990, pre-October 1, 1981 retirees received an increase that ranged from 1% to 22% dependent upon the pension effective date. On October 1, 1990, the base pension of all retirees with an effective pension date of January 1, 1987, or earlier was increased to include all prior post-retirement adjustments.

On January 1, 1986, all recipients through calendar year 1985 received a permanent 8% increase that established the 1986 base pension. In addition, each October, retirees with a pension effective date of January 1, 1987, or earlier receive a fixed increase equal to 3% of the base pension. Both increases are deducted from the distribution of excess investment income, if any. Beginning in 1983, eligible recipients receive an annual distribution of excess investment income, if any.

Ewen-Trout Creek Consolidated School District
Notes to Basic Financial Statements
June 30, 2021

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 the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	<u>5.8%/5.8%/5.0%</u>	<u>6.8%/6.8%/6.0%</u>	<u>7.8%/7.8%/7.0%</u>
District's proportionate share of the net pension liability	\$ 5,341,775	\$ 4,127,056	\$ 3,120,326

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System September 30, 2020 Comprehensive Annual Financial Report, available here: (www.michigan.gov/orsschools).

Payables to the Michigan Public School Employees' Retirement System (MPERS)

Payables to the pension plan totaling \$52,781 at June 30, 2021 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Note H - Other Postemployment Benefits

Plan Description

The Michigan Public School Employees' Retirement System (MPERS or "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 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.

Ewen-Trout Creek Consolidated School District
Notes to Basic Financial Statements
June 30, 2021

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.

Retiree Healthcare Reform of 2012

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 and Funded Status

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

Employer 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 19-year period beginning October 1, 2019 and ending September 30, 2038.

Ewen-Trout Creek Consolidated School District
Notes to Basic Financial Statements
June 30, 2021

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2020:

OPEB Contribution Rates:

Benefit Structure	Member	District
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the District were \$86,287 for the year ended September 30, 2020.

Net OPEB Liability (in thousands)

Total OPEB Liability	\$ 13,418,548
Plan Fiduciary Net Position	<u>8,019,027</u>
Net OPEB Liability	<u>\$ 5,399,521</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	59.76%
Net OPEB Liability as a Percentage of Covered Employee Payroll	59.42%
Total Covered Payroll	\$ 9,087,724

Proportionate Share of Reporting Unit's Net OPEB Liability

At June 30, 2021, the District reported a liability of \$638,826 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020 the District's proportion was 0.01192447%, which was a decrease from 0.01234000% at September 30, 2019.

Ewen-Trout Creek Consolidated School District
Notes to Basic Financial Statements
June 30, 2021

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

For the year ended June 30, 2021, the District recognized OPEB credit of \$28,853. At June 30, 2021, 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	\$ —	\$ 475,985
Changes of assumptions	210,634	—
Net difference between projected and actual earnings on OPEB plan investments	5,332	—
Changes in proportion and differences between District contributions and proportionate share of contributions	2,530	51,252
District contributions subsequent to the measurement date*	80,270	—
Total	\$ 298,766	\$ 527,237

* This amount, reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

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

Year ended June 30	Amount
2022	\$ (81,800)
2023	(74,356)
2024	(62,918)
2025	(50,955)
2026	(38,712)

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.

Ewen-Trout Creek Consolidated School District
Notes to Basic Financial Statements
June 30, 2021

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95% net of investment expense
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate:	7.0% Year 1 graded 3.5% Year 15; 3.0% Year 12
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt Out Assumptions:	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage:	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

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 OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.6018 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Ewen-Trout Creek Consolidated School District
Notes to Basic Financial Statements
June 30, 2021

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.6%
Private Equity Pools	16.0%	9.3%
International Equity Pools	15.0%	7.4%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	4.9%
Absolute Return Pools	9.0%	3.2%
Real Return/Opportunistic Pools	12.5%	6.6%
Short-term Investment Pools	2.0%	(0.1)%
Total	<u>100.0%</u>	

* Long-term rates of return are net of administrative expenses and 2.1% inflation.

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 5.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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 OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Ewen-Trout Creek Consolidated School District
Notes to Basic Financial Statements
June 30, 2021

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95 percent, as well as what the 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 point higher:

	1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
District's proportionate share of the net OPEB liability	\$ 820,644	\$ 638,826	\$ 485,750

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 479,889	\$ 638,826	\$ 819,597

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

Payables to the OPEB plan totaling \$10,798 at June 30, 2021 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

Ewen-Trout Creek Consolidated School District
Notes to Basic Financial Statements
June 30, 2021

Note I - Risk Management and Benefits

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 property loss, errors and omissions, workers' compensation, health benefits, and dental and vision benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

There were no significant reductions in insurance coverage in fiscal 2020-21, and as of year ended June 30, 2021, there were no material pending claims against the District.

Note J - Stewardship, Compliance and Accountability

The District has an unrestricted net position deficit of \$3,894,433, and a total net position deficit of \$177,986 as of June 30, 2021. These deficit net positions result primarily from the net pension liability of \$3,391,697 and the net OPEB liability of \$867,297 (net of deferred outflows and inflows of resources related to the pension and OPEB plans, respectively).

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REQUIRED SUPPLEMENTARY INFORMATION

Ewen-Trout Creek Consolidated School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2021

	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>
District's proportion of the net pension liability	0.01201434%	0.01246000%	0.01266000%
District's proportionate share of the net pension liability	\$ 4,127,056	\$ 4,127,913	\$ 3,803,633
District's covered-employee payroll	\$ 1,064,736	\$ 1,080,638	\$ 1,086,932
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	387.61%	381.99%	349.94%
Plan fiduciary net position as a percentage of the total pension liability	59.72%	60.31%	62.36%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
0.01268000%	0.01270000%	0.01273000%	0.01184000%
\$ 3,284,890	\$ 3,169,275	\$ 3,111,301	\$ 2,608,141
\$ 1,057,395	\$ 1,078,932	\$ 1,095,761	\$ 1,016,731
310.66%	293.74%	283.94%	256.52%
64.24%	63.27%	63.17%	66.20%

**Ewen-Trout Creek Consolidated School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB Liability
 MPSERS Cost-sharing Multiple-employer Plan
 June 30, 2021**

	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>
District's proportion of the net OPEB liability	0.01192447%	0.01234000%
District's proportionate share of the net OPEB liability	\$ 638,826	\$ 885,410
District's covered-employee payroll	\$ 1,064,736	\$ 1,080,638
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	60.00%	82.12%
Plan fiduciary net position as a percentage of the total OPEB liability	59.44%	48.46%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
0.01271000%	0.01269000%
\$ 1,010,476	\$ 1,124,125
\$ 1,086,932	\$ 1,057,395
93.35%	106.31%
42.95%	36.39%

**Ewen-Trout Creek Consolidated School District
Required Supplementary Information
Schedule of District Pension Contributions
MPERS Cost-sharing Multiple-employer Plan
June 30, 2021**

	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019
Contractually required contribution	\$ 352,187	\$ 193,693	\$ 188,233
Contributions in relation to the contractually required contribution	352,187	193,693	188,233
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,052,750	\$ 1,078,065	\$ 1,068,079
Contributions as a percentage of covered employee payroll	33.45%	17.97%	17.62%

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
\$ 195,427	\$ 192,001	\$ 199,243	\$ 226,980
<u>195,427</u>	<u>192,001</u>	<u>199,243</u>	<u>227,494</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 514</u>
\$ 1,106,484	\$ 1,024,988	\$ 1,064,148	\$ 1,032,660
17.66%	18.73%	18.72%	22.03%

**Ewen-Trout Creek Consolidated School District
Required Supplementary Information
Schedule of District OPEB Contributions
MPERS Cost-sharing Multiple-employer Plan
June 30, 2021**

	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>
Contractually required contribution	\$ 86,287	\$ 84,993
Contributions in relation to the contractually required contribution	<u>86,287</u>	<u>84,993</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,052,750	\$ 1,078,065
Contributions as a percentage of covered employee payroll	8.20%	7.88%

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
\$ 82,948	\$ 80,135
<u>82,948</u>	<u>80,135</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 1,068,079	\$ 1,106,484
7.77%	7.24%

**Ewen-Trout Creek Consolidated School District
Notes to Required Supplementary Information
June 30, 2021**

Note A - Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2020-21.

Changes of assumptions: There were no changes of benefit assumptions in 2020-21.

Note B - Net OPEB Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2020-21.

Changes of assumptions: There were no changes of benefit assumptions in 2020-21.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

**Ewen-Trout Creek Consolidated School District
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2021**

	Special Revenue		Debt Service
	Food Service	Student/School Activity	2016
Assets			
Cash equivalents, deposits and investments	\$ 18,755	\$ 69,772	\$ 90,906
Due from other funds	4,737	-	-
Due from other governmental units	7,532	-	319
Inventory	891	-	-
Prepaid expenditures	1,310	-	-
Total Assets	<u>\$ 33,225</u>	<u>\$ 69,772</u>	<u>\$ 91,225</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,510	\$ -	\$ -
Due to other funds	27,312	-	-
Salaries payable	7,007	-	-
Unearned revenue	1,579	-	-
Total Liabilities	<u>37,408</u>	<u>-</u>	<u>-</u>
Fund Balances			
Nonspendable	2,201	-	-
Restricted	-	69,772	91,225
Unassigned	(6,384)	-	-
Total Fund Balances	<u>(4,183)</u>	<u>69,772</u>	<u>91,225</u>
Total Liabilities and Fund Balances	<u>\$ 33,225</u>	<u>\$ 69,772</u>	<u>\$ 91,225</u>

Capital Projects

2016

<u>Construction</u>	<u>Total</u>
\$ -	\$ 179,433
-	4,737
-	7,851
-	891
-	<u>1,310</u>
<u>\$ -</u>	<u>\$ 194,222</u>

\$ -	\$ 1,510
-	27,312
-	7,007
-	<u>1,579</u>
-	37,408

-	2,201
-	160,997
-	<u>(6,384)</u>
-	156,814
<u>\$ -</u>	<u>\$ 194,222</u>

Ewen-Trout Creek Consolidated School District
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2021

	Special Revenue		Debt Service
	Food Service	Student/School Activity	2016
Revenues			
Local sources:			
Property taxes	\$ -	\$ -	\$ 312,453
Interest earnings	25	-	112
Food sales	269	-	-
Other local revenues	147	42,472	-
Total local sources	441	42,472	312,565
State sources	8,488	-	656
Federal sources	113,437	-	-
Total Revenues	122,366	42,472	313,221
Expenditures			
Current:			
Supporting services	-	36,220	-
Food service	134,769	-	-
Debt service:			
Principal repayment	-	-	195,000
Interest and fiscal charges	-	-	110,652
Total Expenditures	134,769	36,220	305,652
Excess (Deficiency) of Revenues Over Expenditures	(12,403)	6,252	7,569
Other Financing Sources (Uses)			
Transfers in	15,309	-	14
Transfers out	-	-	-
Other	(1,579)	-	-
Total Other Financing Sources (Uses)	13,730	-	14
Net Change in Fund Balances	1,327	6,252	7,583
Fund Balances, Beginning of Year	(5,510)	63,520	83,642
Fund Balances, End of Year	<u>\$ (4,183)</u>	<u>\$ 69,772</u>	<u>\$ 91,225</u>

<u>Capital Projects</u>	
<u>2016</u>	
<u>Construction</u>	<u>Total</u>
\$ -	\$ 312,453
5	142
-	269
-	42,619
5	355,483
-	9,144
-	113,437
5	478,064
-	36,220
-	134,769
-	195,000
-	110,652
-	476,641
5	1,423
-	15,323
(14)	(14)
	(1,579)
(14)	13,730
(9)	15,153
9	141,661
<u>\$ -</u>	<u>\$ 156,814</u>

Ewen-Trout Creek Consolidated School District
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2021

	Budget	Actual	Variance
Revenues			
Local sources	\$ 428	\$ 441	\$ 13
State sources	5,189	8,488	3,299
Federal sources	117,446	113,437	(4,009)
Total Revenues	<u>123,063</u>	<u>122,366</u>	<u>(697)</u>
Expenditures			
Current:			
Food service	<u>132,862</u>	<u>134,769</u>	<u>(1,907)</u>
Excess of Revenues Over Expenditures	<u>(9,799)</u>	<u>(12,403)</u>	<u>(2,604)</u>
Other Financing Sources (Uses)			
Transfers in	-	15,309	15,309
Other	<u>-</u>	<u>(1,579)</u>	<u>(1,579)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>13,730</u>	<u>13,730</u>
Net Change in Fund Balances	(9,799)	1,327	11,126
Fund Balances, Beginning of Year	<u>(5,510)</u>	<u>(5,510)</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ (15,309)</u>	<u>\$ (4,183)</u>	<u>\$ 11,126</u>

**Ewen-Trout Creek Consolidated School District
Student/School Activity Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2021**

	Budget	Actual	Variance
Revenues			
Local sources	\$ 42,326	\$ 42,472	\$ 146
Expenditures			
Current:			
Supporting services	90,181	36,220	53,961
Net Change in Fund Balances	(47,855)	6,252	54,107
Fund Balances, Beginning of Year	63,520	63,520	-
Fund Balances, End of Year	\$ 15,665	\$ 69,772	\$ 54,107

INTERNAL CONTROL AND COMPLIANCE



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

October 26, 2021

The Board of Education
Ewen-Trout Creek Consolidated School District

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ewen-Trout Creek Consolidated School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Ewen-Trout Creek Consolidated School Districts' basic financial statements, and have issued our report thereon dated October 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ewen-Trout Creek Consolidated School Districts' 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 Ewen-Trout Creek Consolidated School Districts' internal control. Accordingly, we do not express an opinion on the effectiveness of Ewen-Trout Creek Consolidated School Districts' 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 a 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 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 Ewen-Trout Creek Consolidated School Districts' 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 financial statements. 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.



Certified Public Accountants
Grand Rapids, Michigan