

**EWEN-TROUT CREEK CONSOLIDATED
SCHOOL DISTRICT**

**Financial Report
with Supplemental Information
Prepared in Accordance with GASB 34**

June 30, 2007

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	4
ADMINISTRATION'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS.....	20
STATEMENT OF NET ASSETS.....	21
STATEMENT OF ACTIVITIES	22
BALANCE SHEET – GOVERNMENTAL FUNDS.....	23
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS	24
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS.....	25
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	26
STATEMENT OF FIDUCIARY NET ASSETS.....	27
NOTES TO THE FINANCIAL STATEMENTS.....	28
REQUIRED SUPPLEMENTAL INFORMATION	86
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND	87
OTHER SUPPLEMENTAL INFORMATION.....	88
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS.....	89
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS	90
ALL SPECIAL REVENUE FUNDS - COMBINING BALANCE SHEET.....	91
ALL SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	92
GENERAL FUND - COMPARATIVE BALANCE SHEET.....	93
GENERAL FUND – SUPPLEMENTAL SCHEDULE OF REVENUES - ACTUAL COMPARED TO BUDGET.....	94
GENERAL FUND – SUPPLEMENTAL SCHEDULE OF EXPENDITURES - ACTUAL COMPARED TO BUDGET	96
FOOD SERVICE FUND - COMPARATIVE BALANCE SHEET	103
FOOD SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET	104
ATHLETIC FUND - COMPARATIVE BALANCE SHEET	106
SPECIAL REVENUE FUND – ATHLETIC FUND -STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET	107

TABLE OF CONTENTS

	<u>Page</u>
OTHER SUPPLEMENTAL INFORMATION (Continued)	
DEBT SERVICE FUND - COMPARATIVE BALANCE SHEET.....	108
DEBT SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET.....	109
TRUST AND AGENCY FUND – STATEMENT OF CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCE.....	111
TRUST AND AGENCY FUND - STATEMENT OF RECEIPTS AND DISBURSEMENTS.....	112
PROPERTY TAX DATA	114
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.....	115
SCHEDULE OF FINDINGS AND RESPONSES.....	118

INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

*101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042*

Board of Education
Ewen-Trout Creek Consolidated School District
14312 Airport Road
Ewen, Michigan 49925

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's management. Our responsibility is to express an opinion 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Education, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan, at June 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming that the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan, will continue as a going concern. As discussed in Note 17 to the financial statements, the District has a General Fund deficit in the amount of \$1,382,889. This condition raises substantial doubt about its ability to continue as a going concern. Management's plan regarding this matter is also described in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2007, on our consideration of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the internal control structure over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

The administration's discussion and analysis and budgetary comparison information on pages 8 through 19 are not a required part of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Dianne S. Rostagno".

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

October 24, 2007

ADMINISTRATION'S DISCUSSION AND ANALYSIS

Ewen – Trout Creek Consolidated Schools

Office of Superintendent

14312 Airport Road

Ewen, MI 49925

Phone: (906) 988-2350

Fax: (906) 988-2549

The **Ewen-Trout Creek Consolidated School District** is a K-12 school district located in Ontonagon County, Michigan. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the **Ewen-Trout Creek Consolidated School District's** discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements

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

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

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term debt obligations are recorded as expenditures. Future years' debt obligations are not recorded.

District-wide Financial Statements

The *District-wide Financial Statements* are full accrual basis statements. They report all of the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Fund solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets on the *District-wide Financial Statements*.

Ewen – Trout Creek Consolidated Schools

Office of Superintendent

14312 Airport Road

Ewen, MI 49925

Phone: (906) 988-2350

Fax: (906) 988-2549

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

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

Summary of Net Assets:

The following is a comparative summary of the net assets at fiscal years ended June 30, 2007 and June 30, 2006:

	<u>June 30, 2007</u>
<u>NET ASSETS SUMMARY</u>	
Assets	\$ 698163
Current Assets	
Capital Assets	10278814
Less: Accumulated Depreciation	<u>(2613317)</u>
Capital assets, net book value	7665497
Total Assets	\$ <u>8363660</u>
Liabilities	
Current Liabilities	2038889
Long-term Liabilities	<u>6839656</u>
Total Liabilities	\$ <u>8878545</u>

Ewen – Trout Creek Consolidated Schools

Office of Superintendent

14312 Airport Road

Phone: (906) 988-2350

Ewen, MI 49925

Fax: (906) 988-2549

Summary of Net Assets: (Continued)

	<u>June 30, 2007</u>
<u>NET ASSETS SUMMARY (Continued)</u>	
Net Assets	
Invested in capital assets, net of related debt	\$ 709668
Reserved for Food Service	0
Reserved for Athletics	0
Reserved for Debt Service	436619
Unreserved and Undesignated	<u>(1661172)</u>
Total Net Assets	(514885)
Total Liabilities and Net Assets	\$ <u>8363660</u>
<u>NET ASSETS SUMMARY</u>	
Assets	
Current Assets	\$ 543930
Capital Assets	10274482
Less: Accumulated Depreciation	<u>(2348547)</u>
Capital assets, net book value	7925935
Total Assets	\$ <u>8469865</u>
Liabilities	
Current Liabilities	1865878
Long-term Liabilities	<u>7237719</u>
Total Liabilities	\$ 9103597

Ewen – Trout Creek Consolidated Schools

Office of Superintendent

14312 Airport Road

Ewen, MI 49925

Phone: (906) 988-2350

Fax: (906) 988-2549

Summary of Net Assets: (Continued)

	<u>June 30, 2006</u>
<u>NET ASSETS SUMMARY (Continued)</u>	
Net Assets	
Invested in capital assets, net of related debt	\$ 122670
Reserved for Food Service	0
Reserved for Athletics	0
Reserved for Debt Service	322496
Unreserved and Undesignated	<u>(1078898)</u>
Total Net Assets	(633732)
Total Liabilities and Net Assets	\$ <u>8469865</u>

Analysis of Financial Position

During fiscal year ended June 30, 2007, the District's net assets increased by \$ 118,847. A few of the significant factors affecting net assets during the year are discussed below:

A. General Fund Operations

The District's expenditures from General Fund operations exceeded revenues by \$ 57,561. General Fund revenues decreased by \$ 26,597 from the last fiscal year, while General Fund expenditures decreased by \$727,109 from the prior year.

Ewen – Trout Creek Consolidated Schools

Office of Superintendent

14312 Airport Road

Phone: (906) 988-2350

Ewen, MI 49925

Fax: (906) 988-2549

Summary of Net Assets: (Continued)

B. Debt, Principal Payments

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	Principal Balance 06/30/06	Principal Payments 06/30/07	Principal Balance 06/30/07
2004 Refunding Bonds	\$ 7245000	\$ 330000	\$ 6915000
Durant School Improvement Bonds	37085	0	37085

C. Net Investment in Capital Assets

The District's net investment in capital assets is as follows:

	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
Capital Assets	\$ 10274482	\$ 4332	\$ -0-	\$ 10278814
Less: Accumulated Depreciation	<u>(2348547)</u>	<u>(264769)</u>	<u>-0-</u>	<u>(2613316)</u>
Net Investment in Capital Assets	\$ 7925935	\$ (260437)	\$ -0-	\$ 7665498

Ewen – Trout Creek Consolidated Schools

Office of Superintendent

14312 Airport Road

Ewen, MI 49925

Phone: (906) 988-2350

Fax: (906) 988-2549

Results of Operations:

For the fiscal years ended June 30, 2007 and June 30, 2006, the comparative District-wide results of operations were as follows:

	<u>June 30, 2007</u>
<u>Revenues</u>	
<i>General Revenues</i>	
Property taxes, levied for general operations	\$ 802888
Property taxes, levied for debt service	708510
Other taxes	5653
State Aid, Unrestricted	1409318
Impact Aid	149368
Schools and roads grant	151805
Interest and Investment Earnings	9107
Other general revenues	<u>117558</u>
<i>Total General Revenues</i>	3354207
<i>Operating Grants</i>	
Federal	193113
State of Michigan	247930
Other operating grants	<u>0</u>
<i>Total Operating Grants</i>	441043
<i>Charges for Services</i>	
Tuition	0
Food Service	51180
Athletics	29591
Other charges for Services	<u>38675</u>
<i>Total Charges for Services</i>	119446
Total Revenues	\$ 3914696

Ewen – Trout Creek Consolidated Schools

Office of Superintendent

14312 Airport Road

Ewen, MI 49925

Phone: (906) 988-2350

Fax: (906) 988-2549

Results of Operations: (Continued)

	<u>June 30, 2007</u>
Expenses	
Instruction	\$ 1725390
Support Services	1282401
Food Services	167806
Athletics	77640
Interest on long-term debt	277843
Other Costs	0
Depreciation (Unallocated)	264769
Intergovernmental payments	<u>0</u>
Total Expenses	\$ 3795849
INCREASE IN NET ASSETS	118847
BEGINNING NET ASSETS	(633732)
ENDING NET ASSETS	\$ <u>(514885)</u>
	<u>June 30, 2006</u>
Revenues	
<i>General Revenues</i>	
Property taxes, levied for general operations	\$ 738191
Property taxes, levied for debt service	646583
Other taxes	24258
State Aid, Unrestricted	1498116
Impact Aid	148433
Schools and roads grant	171627
Interest and Investment Earnings	5024
Other general revenues	<u>144982</u>
<i>Total General Revenues</i>	\$ 3377214

Ewen – Trout Creek Consolidated Schools

Office of Superintendent

14312 Airport Road

Ewen, MI 49925

Phone: (906) 988-2350

Fax: (906) 988-2549

Results of Operations: (Continued)

	<u>June 30, 2006</u>
Revenues	
<i>Operating Grants</i>	
Federal	\$ 238548
State of Michigan	165733
Other operating grants	<u>0</u>
<i>Total Operating Grants</i>	404281
<i>Charges for Services</i>	
Tuition	41262
Food Service	51367
Athletics	45955
Other Charges for Services	<u>4418</u>
<i>Total Charges for Services</i>	143002
Total Revenues	\$ 3924497
Expenses	
Instruction	\$ 2584892
Support Services	1477758
Food Services	242245
Athletics	99835
Interest on long-term debt	287331
Other Costs	0
Depreciation (Unallocated)	264414
Intergovernmental payments	<u>0</u>
Total Expenses	4956475
DECREASE IN NET ASSETS	(1031978)
BEGINNING NET ASSETS	435332
Long-term liability adjustment to Opening Balance	<u>(37086)</u>
ENDING NET ASSETS	\$ <u><u>(633732)</u></u>

Ewen – Trout Creek Consolidated Schools

Office of Superintendent

14312 Airport Road

Phone: (906) 988-2350

Ewen, MI 49925

Fax: (906) 988-2549

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance.
- b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count.
- c. The District's non-homestead levy.

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The **Ewen-Trout Creek Consolidated School District's** foundation allowance was \$ 7,085 per student for the 2006-2007 school year.

Student Enrollment

The District's enrollment for state aid membership purposes for 2006-2007 was 330.73 students. The District's enrollment decreased from the prior year's student count. The following summarizes fall student enrollments in the past five years:

	<u>Student FTE</u>
2006-2007	321
2005-2006	331
2004-2005	336
2003-2004	347
2002-2003	368

2. Property Taxes Levied for General Operations (General Fund Non-Homestead)

The District levies 15.8626 mills of property taxes for operations (General Fund) on non-homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase, or five percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

Ewen – Trout Creek Consolidated Schools

Office of Superintendent

14312 Airport Road

Phone: (906) 988-2350

Ewen, MI 49925

Fax: (906) 988-2549

Property Taxes Levied for General Operations (General Fund Non-Homestead) (Continued)

The District's non-homestead property tax revenue for the 2006-2007 fiscal year was \$ 802,888. The non-homestead property tax levy increased by 8.76 percent over the prior year.

The following summarizes the District's non-homestead property tax levy for the past five years:

	<u>Non-Homestead Tax Levy</u>	<u>Percent Increase From Prior Year</u>
2006-2007	802888	8.760
2005-2006	738191	5.236
2004-2005	701461	1.529
2003-2004	690895	7.014
2002-2003	645612	18.782

Average increase from last five years: 8.264%.

3. Debt Service Levy

The District's debt service fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties - both homestead and non-homestead. For the fiscal year ended June 30, 2007, the District's debt millage levy was 8.50 mills, which generated revenue of \$ 708,510.

4. Food Sales to Students and Adults (School Lunch Program)

The District's reported food sales to students increased by \$ 1,986 from the prior school year. Adult lunches increased by \$ 26 during this same period. Revenue from Community Action lunches decreased by \$1,374 from the prior year. In total, Food Service sales were up by \$187 over the prior fiscal year.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in Required Supplemental Information of these financial statements.

Ewen – Trout Creek Consolidated Schools

Office of Superintendent

14312 Airport Road

Phone: (906) 988-2350

Ewen, MI 49925

Fax: (906) 988-2549

General Fund Budgetary Highlights (Continued)

The highlights are as follows:

	<u>Revenues Original Budget</u>	<u>Revenues Final Budget</u>	<u>Revenues Final Actual</u>	<u>Revenues Variance Actual vs Original Budget</u>	<u>Revenues Variance Actual vs Final Amended Budget</u>
General Fund	\$ 3051512	\$ 3054324	\$ 3017352	\$ (34160)	\$ (36972)
	<u>Expenditures Original Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Actual</u>	<u>Expenditures Variance Actual vs Original Budget</u>	<u>Expenditures Variance Actual vs Final Budget</u>
General Fund	\$ 2833211	\$ 3179548	\$ 3074913	\$ (241702)	\$ 104635

Major Capital Events and Significant Accomplishments

During the 2006-2007 school year, the District's accomplishments included:

- o Balanced all accounts.
- o Made significant cuts in expenditures that would have allowed for a reduction in the outstanding accumulated operating deficit if not for capital expenditures on the heating system (repair and then replacement).
- o Maintained the integrity of all academic programs while making significant efforts to reduce expenditures.
 - a) This includes the highest scores in the Gogebic-Ontonagon Intermediate School District on the Michigan Merit Exam administered in March, 2007. The Ewen-Trout Creek students outscored all other schools in the GOISD.
 - b) This includes having 1/3 of the graduating class of 2007 accepted at Michigan Technological University.
- o Created contracts of employment for all members of the Education Association and school administration.
- o Realigned the payroll system to create a common start date and end date for all employees.

Ewen – Trout Creek Consolidated Schools

Office of Superintendent

14312 Airport Road

Ewen, MI 49925

Phone: (906) 988-2350

Fax: (906) 988-2549

Goals and Priorities for 2007-2008

- Continue to make significant reductions in expenditures to have a major impact on the accumulated operating deficit.
- Continue to maintain the integrity of all academic programs.
- Create contracts of employment for all employees, including members of the Educational Support Association.
- Examine and bring up-to-date the Board of Education Policy Manual.
- Improve communication between the administration, Board of Education, school employees, and community.
- Work to find alternative sources of revenue, particularly grants and private funding.
- Cost reduction in support services and administration.
- Educational staff reductions with minimal negative impact on academic programs.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Ewen-Trout Creek Consolidated

School District

School Business Office

144 Airport Road

Ewen, Michigan 49925

BASIC FINANCIAL STATEMENTS

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

STATEMENT OF NET ASSETS

June 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<i>Current Assets</i>	
Cash and Cash Equivalents (Note 3)	\$ 412,321
Receivables	
Taxes	27,870
Accounts Receivable	3,950
Due from Other Governmental Units	252,196
Inventories	1,712
Prepaid Expense	114
	698,163
Total Current Assets	698,163
 <i>Noncurrent Assets</i>	
Capital Assets (Note 5)	10,278,814
Less: Accumulated Depreciation (Note 5)	(2,613,317)
	7,665,497
Total Noncurrent Assets	7,665,497
 TOTAL ASSETS	 \$ 8,363,660
 <u>LIABILITIES</u>	
<i>Current Liabilities</i>	
Accounts Payable	283,357
Accrued Salaries and Benefits	237,620
Compensated Absences - Early Retirement	56,000
Due to External Parties	30,167
Deferred Revenue	1,289
Leases Payable - Short term	3,456
Loans/Bonds Payable, Due within one year (Note 8)	1,427,000
	2,038,889
Total Current Liabilities	2,038,889
 <i>Noncurrent Liabilities</i>	
Bonds Payable (Note 8)	6,617,085
Leases Payable - Long term	288
Compensated Absences Payable	222,283
	6,839,656
Total Noncurrent Liabilities	6,839,656
 TOTAL LIABILITIES	 8,878,545
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	709,668
Reserved for Food Service	-
Reserved for Athletics	-
Reserved for Debt Services	436,619
Unreserved and Undesignated	(1,661,172)
	(514,885)
TOTAL NET ASSETS	\$ (514,885)

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities Net(Expense) Revenue and Changes in Net Assets</u>
Functions/Programs		<u>Charges for Services</u>	<u>Operating Grants</u>	
Primary Government -				
Government Activities:				
Instruction	\$ 1,725,390	\$ 14,776	\$ 345,790	\$ (1,364,824)
Support Services	1,282,401	23,899	-	(1,258,502)
Food Services	167,806	51,180	95,253	(21,373)
Athletics	77,640	29,591		(48,049)
Interest on Long-Term Debt	277,843		-	(277,843)
Other Costs	-			-
Depreciation (Unallocated)	264,769			(264,769)
Intergovernmental Payments	-			-
	<u>\$ 3,795,849</u>	<u>\$ 119,446</u>	<u>\$ 441,043</u>	<u>\$ (3,235,360)</u>
 Total Governmental Activities				
 General Revenues:				
Taxes:				
Property taxes levied for general operations				802,888
Property taxes levied for debt service				708,510
Other Taxes				5,653
State Aid, Unrestricted				1,409,318
Impact Aid				149,368
Schools and Roads Grant				151,805
Interest and Investment Earnings				9,107
Other				117,558
				<u>3,354,207</u>
 Change in Net Assets				118,847
 NET ASSETS - BEGINNING OF YEAR				(633,732)
 NET ASSETS - END OF YEAR				<u>\$ (514,885)</u>

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2007

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Investments (Note 3)	\$ 172,784	\$ 322,339	\$ (82,802)	\$ 412,321
Receivables:				
Taxes	13,190	14,680	-	27,870
Accounts Receivable	2,364	-	1,586	3,950
Due from Other Funds	-	99,600	116,527	216,127
Due from Other Governmental Units	252,196	-	-	252,196
Inventories	-	-	1,712	1,712
Prepaid Expense	114	-	-	114
	\$ 440,648	\$ 436,619	\$ 37,023	\$ 914,290
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	269,016	-	14,341	283,357
Deferred Revenue	-	-	1,289	1,289
Accrued Salaries and Benefits	231,084	-	6,536	237,620
Due to Other Funds	231,437	-	14,857	246,294
Short-term bonds/notes payable	1,092,000	-	-	1,092,000
	\$ 1,823,537	\$ -	\$ 37,023	\$ 1,860,560
<u>FUND BALANCES</u>				
Reserved for Food Service	-	-	-	-
Reserved for Athletics	-	-	-	-
Reserved for Debt Service	-	436,619	-	436,619
Unreserved and undesignated	(1,382,889)	-	-	(1,382,889)
	\$ (1,382,889)	\$ 436,619	\$ -	\$ (946,270)
TOTAL FUND BALANCES	\$ (1,382,889)	\$ 436,619	\$ -	\$ (946,270)
TOTAL LIABILITIES AND FUND BALANCES	\$ 440,648	\$ 436,619	\$ 37,023	\$ 914,290

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF
NET ASSETS**

June 30, 2007

Total Fund Balances - Governmental Funds \$ (946,270)

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

Capital assets used in governmental activities
are not financial resources and are not
reported in the funds.

The cost of capital assets is: 10,278,814
Accumulated depreciation is: (2,613,317)

Long term liabilities are not due and payable
in the current period and are not reported
in the funds:

Bonds Payable (6,952,085)
Leases and other liabilities not reported in the funds (3,744)
Compensated Absences/Other Benefits (278,283)

Other long term assets not available to pay
current period expenditures therefore
deferred in the funds -

Total Net Assets - Governmental Activities **\$ (514,885)**

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

June 30, 2007

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>REVENUE</u>				
Local Revenue	\$ 922,396	\$ 721,320	\$ 80,771	\$ 1,724,487
State Revenue	1,630,912	-	9,794	1,640,706
Federal Revenue	408,564	-	85,459	494,023
Interdistrict and Other Sources	55,480	-	-	55,480
	\$ 3,017,352	\$ 721,320	\$ 176,024	\$ 3,914,696
<u>EXPENDITURES</u>				
<i>Current:</i>				
Instruction	1,790,736			1,790,736
Support Services	1,284,177			1,284,177
Food Services			167,806	167,806
Athletics			77,640	77,640
Debt Service				
Principal		347,436		347,436
Interest and Fees		277,843		277,843
Other costs				-
Capital Outlay				-
Intergovernmental Payments				-
	\$ 3,074,913	\$ 625,279	\$ 245,446	\$ 3,945,638
Excess (Deficiency) of Revenues Over Expenditures	(57,561)	96,041	(69,422)	(30,942)
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	-	18,082	69,422	87,504
Operating transfers out	(87,504)	-	-	(87,504)
Total Other Financing Sources (Uses)	(87,504)	18,082	69,422	-
Net Change in Fund Balances	(145,065)	114,123	-	(30,942)
FUND BALANCE - BEGINNING OF YEAR	(1,237,824)	322,496	-	(915,328)
FUND BALANCE - END OF YEAR	\$ (1,382,889)	\$ 436,619	\$ -	\$ (946,270)

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

GOVERNMENTAL FUNDS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	(30,942)
---	-----------	-----------------

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

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense		(264,769)
Capital Outlay		4,332

Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds

-

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long term debt)

347,436

Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6

6,790

(Increases) Decreases in long-term employee benefits are reported as expenditures when financial resources are used in the governmental funds.

56,000

Change in Net Assets of Governmental Activities

\$ 118,847

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2007

ASSETS

Cash, Deposits, and Investments	\$ 15,017
Due from Other Funds	<u>30,167</u>
TOTAL ASSETS	<u><u>\$ 45,184</u></u>

LIABILITIES

Due to Student Groups	<u>45,184</u>
TOTAL LIABILITIES	<u><u>\$ 45,184</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the **Ewen-Trout Creek Consolidated School District** conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (when applicable), which rely to a significant extent on fees and charges for support. All of the District's district-wide activities are considered governmental activities.

The District generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The District may defer the use of restricted assets based on a review of the specific transaction.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**District-wide and Fund Financial Statements
(Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**District-wide and Fund Financial Statements
(Continued)**

The criteria applied for designation as a major fund is as follows:

- 1) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for a fund type.
- 2) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and enterprise funds combined.

Assets, or other element one at a time would have to pass both the 10% test and the 5% test for the fund to be required to be reported as a major fund.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide Statements

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements

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 measurable and available. Revenue is considered to be available if it is collected within the current period or soon 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 severance pay, are recorded only when payment is due.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fund-based Statements (Continued)

Property taxes, unrestricted State aid, intergovernmental grants and interest 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.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following governmental funds:

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

General Fund

The General Fund is the School District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The General Fund is a major fund for district-wide reporting purposes.

Capital Project Fund

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

There is currently no capital projects fund.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fund-based Statements (Continued)

Debt Retirement Fund

These funds are used to account for the accumulated resources for, and the payment of, general long-term principal, interest, and related cost.

The Debt Retirement Fund is a major fund.

Special Revenue Funds

These funds are used to account for the proceeds of specific sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

Special Revenue Funds

The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Food Services Fund, and Athletic Activity Fund, both of which are considered to be non-major funds.

Fiduciary Funds

These funds are used to account for assets held by the School District in a trustee capacity or as an agent.

Fiduciary Fund net assets and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District presently maintains a Student Activities Fund.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair market value.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds".

Property Taxes

Property taxes are levied on July 01 and payable by September 15 each year. They are declared delinquent on March 01 of the following year. Property taxes are recognized when they become available.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

The Counties of Houghton and Ontonagon purchase all delinquent real property taxes during the second quarter of each year, resulting in total collection of real property taxes each year.

Delinquent personal property taxes are recorded as receivable if considered to be collectible within 60 days after year-end. For the year ended June 30, the School District had a taxable value of \$83,590,032, on which was levied 15.8626 operating mills (non-homestead only), and 8.5 mills for debt retirement.

State Revenue

The State of Michigan uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Revenue (Continued)

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.

The State portion of the foundation is provided primarily by a State education property tax millage of 6.00 mills (on both homestead and non-homestead property) and an allocated portion of the State sales and other taxes.

The local portion of the foundation is funded primarily by non-homestead property taxes levied at a rate of up to 18 mills.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Revenue (Continued)

The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2006 through August 2007. The School District also receives revenue from the State to administer certain categorical education programs.

State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

State, general, and categorical aids are recognized as revenue in the entitlement year. Federal aids for reimbursable programs are recognized as revenues in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred revenues.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture commodities inventory received by the Food Service Fund is recorded as both revenue and expense in the year received. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the district-wide financial statements.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets are defined by the government as assets with an initial individual cost of more than \$ 1,000 and an estimated useful life in excess of 1 year. 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 and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Building and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent Liabilities

Unemployment

Payroll and related withholding and expenses which have been earned by School District employees but not paid as of June 30 are recorded as a liability on the School District's balance sheet.

The School District is a reimbursing employer to the Michigan Employment Security Commission and as such is responsible to pay the Commission for those benefits paid and charged to its accounts. As of June 30, 2007, appropriate liabilities have been recorded for all claims paid by the Commission. However, no provision has been made for future payments that might result from claims in process or un-filed.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Sick Leave

Sick Leave can accrue for both instructional and non-instructional employees of the School District.

The various employment contracts and agreements covering the School District's personnel allow for the accumulation of earned sick leave as defined. Sick leave accumulates and vests only upon retirement. Employees who leave for any other reason forfeit this benefit. The details of each contract/agreement, as they relate to the accumulation of sick leave benefits, are summarized below:

Instructional/Administration

Teachers and administrators employed in the District for a minimum of 5 years shall receive, upon retirement, compensation for unused sick leave up to a maximum of 160 days, calculated at the rate of \$ 25 per day.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

Sick Leave (Continued)

Support Staff

Members of the support staff accumulate sick leave up to a maximum of 120 days.

A minimum of 5 years employment is required to qualify for termination payment, which is calculated at the rate of \$20 per day for up to the maximum total days accumulated. (Maximum of 150 days).

Vested sick pay is recognized as a liability of the School District along with the associated costs of FICA and retirement.

As prescribed by GASB 16, that which could reasonably be expected to be used within the current twelve month period has been recognized and expended in the current period.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

Sick Leave (Continued)

At June 30, 2007, the accumulated sick leave liability for all employees, including the related costs of FICA and retirement is estimated at \$ 60,314. Short-term benefits likely to be paid within the next 12 month period would result in a current liability of \$ 6,031. It is estimated that the long term liability (calculated at the applicable percentage and rate at retirement) is approximately \$ 54,283.

Non-Monetary Transactions

Federal financial assistance received by school districts may include claims for reimbursement on reimbursable meals and milk served, cash in lieu of commodities, USDA donated commodities (both bonus and entitlement), discounts and rebates for the value of USDA donated commodity ingredients contained in processed foods (end products) provided by the state and federal processing program, respectively, and other payments for administrative costs, etc.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Monetary Transactions (Continued)

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

On this basis, the District recognizes the USDA value of donated commodities (bonus and non-bonus) received and expended in the amount of \$8,370 for entitlement commodities, and bonus commodities of \$ 69.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Monetary Transactions (Continued)

Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., level at which expenditures may not legally exceed appropriations) is the function level.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information (Continued)

State law requires the District to have its budget in place by July 01. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be re-appropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriation in Budgetary Funds

Budget Violations

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

**Excess of Expenditures Over Appropriation in
Budgetary Funds**

Budget Violations (Continued)

The **Ewen-Trout Creek Consolidated School District's** actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the **Ewen-Trout Creek Consolidated School District** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The total actual 2006-2007 expenditures for the following activities (cost-centers) exceeded the amended budget allocations by \$ 168,937, contrary to the provisions of Section 17 of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

BUDGET VIOLATIONS (Continued)

<u>ACTIVITY (COSTCENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>OVER EXPENDITURES</u>
<u>General Fund</u>			
<u>Instruction</u>			
Elementary	\$ 623521	\$ 610254	\$ 13267
Special Education	278117	257575	20542
<u>Supporting Services</u>			
Library	27880	26167	1713
Title II Part A & D	27564	14775	12789
Board of Education	29101	28265	836
Executive Administration	132009	125782	6227
Fiscal & Others	102908	99901	3007
<u>Fund Modifications</u>			
<u>Transfer Out:</u>			
Food Service Fund	21373	-0-	21373
Athletic Fund	48049	-0-	48049
Debt Service Fund	18082	-0-	18082
<u>Food Service Fund</u>	<u>167806</u>	<u>144754</u>	<u>23052</u>
Total	\$ 1476410	\$ 1307473	\$ 168937

The Ewen-Trout Creek Consolidated School District adopted a deficit budget for the 2006-07 fiscal year.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Fund Deficits

At June 30, 2007, the School District had a deficit in the General Fund of \$ 1,382,889. See note 17 regarding the ability of the District to continue as a going concern.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of the federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

The School District's deposits are in accordance with statutory authority.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

These three levels of risk are as follows:

Category 1

Deposits which are insured or collateralized with securities held by the District or its agent in the District's name.

Category 2

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3

Deposits which are not collateralized or insured.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Based on these three levels of risk, the District's cash deposits are classified as follows:

	Category 1	Category 2	Category 3	Totals
Cash and Deposits	\$ 100000	\$ -0-	\$ 327338	\$ 427338

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and cash equivalents	\$ 412321	\$ 15017	\$ 427338
Investments	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>412321</u>	\$ <u>15017</u>	\$ <u>427338</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 427338
Investment in securities, mutual funds, and similar vehicles	0
Petty cash/Cash on hand	<u>0</u>
Total	\$ <u>427338</u>

The deposits of the School District were reflected in the accounts of financial institutions at \$ 427,338, of which \$100,000 is covered by federal depository insurance.

Investments are categorized into these categories of credit risk:

Category 1 - Insured or registered, or securities held by the School District or its agent in the School District's name;

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the School District's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the School District's name.

At June 30, 2007, the School District's investment balances were categorized as follows:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Investments	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 4 - RECEIVABLES

Receivables as of year-end for the School District's individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Non-major and Other Funds</u>	<u>Total</u>
Receivables:			
Taxes	\$ 13190	\$ 14680	\$ 27870
Intergovernmental	252196	-0-	252196
Other	<u>2364</u>	<u>1586</u>	<u>3950</u>
Total Receivables	\$ <u>267750</u>	\$ <u>16266</u>	\$ <u>284016</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 4 - RECEIVABLES (CONTINUED)

Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Grant and categorical aid payment not considered available	\$ -0-	\$ -0-
Payments received prior to meeting all eligibility requirements	_____ -0-	_____ 1289
Total	\$ <u> -0-</u>	\$ <u> 1289</u>

NOTE 5 - CAPITAL ASSETS

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2007</u>
Assets not being depreciated:				
Land	\$ 4000	\$ -0-	\$ -0-	\$ 4000
Capital assets being depreciated:				
Land Improvements	278878	-0-	-0-	278878
Building and building improvements	8742436	-0-	-0-	8742436
Buses and other vehicles	630336	-0-	-0-	630336
Machinery, furniture, and equipment	<u>618832</u>	<u>4332</u>	<u>-0-</u>	<u>623164</u>
Subtotal	10270482	4332	-0-	10274814
Accumulated Depreciation:				
Land Improvements	104579	13944	-0-	118523
Building and building improvements	1309040	174849	-0-	1483889

(Continued on page 63)

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 5 - CAPITAL ASSETS (CONTINUED)

(Continued from previous page)

	Balance June 30, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Accumulated Depreciation: (Continued)				
Buses and other vehicles	\$ 532042	\$ 24850	\$ -0-	\$ 556892
Machinery, furniture, and equipment	<u>402886</u>	<u>51126</u>	<u>-0-</u>	<u>454012</u>
Subtotal	\$ <u>2348547</u>	\$ <u>264769</u>	\$ <u>-0-</u>	\$ <u>2613316</u>
Net capital assets being depreciated	<u>7921935</u>	<u>(260437)</u>	<u>-0-</u>	<u>7661498</u>
Net capital assets	\$ <u>7925935</u>	\$ <u>(260437)</u>	\$ <u>-0-</u>	\$ <u>7665498</u>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Do To/From Other Funds:

The amounts of inter-fund receivables and payables as of June 30, 2007 were as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
General Fund	\$ -0-	\$ 231437
Food Service	64393	-0-
Athletic Fund	52134	14857
Debt Retirement	99600	-0-
Trust and Agency Fund	<u>30167</u>	<u>-0-</u>
Totals	\$ <u>246294</u>	\$ <u>246294</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Do To/From Other Funds: (Continued)

<u>Summary by Fund Classification</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
Major Funds	\$ 99600	\$ 231437
Non-Major Funds	116527	14857
Agency Fund	<u>30167</u>	<u>-0-</u>
Totals	\$ <u>246294</u>	\$ <u>246294</u>

The General Fund transfers monies to other governmental funds as needed to support the activities of the District. The above schedule represents amounts pending at year-end.

Operating Transfers

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

**NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS
(CONTINUED)**

Operating Transfers (Continued)

During the fiscal year ended June 30, 2007, the District authorized the following transfers:

	Transfers In	Transfers Out
General Fund	\$ -0-	\$ 87504
Food Service Fund	21373	-0-
Athletic Fund	48049	-0-
Debt Retirement	18082	-0-
Totals	\$ <u>87504</u>	\$ <u>87504</u>

Summary by Fund Classification	Transfers In	Transfers Out
Major Funds	\$ 18082	\$ 87504
Non-Major Funds	69422	-0-
Totals	\$ <u>87504</u>	\$ <u>87504</u>

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Operating Transfers (Continued)

The General Fund transfers monies annually to the Food Services and Athletic Fund to support their activities. The General Fund also transfers to the Debt Retirement Fund amounts sufficient to pay the principal and interest on notes and long-term leases which are not provided for by millage revenue in the Debt Retirement Fund.

Other Financing Sources (Uses)

The transfers of cash between various District funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

NOTE 7 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 7 - DEFERRED REVENUE

At June 30, 2007, there was deferred revenue in the amount of \$ 1,289 in the Food Service Fund.

NOTE 8 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk obligations.

Long-term obligation activity can be summarized as follows:

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Type	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Compensated Absences – Long-Term Sick Leave and Related Costs	\$ 61074	\$ -0-	\$ 6791	\$ 54283
2004 Refunding Bonds	7245000	-0-	330000	6915000
Early Retirement Incentives	280000	-0-	56000	224000
Durant School Improvement Bonds	37085	-0-	-0-	37085
Blue Bird School Bus Lease	13980	-0-	13980	-0-
Canon Copier Lease	<u>7200</u>	<u>-0-</u>	<u>3456</u>	<u>3744</u>
Totals	\$ 7644339	\$ -0-	\$ 410227	\$ 7234112

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

COMPENSATED ABSENCES

LONG-TERM SICK LEAVE AND RELATED COSTS

At June 30, 2007, the School District's estimated liability for long-term sick leave, plus the related costs of FICA, Medicare, and retirement was \$ 54,283.

EARLY RETIREMENT INCENTIVE

The liability for Early Retirement Incentive payments is payable as follows:

2007-08	\$	56,000
2008-09		56,000
2009-10		56,000
2010-11		56,000
Total	\$	224,000

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2004 REFUNDING BONDS

On March 02, 2004, the **Ewen-Trout Creek Consolidated School District** issued 2004 Refunding Bonds in the amount of \$ 7,875,000. Bonds were issued for the purpose of refunding the callable 1995 School Building and Site Bonds dated November 01, 1995 and maturing in the years May 01, 2005 through May 01, 2020, and May 01, 2025.

The bonds are a full faith and credit unlimited tax general obligation of the School District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the School District without limitation as to rate or amount.

The School District has designated the bonds as "Qualified Tax Exempt Obligations" under Section 265 (b) (3) (B) of the Internal Revenue code of 1986, as amended.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2004 REFUNDING BONDS (Continued)

A refunding plan was established, whereby a portion of Bond proceeds together with other funds of the School District were used to establish and fund an Escrow to provide for payment of principal and interest and redemption premiums on the Prior Bonds. The Escrow Fund was held by the escrow agent pursuant to an Escrow Agreement which irrevocably directs the escrow agent to make all payments of principal and interest and redemption premiums on the Prior Bonds and to take all necessary steps to call Prior Bonds for redemption on the first call date.

The bonds dated March 02, 2004, are subject to redemption prior to maturity at the option of the Issuer in the manner and the time as set forth in the Bonds, are of \$ 5,000 denominations or any integral multiple thereof, mature serially on May 01 of each year, bearing interest payable on November 01, 2004, and semi-annually thereafter on May 01 and November 01 of each year in the amounts and rates as follows:

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2004 REFUNDING BONDS (Continued)

	<u>May</u>		<u>November</u>	<u>Total</u>	<u>Rate</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>		
2007	\$	\$	\$ 134886.26	\$ 134886.26	2.250%
2008	335000.00	134886.26	130280.01	600166.27	2.750%
2009	345000.00	130280.01	125105.01	600385.02	3.000%
2010	355000.00	125105.01	119558.13	599663.14	3.125%
2011-2015	1930000.00	530490.63	495067.50	2955558.13	3.375-3.700%
2016-2020	1975000.00	342366.25	302273.75	2619640.00	3.850-4.250%
2021-2024	1975000.00	133114.94	89072.25	2197187.19	4.350-4.550%
Total	\$ <u>6915000.00</u>	\$ <u>1396243.10</u>	\$ <u>1396242.91</u>	\$ <u>9707486.01</u>	

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

1998 SCHOOL IMPROVEMENT BOND-DURANT SETTLEMENT

On November 24, 1998, the School District, through the Michigan Municipal Bond Authority (MMBA), issued \$62,807 of School Improvement Bonds, Series 1998 bonds as part of the Durant vs. State of Michigan case settlement. The bond proceeds and the expenditures were accounted for in the Capital Projects Fund. All transactions were in accordance with the provisions of the *Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan* issued by the Michigan Department of Treasury, specifically Section 135a of Act 451, Public Acts of Michigan 1976 with a separate report issued in a prior year on the bond activity. The interest and principal payments are to be appropriated annually by the State of Michigan and paid directly to the MMBA for the School District.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

**1998 SCHOOL IMPROVEMENT BOND-DURANT
SETTLEMENT (Continued)**

If the State of Michigan has insufficient funds to appropriate, the School District is under no obligation to make the interest and principal payments. The bonds bear an interest rate of 4.76%.

In the event that the Authority elects to adjust the interest rates payable on this bond, the Authority may prepare and substitute a new payment schedule reflecting such adjustment, a copy of which shall be sent to the School District and to the Authority's depository.

The Michigan Municipal Bond Authority has determined that certain payments of principal installments and interest which were due on May 15, 2007 and May 15, 2008 shall be deferred until a later date, which is reflected in the new payment schedule.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

**1998 SCHOOL IMPROVEMENT BOND-DURANT
SETTLEMENT (Continued)**

<u>Payment Dates</u> <u>Due on May 15</u>	<u>May 10, 2007</u> <u>Revised</u>
2008	\$ 0.00
2009	4410.58
2010	29633.29
2011	4410.47
2012	4410.24
2013	<u>4410.18</u>
Total	\$ <u>47274.76</u>

Blue Bird School Bus Lease

On July 21, 2003, the **Ewen-Trout Creek Consolidated School District** entered into a lease purchase agreement to purchase a school bus from Midwest Transit Equipment of Michigan, Inc., Eaton Rapids. The School District entered into a lease purchase agreement with the Blue Bird Body Company, Fort Valley, Georgia, to finance the purchase of the property for a total of \$ 54,740.00 at an interest rate of 4.62% per annum. The School District was required to make four payments of \$ 14,625.59 beginning on July 21, 2003.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Blue Bird School Bus Lease (Continued)

During the fiscal year ended June 30, 2007, the school bus lease was paid in full.

Canon Copier Lease

On July 29, 2004, the **Ewen-Trout Creek Consolidated School District** entered into a lease purchase agreement with Canon Financial Services, Inc. to purchase a copier. There are forty eight payments of \$ 288.00 per month starting in July 2004, with a \$ 1.00 purchase option at the end of the lease term. The total contract amount was \$13,824.00.

NOTE 9 - SHORT-TERM STATE AID ANTICIPATION NOTE

The note of \$500,000 from the Michigan Municipal Bond Authority was due on August 18, 2006, with an interest rate of 2.92%.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 9 - SHORT-TERM STATE AID ANTICIPATION NOTE (CONTINUED)

This note was paid in full on August 18, 2006, with proceeds from the issuance of a new note in the amount of \$ 1,092,000 from the Michigan Municipal Bond Authority. The new note carries a rate of interest of 3.68% and matures on August 20, 2007.

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 11 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN

The School District contributes to the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension administered by the Michigan Department of Management and Budget, Office of Retirement Systems.

MPERS provides retirement, survivor, and disability benefits to public school employees. Eligibility and benefit provisions are governed under Public Act 136 of 1945, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The annual report may be obtained by calling (517) 322-5103 or writing:

Department of Management and Budget
Office of Retirement Systems
P.O. Box 30673
Lansing, Michigan 48909-8103

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

**NOTE 11 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN
(CONTINUED)**

The School District is required by state statute to contribute 16.34% of covered payroll from July 01, 2006 through September 30, 2006 increasing to 17.74% from October 01, 2006 through June 30, 2007. Contributions to MPSERS are determined on an actuarial basis using the entry age normal actuarial cost method. Contribution requirements of plan members including the School District are established and may be amended only by state statute.

The School District's contributions to MPSERS for the years ending June 30, 2007, 2006, and 2005, were \$281,627, \$291,460, and \$276,256, respectively.

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 01, 1990, contribute at a permanently fixed rate of 3.9% of gross wages.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

**NOTE 11 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN
(CONTINUED)**

The MIP contribution rate was 4.0% from January 01, 1987, the effective date of the MIP, until January 01, 1990, when it was reduced to 3.9%.

Members first hired January 1, 1990 or later and returning members who did not work between January 01, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3% of the first \$ 5,000; 3.6% of \$ 5,001 through \$ 15,000; 4.3% of all wages over \$ 15,000. Basic Plan members make no contributions. Contributions collected and remitted by the School District on behalf of MIP members for the years ending June 30, 2007, 2006, and 2005 were \$46,349, \$49,750, and \$52,385 respectively, equal to the required contributions for the year.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 12 – MEA FINANCIAL 403B PLAN

Effective September 21, 2005, the **Ewen-Trout Creek Consolidated School District** established a 403B Plan through MEA Financial for the purpose of providing a program that permits the school system to pay special forms of compensation, such as employee sick pay, annual leave, and severance/bonus pay in a tax-advantaged manner. The employee group stated to participate in the 403B Plan through MEA Financial consists of the Ewen-Trout Creek Administrative positions.

NOTE 13 - POST EMPLOYMENT BENEFITS

In addition to the pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 14 - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business.

However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements. On this basis, there were no related party transactions reported in the financial statements.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 15 - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended June 30, 2007, there were no subsequent events that would have a significant effect on the School District's operations.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

The School District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectibility of any related receivable at June 30, 2007 may be impaired.

In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 17 – GOING CONCERN

As shown in the accompanying financial statements, the Ewen-Trout Creek Consolidated School District's General Fund has incurred recurring losses from operations, and as of June 30, 2007, the School District's General Fund liabilities exceeded its assets by \$ 1,382,889. This raises substantial doubt about the School District's ability to continue as a going concern. Management is working to develop a revised deficit elimination plan, which will be filed with the Michigan Department of Education. The accompanying financial statements do not include any adjustments that might be necessary if the School District is unable to continue as a going concern.

REQUIRED SUPPLEMENTAL INFORMATION

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL
<u>REVENUE</u>			
Local Sources	\$ 818,377	\$ 945,285	\$ 922,396
State Sources	1,751,497	1,598,510	1,630,912
Federal Sources	440,406	454,386	408,564
Interdistrict and Other Sources	41,232	56,143	55,480
TOTAL REVENUE	3,051,512	3,054,324	3,017,352
<u>EXPENDITURES - CURRENT</u>			
<i>Instruction :</i>			
Basic Programs	1,403,373	1,399,422	1,326,824
Added Needs	315,509	448,214	463,912
<i>Supporting Services :</i>			
Pupil	66,097	40,349	39,596
Instructional Staff	24,273	48,175	59,835
General Administration	230,000	154,047	161,110
School Administration	130,523	162,164	159,132
Business Services	25,000	99,901	102,908
Operation and Maintenance	361,906	484,410	457,489
Transportation	276,530	342,866	304,107
Other Supporting Services	-	-	-
TOTAL EXPENDITURES	2,833,211	3,179,548	3,074,913
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	-	-	-
Operating Transfers Out	(45,000)	-	(87,504)
NET CHANGE IN FUND BALANCE	173,301	(125,224)	(145,065)
FUND BALANCE - BEGINNING OF YEAR	(1,237,824)	(1,237,824)	(1,237,824)
FUND BALANCE - END OF YEAR	\$ (1,064,523)	\$ (1,363,048)	\$ (1,382,889)

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

OTHER SUPPLEMENTAL INFORMATION

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

OTHER SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Special Revenue Funds		
	Food Service	Athletics	Total
<u>ASSETS</u>			
Cash and Investments (Note 3)	\$ (45,525)	\$ (37,277)	\$ (82,802)
Accounts Receivable	1,586	-	1,586
Due from Other Funds	64,393	52,135	116,528
Inventories	1,712	-	1,712
TOTAL ASSETS	\$ 22,166	\$ 14,858	\$ 37,024
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	14,341	-	14,341
Accrued Salaries and Benefits	6,536	-	-
Deferred Revenue	1,289	-	1,289
Due to Other Funds	-	14,857	14,857
TOTAL LIABILITIES	\$ 22,166	\$ 14,857	\$ 37,023
 <u>FUND BALANCES</u>			
Reserved for Food Services	-	-	-
Reserved for Athletics	-	-	-
TOTAL FUND BALANCES	\$ -	\$ -	\$ -
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,166	\$ 14,857	\$ 37,023

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

OTHER SUPPLEMENTAL INFORMATION

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2007

	Special Revenue Funds		
	Food Service	Athletics	Total
<u>REVENUE</u>			
Local Revenue	\$ 51,180	\$ 29,591	\$ 80,771
State Revenue	9,794	-	9,794
Federal Revenue	85,459	-	85,459
TOTAL REVENUE	\$ 146,433	\$ 29,591	\$ 176,024
<u>EXPENDITURES</u>			
Current			
Salaries	42,201	44,071	86,272
Insurance	45,463	-	45,463
Fringe Benefits	10,608	9,954	20,562
Purchased Services	1,147	9,594	10,741
Supplies and Materials	67,646	11,036	78,682
Other	741	2,985	3,726
TOTAL EXPENDITURES	\$ 167,806	\$ 77,640	\$ 245,446
Excess (Deficiency) of Revenues Over Expenditures	(21,373)	(48,049)	(69,422)
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	21,373	48,049	69,422
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	\$ 21,373	\$ 48,049	\$ 69,422
Net Change in Fund Balance	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

ALL SPECIAL REVENUE FUNDS - COMBINING BALANCE SHEET

JUNE 30, 2007

	FOOD SERVICE FUND	ATHLETIC ACTIVITY FUND	TOTAL
<u>ASSETS</u>			
Cash and Deposits	\$ (45,525)	\$ (37,277)	\$ (82,802)
Account Receivable	1,586	-	1,586
Due from Other Funds	64,393	52,134	116,527
Inventory	1,712	-	1,712
	<u>22,166</u>	<u>14,857</u>	<u>37,023</u>
TOTAL ASSETS	22,166	14,857	37,023
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts Payable	14,341	-	14,341
Accrued Salaries	5,271	-	5,271
Accrued Benefits	1,265	-	1,265
Due to Other Funds	-	14,857	14,857
Deferred Revenue	1,289	-	1,289
	<u>22,166</u>	<u>14,857</u>	<u>37,023</u>
TOTAL LIABILITIES	22,166	14,857	37,023
<u>FUND EQUITY</u>			
Fund Balance, Unreserved	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 22,166	\$ 14,857	\$ 37,023

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

**ALL SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES**

FISCAL YEAR ENDED JUNE 30, 2007

	FOOD SERVICE FUND	ATHLETIC ACTIVITY FUND	TOTAL
<u>REVENUES</u>			
Local Sources			
Food Sales	\$ 44,365	\$ -	\$ 44,365
Milk and Other Receipts	6,815	-	6,815
Admission and Other Receipts	-	29,591	29,591
State Sources			
Restricted Grants	9,794	-	9,794
Federal Sources			
Restricted Grants - Received through State	85,459	-	85,459
TOTAL REVENUES	146,433	29,591	176,024
<u>OTHER FINANCING SOURCES</u>			
Transfers From General Fund	21,373	48,049	69,422
TOTAL REVENUES AND OTHER FINANCING SOURCES	167,806	77,640	245,446
<u>EXPENDITURES</u>			
Professional Salaries	-	40,835	40,835
Nonprofessional Salaries	42,201	3,236	45,437
Insurance	45,463	-	45,463
FICA/Retirement	10,436	9,954	20,390
Other Benefits	172	-	172
Purchased Services	1,147	9,594	10,741
Supplies and Materials	67,646	11,036	78,682
Other	741	2,985	3,726
TOTAL EXPENDITURES	167,806	77,640	245,446
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE, JULY 1	-	-	-
FUND BALANCE, JUNE 30	\$ -	\$ -	\$ -

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

GENERAL FUND - COMPARATIVE BALANCE SHEET

JUNE 30, 2007

	2007	2006
<u>ASSETS</u>		
Cash and Deposits	\$ 172,784	\$ (43,735)
Taxes Receivable	13,190	17,538
Accounts Receivable :		
Federal Sources	-	49,141
State Sources	252,196	291,862
Other	2,364	-
Due From Other Funds	-	4,146
Prepaid Expenses	114	-
TOTAL ASSETS	\$ 440,648	\$ 318,952
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accounts Payable	269,016	716,668
Accrued Salaries	181,509	168,418
Accrued Benefits	49,575	47,190
Due To Other Funds	231,437	124,500
Bonds / Notes Payable	1,092,000	500,000
TOTAL LIABILITIES	1,823,537	1,556,776
<u>FUND EQUITY</u>		
Unreserved	(1,382,889)	(1,237,824)
TOTAL LIABILITIES AND FUND EQUITY	\$ 440,648	\$ 318,952

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

GENERAL FUND – SUPPLEMENTAL SCHEDULE OF REVENUES - ACTUAL COMPARED TO BUDGET

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	<u>FISCAL YEAR ENDED JUNE 30, 2007</u>			<u>FISCAL YEAR ENDED 6/30/06</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	
<u>REVENUES</u>				
<u>LOCAL SOURCES</u>				
Current Tax Levy	\$ 802,888	\$ 810,670	\$ (7,782)	\$ 738,191
Other Taxes	-	-	-	2,715
Penalties and Interest on				
Delinquent Taxes	4,882	5,000	(118)	124
Interest Income	2,083	2,500	(417)	456
Tuition	-	-	-	41,262
Other	112,543	127,115	(14,572)	142,937
TOTAL REVENUES FROM LOCAL SOURCES	922,396	945,285	(22,889)	925,685
<u>STATE SOURCES</u>				
State School Aid	1,409,318	1,409,640	(322)	1,498,116
At Risk	76,730	69,988	6,742	67,876
Special Education	115,696	88,152	27,544	65,560
State Aid Restricted/Durant	6,281	6,281	-	6,281
Middle School Math Initiative	3,856	3,857	(1)	-
Renaissance Zone	1,649	1,712	(63)	5,551
Vocational Education	2,606	2,537	69	2,220
State-Tutoring Program	14,776	16,343	(1,567)	768
TOTAL REVENUES FROM STATE SOURCES	1,630,912	1,598,510	32,402	1,646,372
<u>FEDERAL SOURCES</u>				
Title I	71,064	98,414	(27,350)	108,119
Title II A & D	26,961	45,233	(18,272)	25,251
Title V	1,034	1,234	(200)	2,852
REAP Grant	4,332	4,332	-	5,443
Impact Aid	149,368	149,368	-	148,433
Schools and Roads Grant	151,805	151,805	-	171,627
Service Provider Self Review	4,000	4,000	-	-
TOTAL REVENUES FROM FEDERAL SOURCES	408,564	454,386	(45,822)	461,725
TOTAL REVENUE	\$ 2,961,872	\$ 2,998,181	\$ (36,309)	\$3,033,782

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF REVENUES - ACTUAL COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/06
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>OTHER FINANCING SOURCES</u>				
Payments From Other Governmental Units :				
Federal Sources	\$ 263	\$ 263	\$ -	\$ -
State Sources	31,318	31,318	-	6,517
Other	23,899	24,562	(663)	3,650
TOTAL OTHER FINANCING SOURCES	55,480	56,143	(663)	10,167
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 3,017,352	\$ 3,054,324	\$ (36,972)	\$3,043,949

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF EXPENDITURES - ACTUAL
COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	<u>FISCAL YEAR ENDED JUNE 30, 2007</u>			<u>FISCAL YEAR ENDED 6/30/2006</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE Favorable (Unfavorable)</u>	
<u>INSTRUCTION</u>				
<u>BASIC PROGRAMS</u>				
Elementary School				
Professional Salaries	\$ 363,855	\$ -	\$ -	\$ 387,303
Nonprofessional Salaries	14,846			21,018
Insurance	84,990			138,873
FICA / Retirement	121,831			97,319
Other Benefits	432			419
Purchased Services	24,687			13,940
Supplies and Materials	9,657			17,374
Other	3,223			1,158
Total Elementary School	623,521	610,254	(13,267)	677,404
High/Middle School				
Professional Salaries	425,165	-	-	586,599
Insurance	98,552			333,645
FICA / Retirement	123,923			158,679
Other Benefits	-			20,546
Purchased Services	22,582			18,078
Supplies and Materials	14,712			19,217
Capital Outlay	4,332			3,126
Other	6,278			6,236
Middle School Math	2,696			-
Total High/Middle School	698,240	781,494	83,254	1,146,126
Preschool				
Professional Salaries	3,267	-	-	1,861
FICA / Retirement	1,396			685
Supplies and Materials	23			294
Other	377			-
Total Preschool	5,063	7,674	2,611	2,840
TOTAL BASIC PROGRAMS	\$ 1,326,824	\$ 1,399,422	\$ 72,598	\$ 1,826,370

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF EXPENDITURES - ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	<u>FISCAL YEAR ENDED JUNE 30, 2007</u>			<u>FISCAL YEAR ENDED 6/30/2006</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE Favorable (Unfavorable)</u>	
<u>INSTRUCTION (Continued)</u>				
<u>ADDED NEEDS</u>				
Special Education				
Professional Salaries	\$ 108,744	\$ -	\$ -	\$ 81,388
Nonprofessional Salaries	44,708			41,324
Insurance	59,403			115,244
FICA / Retirement	46,361			34,472
Other Benefits	519			291
Purchased Services	17,950			4,097
Supplies and Materials	252			1,591
Other	180			291
Total Special Education	278,117	257,575	(20,542)	278,698
At Risk				
Professional Salaries	47,116	-	-	53,609
Insurance	20,072			14,508
FICA / Retirement	9,542			12,058
Supplies and Materials	-			179
Total At Risk	76,730	77,328	598	80,354
Compensatory Education				
Title I				
Professional Salaries	62,652	-	-	101,599
Nonprofessional Salaries	12,803			-
Insurance	14,246			4,904
FICA / Retirement	18,921			16,991
Other Benefits	43			39
Supplies and Materials	400			559
Other	-			513
Total Compensatory Education	\$ 109,065	\$ 113,311	\$ 4,246	\$ 124,605

The notes the financial statements are an integral part of this report.

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF EXPENDITURES - ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

<u>INSTRUCTION (Continued)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE Favorable (Unfavorable)</u>	<u>YEAR ENDED 6/30/2006</u>
<u>ADDED NEEDS (Continued)</u>				
Vocational Education				
Supplies and Materials	\$ -	\$ -	\$ -	\$ 2,220
Total Vocational Education	-	-	-	2,220
TOTAL ADDED NEEDS	463,912	448,214	(15,698)	485,877
TOTAL INSTRUCTION	\$ 1,790,736	\$ 1,847,636	\$ 56,900	\$ 2,312,247
<u>SUPPORTING SERVICES</u>				
<u>STUDENT SERVICES</u>				
Guidance				
Professional Salaries	24,666	-	-	35,311
Insurance	8,120			13,492
FICA / Retirement	6,223			7,928
Other Benefits	34			19
Purchased Services	387			340
Supplies and Materials	166			288
Other	-			233
Total Guidance	39,596	40,349	753	57,611
Health Services				
Supplies and Materials	-	-	-	79
Total Health Services	-	-	-	79
TOTAL STUDENT SERVICES	39,596	40,349	753	57,690
<u>INSTRUCTIONAL STAFF</u>				
Library				
Nonprofessional Salaries	14,704	-	-	14,963
Insurance	7,841			17,624
FICA / Retirement	3,777			3,516
Other Benefits	34			36
Purchased Services	362			299
Supplies and Materials	1,162			2,490
Other	-			93
Total Library	\$ 27,880	\$ 26,167	\$ (1,713)	\$ 39,021

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF EXPENDITURES - ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/2006
	ACTUAL	BUDGET	VARIANCE Favorable (Unfavorable)	
SUPPORTING SERVICES (Continued)				
INSTRUCTIONAL STAFF (Continued)				
School Improvement				
Nonprofessional Salaries	\$ -	\$ -	\$ -	\$ 1,229
FICA/Retirement	-			295
Supplies and Materials	-			-
Other	3,148			400
Total School Improvement	3,148	3,250	102	1,924
Title II Part A & D				
Professional Salaries	15,405	0	0	2,852
Insurance	985			12,236
FICA/Retirement	1,012			7,184
Purchased Services	7,200			2,017
Supplies	2,829			196
Other	133			3,053
Total Title II Part A & D	27,564	14,775	(12,789)	27,538
Title V				
Professional Salaries	1,034			-
Insurance	209			-
Supplies and Materials	-			3,844
Total Title V	1,243	3,983	2,740	3,844
TOTAL INSTRUCTIONAL STAFF	\$ 59,835	\$ 48,175	\$ (11,660)	\$ 72,327

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF EXPENDITURES - ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/2006
	ACTUAL	BUDGET	VARIANCE Favorable (Unfavorable)	
SUPPORTING SERVICES (Continued)				
<u>GENERAL ADMINISTRATION</u>				
Board of Education				
Nonprofessional Salaries	\$ 1,950	\$ -	\$ -	\$ 2,310
Insurance	3,539			3,965
Purchased Services	21,717			18,689
Supplies and Materials	210			576
Other	1,685			1,680
	29,101	28,265	(836)	27,220
Executive Administration				
Professional Salaries	77,647	-	-	76,128
Nonprofessional Salaries	11,045			23,212
Insurance	15,640			20,299
FICA / Retirement	22,422			40,492
Other Benefits	1,816			2,239
Purchased Services	1,218			9,230
Supplies and Materials	862			1,978
Capital Outlay	-			2,396
Other	1,359			3,362
	132,009	125,782	(6,227)	179,336
TOTAL GENERAL ADMINISTRATION	\$ 161,110	\$ 154,047	\$ (7,063)	\$ 206,556
<u>SCHOOL ADMINISTRATION</u>				
Office of the Principal				
Professional Salaries	\$ 80,045	\$ -	\$ -	\$ 77,157
Nonprofessional Salaries	21,591			19,167
Insurance	27,275			65,114
FICA / Retirement	25,723			22,638
Other Benefits	68			142
Purchased Services	1,559			1,188
Supplies and Materials	1,548			852
Other	1,323			4,774
	159,132	162,164	3,032	191,032
TOTAL SCHOOL ADMINISTRATION	\$ 159,132	\$ 162,164	\$ 3,032	\$ 191,032

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF EXPENDITURES - ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/2006
	ACTUAL	BUDGET	VARIANCE Favorable (Unfavorable)	
SUPPORTING SERVICES (Continued)				
<u>BUSINESS SERVICES</u>				
Fiscal and Others				
Nonprofessional Salaries	\$ 23,298	\$ -	\$ -	\$ 20,220
Insurance	10,358			8,748
FICA/Retirement	5,910			1,883
Other Benefits	-			6,950
Purchased Services	37,818			41,622
Supplies and Materials	-			1,399
Interest and Fees	19,279			7,833
Tax Judgements / Chargebacks	4,550			11,284
Other	1,695			11,047
Total Fiscal and Others	102,908	99,901	(3,007)	110,986
TOTAL BUSINESS SERVICES	102,908	99,901	(3,007)	110,986
<u>OPERATIONS AND MAINTENANCE</u>				
Nonprofessional Salaries	110,847	-	-	132,573
Insurance	70,178			117,084
FICA / Retirement	28,143			31,246
Other Benefits	901			271
Purchased Services	211,867			175,466
Supplies and Materials	35,488			24,680
Capital Outlay	-			8,663
Other	65			-
TOTAL OPERATIONS AND MAINTENANCE	\$ 457,489	\$ 484,410	\$ 26,921	\$ 489,983
<u>PUPIL TRANSPORTATION</u>				
Nonprofessional Salaries	\$ 131,814	\$ -	\$ -	\$ 129,801
Insurance	64,617			111,391
FICA / Retirement	33,198			29,056
Other Benefits	956			544
Purchased Services	24,129			30,046
Supplies and Materials	47,010			55,697
Other	2,383			4,666
TOTAL PUPIL TRANSPORTATION	304,107	342,866	38,759	361,201
TOTAL SUPPORTING SERVICES	1,284,177	1,331,912	47,735	1,489,775
TOTAL EXPENDITURES	\$ 3,074,913	\$ 3,179,548	\$ 104,635	\$ 3,802,022

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

**GENERAL FUND – SUPPLEMENTAL SCHEDULE OF EXPENDITURES - ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/2006
	ACTUAL	BUDGET	VARIANCE Favorable (Unfavorable)	
<u>OTHER FINANCING USES</u>				
Fund Modifications				
Transfer to Food Services	\$ 21,373	\$ -	\$ -	\$ 86,677
Transfer to Athletic Fund	48,049			53,880
Transfer to Debt Service	18,082			30,440
Total Fund Modifications	87,504	-	(87,504)	170,997
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 3,162,417	\$ 3,179,548	\$ 17,131	\$ 3,973,019

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

FOOD SERVICE FUND - COMPARATIVE BALANCE SHEET

JUNE 30, 2007 and 2006

	2007	2006
<u>ASSETS</u>		
Cash and Deposits	\$ (45,525)	\$ 2,845
Account Receivable	1,586	197
Inventory	1,712	2,414
Due from Other Funds	64,393	-
TOTAL ASSETS	\$ 22,166	\$ 5,456
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accounts Payable	14,341	-
Accrued Salaries	5,271	-
Accrued Benefits	1,265	
Due to Other Funds	-	4,146
Deferred Revenue	1,289	1,310
TOTAL LIABILITIES	22,166	5,456
<u>FUND EQUITY</u>		
Fund Balance, Unreserved	-	-
TOTAL LIABILITIES AND FUND EQUITY	\$ 22,166	\$ 5,456

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

**FOOD SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	6/30/06
REVENUES				
Local Sources				
Student Lunches / Breakfast	\$ 40,676	\$ -	\$ -	\$ 38,690
Adult Lunches	3,689			3,663
Milk	547			583
Community Action Lunches	4,564			5,938
Taylor Vending (Shakes)				1,529
Other	1,704	-	-	964
Total Local Sources	51,180	40,000	11,180	51,367
State Sources				
School Lunch Program	9,794	-	-	7,318
Total State Sources	9,794	75,420	(65,626)	7,318
Federal Sources				
Restricted - Received through State	77,020	-	-	87,120
USDA Entitlement Commodities	8,370			8,657
USDA Bonus Commodities	69	-	-	1,106
Total Federal Sources	85,459	18,168	67,291	96,883
TOTAL REVENUES	146,433	133,588	12,845	155,568
Other Financing Sources				
Transfer from General Fund	21,373	8,895	12,478	86,677
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$167,806	\$142,483	\$ 25,323	\$242,245

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

**FOOD SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – ACTUAL COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/06
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
EXPENDITURES				
Nonprofessional Salaries	\$ 42,201	\$ -	\$ -	\$ 53,332
Insurance	45,463			97,653
FICA/Retirement	10,436			11,907
Other Benefits	172			110
Purchased Services	1,147			4,962
Supplies and Materials	67,646			73,842
Capital Outlay	-			-
Other	741	-	-	439
	\$167,806	\$144,754	\$ (23,052)	\$242,245
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	-	(2,271)	2,271	-
FUND BALANCE, JULY 1	-			-
FUND BALANCE, JUNE 30	\$ -			\$ -

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

ATHLETIC FUND - COMPARATIVE BALANCE SHEET

JUNE 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and Deposits	\$ (37,277)	\$ 772
Due from Other Funds	<u>52,134</u>	<u>14,085</u>
TOTAL ASSETS	<u>\$ 14,857</u>	<u>\$ 14,857</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Due to Other Funds	<u>14,857</u>	<u>14,857</u>
TOTAL LIABILITIES	14,857	14,857
<u>FUND EQUITY</u>		
Fund Balance, Unreserved	<u>-</u>	<u>-</u>
TOTAL FUND EQUITY	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 14,857</u>	<u>\$ 14,857</u>

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

**SPECIAL REVENUE FUND – ATHLETIC FUND -STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	FISCAL YEAR ENDED JUNE 30, 2007			FISCAL YEAR ENDED 6/30/06
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
REVENUES				
Local Sources				
General Admissions	\$ 14,161	\$ -	\$ -	\$ 18,121
Other Revenue	938			2,223
Pop / Vending Machines	14,429			22,308
Donations	-			3,303
Interest	63			-
Total Local Sources	29,591	41,000	(11,409)	45,955
Other Financing Sources				
Transfer from General Fund	48,049	41,493	6,556	53,880
TOTAL REVENUES AND OTHER FINANCING SOURCES	77,640	82,493	(4,853)	99,835
EXPENDITURES				
Professional Salaries	40,835	-	-	49,688
Nonprofessional Salaries	3,236			12,033
FICA/Retirement	9,954			9,961
Purchased Services	9,594			-
Supplies and Materials	11,036			24,667
Capital Outlay	-			-
Other	2,985			3,486
TOTAL EXPENDITURES	\$ 77,640	\$ 84,974	\$ 7,334	\$ 99,835
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	-	(2,481)	2,481	-
FUND BALANCE, JULY 1	-			-
FUND BALANCE, JUNE 30	\$ -			\$ -

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

DEBT SERVICE FUND - COMPARATIVE BALANCE SHEET

JUNE 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 322,339	\$ 208,960
Taxes Receivable	14,680	13,936
Due From Other Funds	<u>99,600</u>	<u>99,600</u>
TOTAL ASSETS	<u>\$ 436,619</u>	<u>\$ 322,496</u>
 <u>FUND EQUITY</u>		
Fund Balance, Reserved	<u>436,619</u>	<u>322,496</u>
TOTAL FUND EQUITY	<u>\$ 436,619</u>	<u>\$ 322,496</u>

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

DEBT SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	2007	2006
<u>REVENUES</u>		
Local Sources		
Property Taxes	\$ 708,510	\$ 646,583
Other Taxes	5,653	21,543
Penalties and Interest on Taxes	133	1,921
Interest	7,024	4,568
Total Local Sources	721,320	674,615
State Sources		
Durant	-	4,410
Total State Sources	-	4,410
TOTAL REVENUES	721,320	679,025
<u>EXPENDITURES</u>		
2004 Refunding Bonds		
Principal	330,000	320,000
Interest	277,197	283,598
Total 2004 Refunding Bonds	607,197	603,598
Blue Bird Bus Lease		
Principal	13,980	13,362
Interest	646	1,263
Total Blue Bird Bus Lease	14,626	14,625
First Priority Bus Lease		
Principal	-	11,659
Interest	-	700
Total First Priority Bus Lease	-	12,359
Durant Bonds		
Principal	-	3,040
Interest	-	1,370
Total Durant Bonds	\$ -	\$ 4,410

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

**DEBT SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – ACTUAL COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal Year Ended June 30, 2006)

	2007	2006
<u>EXPENDITURES (Continued)</u>		
Copier Lease		
Capital Lease	\$ 3,456	\$ 3,456
Other Expenditures		
Fees	-	400
TOTAL EXPENDITURES	\$ 625,279	\$ 638,848
Excess of Revenues Over (Under) Expenditures	\$ 96,041	\$ 40,177
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In (Out)	\$ 18,082	\$ 30,440
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	114,123	70,617
FUND BALANCE, JULY 1	322,496	251,879
FUND BALANCE, JUNE 30	\$ 436,619	\$ 322,496

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

TRUST AND AGENCY FUND – STATEMENT OF CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCE

FISCAL YEAR ENDED JUNE 30, 2007

	BALANCE JUNE 30, 2006	INCREASES	DECREASES	BALANCE JUNE 30, 2007
<u>ASSETS</u>				
Cash and Deposits	\$ 17,724	\$ 99,953	\$ 102,660	\$ 15,017
Accounts Receivable	4,495	-	4,495	-
Due from General Fund	10,815	4,495	-	15,310
Due from Athletic Fund	14,857	-	-	14,857
TOTAL ASSETS	\$ 47,891	\$ 104,448	\$ 107,155	\$ 45,184
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Student Activities	47,891	104,448	107,155	45,184
TOTAL LIABILITIES	47,891	104,448	107,155	45,184
FUND EQUITY	-	-	-	-
TOTAL LIABILITIES AND FUND EQUITY	\$ 47,891	\$ 104,448	\$ 107,155	\$ 45,184

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

TRUST AND AGENCY FUND - STATEMENT OF RECEIPTS AND DISBURSEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

	BALANCE JUNE 30, 2006	RECEIPTS	DISBURSEMENTS	BALANCE JUNE 30, 2007
ASSETS				
Cash and Deposits	\$ 17,724	\$ 99,953	\$ 102,660	\$ 15,017
Accounts Receivable	4,495	-	4,495	-
Due from General Fund	10,815	4,495	-	15,310
Due from Athletic Fund	14,857	-	-	14,857
TOTAL ASSETS	\$ 47,891	\$ 104,448	\$ 107,155	\$ 45,184
LIABILITIES				
Band	6,348	12,038	14,832	3,554
Volleyball Gate	1,319	362	1,297	384
Class of 2003	171	-	-	171
Class of 2004	1,736	-	-	1,736
Class of 2005	41	-	-	41
Class of 2006	2,010	-	397	1,613
Class of 2007	593	64	1,085	(428)
Class of 2008	1,889	2,751	4,419	221
Class of 2009	1,808	504	30	2,282
Class of 2010	-	956	50	906
Class of 2011	-	1,113	50	1,063
Class of 2012	3,129	-	2,015	1,114
Class of 2013	-	7,101	7,147	(46)
Drama Club	330	1,161	1,513	(22)
Flower Fund	126	255	258	123
Great Western Conference	(20)	-	-	(20)
Student Council	(203)	675	738	(266)
Yearbook	(4,448)	-	-	(4,448)
Million \$ Project	-	4,572	-	4,572
Miscellaneous	(734)	86	260	(908)
Band Uniforms	-	-	-	-
Christmas Candy	261	-	225	36
Elementary Basketball	862	696	600	958
Pencils	573	-	85	488
Ronald McDonald Grant	131	-	-	131
Sixth Grade Camp	2,971	2,015	2,069	2,917
General Elementary	2,891	1,212	655	3,448
Outdoor Education	658	10,516	10,020	1,154
Girls Basketball	(1,012)	7,452	4,615	1,825
Football	1,467	7,642	11,978	(2,869)
Cheerleaders	1,525	5,520	6,532	513
Summer League Basketball	13	2,291	2,025	279
PMC Tournaments	(8)	-	-	(8)
Band Choir	3,426	76	1,013	2,489
Band Trip	-	14,204	9,226	4,978

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

**TRUST AND AGENCY FUND – STATEMENT OF RECEIPTS AND DISBURSEMENTS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

	BALANCE JUNE 30, 2006	RECEIPTS	DISBURSEMENTS	BALANCE JUNE 30, 2007
<u>LIABILITIES (Continued)</u>				
Varsity Boys Basketball	\$ (385)	\$ -	\$ -	\$ (385)
Third Grade Computer Education	200	-	-	200
Art	681	-	276	405
Summer Baseball	1,936	874	2,410	400
DAV Grant Fund	250	-	250	-
Yearbook - Harges	2,412	-	-	2,412
Computer Class	419	-	-	419
Teen Asset Group	-	553	395	158
Bo's Pizza	-	-	-	-
French Club	(1,774)	-	-	(1,774)
Scholarship Fund	-	-	-	-
WTU / Shop Field Trips	300	-	-	300
Jessica Urbis School Fund	500	500	500	500
School Store	202	651	282	571
Science/Math Fund	-	520	193	327
Trade Scholarship	800	800	1,000	600
Yearbook 2006	12,961	1,385	11,908	2,438
Yearbook 2007	-	15,903	6,807	9,096
Computers for Education	1,536	-	-	1,536
	<u>1,536</u>	<u>-</u>	<u>-</u>	<u>1,536</u>
 TOTAL LIABILITIES	 <u>\$ 47,891</u>	 <u>\$ 104,448</u>	 <u>\$ 107,155</u>	 <u>\$ 45,184</u>

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

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT
--

PROPERTY TAX DATA

FOR THE YEAR ENDED JUNE 30, 2007

<u>YEAR LEVIED</u>	<u>LEVY</u>	<u>COLLECTIONS AND ADJUSTMENTS</u>	<u>BALANCE JUNE 30, 2007</u>
GENERAL FUND			
2006-07	\$ 802,887	\$ 794,910	\$ 7,977
2005-06	738,191	735,209	2,982
2004-05	701,461	701,461	-
2003-04	690,895	690,895	-
2002-03	<u>645,612</u>	<u>643,381</u>	<u>2,231</u>
TOTAL GENERAL FUND	\$ 3,579,046	\$ 3,565,856	\$ 13,190
DEBT RETIREMENT FUND			
2006-07	\$ 708,510	\$ 702,559	\$ 5,951
2005-06	646,583	644,660	1,923
2004-05	601,320	599,490	1,830
2003-04	691,955	688,777	3,178
2002-03	<u>638,921</u>	<u>637,123</u>	<u>1,798</u>
TOTAL DEBT RETIREMENT	\$ 3,287,289	\$ 3,272,609	\$ 14,680
TOTAL ALL FUNDS	<u>\$ 6,866,335</u>	<u>\$ 6,838,465</u>	<u>\$ 27,870</u>

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

**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**

DS Rostagno, CPA, P.C.

*101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042*

**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***

BOARD OF EDUCATION

Ewen-Trout Creek Consolidated School District

14312 AIRPORT ROAD

EWEN, MICHIGAN 49925

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's basic financial statements and have issued our report thereon dated October 24, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control over financial reporting as a basis for designing our auditing procedures 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 **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

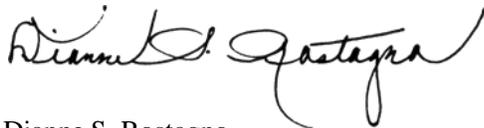
As part of obtaining reasonable assurance about whether the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Responses.

We noted certain additional matters that we reported to management of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan, in a separate letter dated October 24, 2007.

The **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

October 24, 2007

EWEN-TROUT CREEK CONSOLIDATED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2007

SIGNIFICANT DEFICIENCIES

2005-14C Student Activities

Finding: Advisors or the person in charge are not currently maintaining their own ledgers detailing the amounts of earnings, expenditures, and year-end balances in their accounts. In addition, monies from student groups are being brought to the District's personnel for deposit, but receipts are not being prepared indicating the total deposit and the breakdown of the cash and check component of the amount to be deposited. Each group needs to maintain their own set of records.

Response: The District will continue its efforts to assure that every group activity comply with the requirement, without exception.

DS Rostagno, CPA, P.C.

*101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042*

BOARD OF EDUCATION

Ewen-Trout Creek Consolidated School District

Ewen, Michigan 49925

In planning and performing the audit of the financial statements of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the school's internal control structure to plan the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express an opinion on the effectiveness of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan's internal control.

During our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. They are divided into three categories: significant deficiencies, material weaknesses, and other matters.

MATERIAL WEAKNESS

There are no matters to report.

SIGNIFICANT DEFICIENCIES

New Comments

There are no matters to report.

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEARS

STUDENT ACTIVITIES

2005-14C Findings

All records pertaining to various student activities are reported and maintained in the central office. Student groups generally lack the knowledge of the amount of earnings, expenditures, and year-end balances in their accounts. Therefore, there is no method to confirm transactions or balances in any group activity. Detection of clerical errors, posting errors, or fraud is therefore far more difficult.

Recommendation

It was previously recommended that each student group maintain its own set of accounting records, keeping a running total of all fund-raising revenues, expenses, and ending cash balances. At year-end, these records should be turned in to the office of the principal, where they are to be held for safe-keeping. These records should then be made available to provide an independent confirmation of activities and balances at the time of the audit.

Signatures of group advisors should be provided at year-end to confirm their agreement with these accounting methods.

Every group activity should be required to comply with this requirement, without exception.

Resolution

Although compliance has improved slightly, this problem is not yet resolved. Every group activity is not currently complying with the past recommendations that each group needs to maintain its own detailed ledger. In addition, monies from student groups are being brought to the School District's personnel for deposit, but receipts are not being prepared indicating the total deposit and the breakdown of the cash and check component of the amount to be deposited.

Current Recommendation

There needs to be continued efforts made for each group activity to maintain its own set of accounting records. Each group activity needs to comply with this requirement, without exception. In addition, the advisor or person in charge needs to provide the School District's personnel with the group's accounting of the money needed to be deposited, including the amount of cash and checks submitted for deposit.

STUDENT ACTIVITIES (Continued)

Current Recommendation (Continued)

The documentation should be signed by the remitter. This should be retained with the School District's copy of the receipt, and is intended to provide protection for both the student group and the School District's office personnel. The School District's personnel then needs to prepare a receipt of any and all monies accepted for deposit. The School District's personnel should have a pre-numbered, bound, receipt book and must indicate the nature of the deposit and the breakdown of cash, checks, etc.

OTHER MATTERS

FINANCIAL STATEMENTS

2005-2 Findings

In conjunction with the past several audits, it was noted that the financial statements for most of the School District funds were out-of-balance. This indicates a definite and obvious problem with the accuracy of the financial reports. Critical areas such as financial analysis, budgetary control, and cash flow can be negatively impacted.

Recommendation

It was recommended that financial statements be reviewed for accuracy and completeness on a monthly basis. Any errors, omissions, or out-of-balance items should be corrected immediately.

Resolution

This has been satisfactorily resolved.

CASH: RECONCILING STATEMENTS REGULARLY

2003-1

In the course of performing the audits for the past several years, we have noted that bank statements for the various checking and savings accounts of the School District are NOT RECONCILED TO THE FINANCIAL STATEMENTS OR TO THE GENERAL LEDGER. Most of the problems encountered within the area of cash can be avoided if a proper system of checks and balances is incorporated into the School District's procedures.

Recommendation

We have previously recommended that all of the bank accounts be reconciled monthly to the general ledger and that all suspicious reconciling items be promptly investigated and adjusted with adequate explanation.

Resolution

This has been satisfactorily resolved.

Ewen-Trout Creek Consolidated School District

Page Four

BUDGETARY

2004-10 Findings

Over the several prior fiscal years, the School District has incurred expenditures in excess of the amounts appropriated. During the 2005-06 year, the District adopted a deficit budget for the General Fund.

Recommendation

It was recommended that closer monitoring be done in regards to budgetary appropriations and expenditures.

Resolution

During the 2006-07 year, expenditures have again exceeded appropriated amounts for many function categories. The School District once again adopted a deficit budget.

Continued Recommendation

Closer monitoring is required in regards to budgetary appropriations and expenditures. The School District should amend the budget as necessary.

GENERAL FUND DEFICIT

2004-11 Findings

The School District has had a deficit in the General Fund for the last several years.

Recommendation

It was recommended that a deficit elimination plan be formulated, and the Michigan Department of Education be notified.

Resolution

The School District notified the Michigan Department of Education and properly filed the deficit elimination plan as required.

However, the General Fund's deficit increased during the 2006-07 fiscal year, from a deficit of \$1,237,824 to a deficit of \$1,382,889.

Current Recommendation

The School District must again notify the Michigan Department of Education of this situation, and file the required deficit elimination plan.

The General Fund deficit must be monitored and eliminated over time, and the deficit elimination plan must be closely followed in order to achieve this goal.

Ewen-Trout Creek Consolidated School District

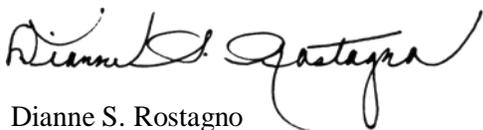
Page Five

This letter does not affect our report dated October 24, 2007 on the financial statements of the **Ewen-Trout Creek Consolidated School District**, Ewen, Michigan. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate school administration and staff, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, or to assist you in implementing the recommendations.

It has been a pleasure working with the administration and staff, and we wish to express our appreciation for their cooperation and assistance during the audit engagement.

This communication is intended solely for the information and use of management, those charged with governance, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

October 24, 2007