

**ELLSWORTH COMMUNITY SCHOOL**  
**ELLSWORTH, MICHIGAN**

**FINANCIAL STATEMENTS**  
**JUNE 30, 2018**



**SCHULZE, OSWALD, MILLER & EDWARDS PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**989-354-8707**

ELLSWORTH COMMUNITY SCHOOL

Table of Contents

	<u>Page</u>
<b>ADMINISTRATION/BOARD LIST</b>	<b>1</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>2-3</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>4-9</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
District-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Combined Statement of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Fiduciary Fund:	
Statement of Fiduciary Net Position	15
Notes to Financial Statements	16-34
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Budgetary Comparison Schedule - General Fund	35
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability	36
Schedule of the Reporting Unit's Contributions	37
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability	38
Schedule of the Reporting Unit's OPEB Contributions	39
Notes to Required Supplemental Information	40
<b>OTHER SUPPLEMENTAL INFORMATION</b>	
General Fund:	
Comparative Schedule of Revenues and Other Financing Sources	41
Comparative Schedule of Expenditures	42-47
Nonmajor Funds:	
Combining Balance Sheet	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	49
Trust and Agency Funds:	
Statement of Changes in Deposits Held for Others	50
Schedules of Bonded Indebtedness	51-52

ELLSWORTH COMMUNITY SCHOOL  
Administration/Board List  
JUNE 30, 2018

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ADMINISTRATION

SUPERINTENDENT

Aaron Gafney

BOARD OF EDUCATION

PRESIDENT

Kandi Randall

VICE PRESIDENT

Nancy Russell

SECRETARY

Susie Gardner

TREASURER

Chris Wallace

TRUSTEE

Mark Groenick

TRUSTEE

Dudley Stevens

TRUSTEE

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## **INDEPENDENT AUDITORS' REPORT**

Board of Education  
Ellsworth Community School  
Ellsworth, Michigan 49729

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ellsworth Community School as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ellsworth Community School, as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



### **Emphasis of a Matter-Change in Principle**

As discussed in Note 9 to the financial statements, Ellsworth Community School implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 4-9 and 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ellsworth Community School's basic financial statements. The comparative schedules of revenues and other financing sources, and expenditures, and the statement of changes in deposits held for others are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2018, on our consideration of Ellsworth Community School's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ellsworth Community School's internal control over financial reporting and compliance.

*Schulze, Oswald, Miller & Edwards PC*

Schulze, Oswald, Miller & Edwards PC

Alpena, Michigan

August 2, 2018



**ELLSWORTH COMMUNITY SCHOOL  
BASIC FINANCIAL STATEMENTS**



As management of the Ellsworth Community School (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

### Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$1,282,216 (*net position*). Of this amount, (\$2,479,394) is unrestricted net position, \$893,539 is invested in capital assets (*net of related debt*) and \$303,639 is restricted for Capital Projects & Debt Service.
  - The District's total net position decreased by \$236,978.
  - As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,679,293, a decrease of \$2,111,591 in comparison with the prior year. Approximately 76%, or \$1,277,647 is *available for spending* at the District's discretion (*unassigned fund balance*).
  - At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,277,647 or 45% percent of total general fund expenditures.
  - The Districts capital outlay was \$2,364,265, the largest item being renovation projects.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements.** The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the District-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The *governmental activities* of the District include instruction, support services, food service, community services, and care and custody of children. The District has no business-type activities as of and for the year ended June 30, 2018.

The district's government-wide financial statements can be found on pages 10-11 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service funds, and the other non-major governmental fund (the special revenue fund – food service).

The District adopts an annual appropriated budget for its general and special revenue fund. Budgetary comparison statements or schedules have been provided for the general fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 12-14 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 15 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-34 of this report.

### District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of Ellsworth Community School, liabilities exceeded its' assets by \$1,282,216 at the close of the most recent fiscal year.

A portion of the District's net position, \$893,539, reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

<b>Governmental Activities</b>	<u>2017</u>	<u>2018</u>
<b>Assets</b>		
Current and Other Assets	\$ 4,567,861	\$ 2,163,681
Capital Assets, Net	<u>2,147,937</u>	<u>3,948,539</u>
Total Assets	<u>6,715,798</u>	<u>6,112,220</u>
<b>Deferred Outflows of Resources</b>		
Related to pensions & OPEB (2018)	<u>496,959</u>	<u>710,697</u>
<b>Liabilities</b>		
Current Liabilities	895,435	505,343
Long-term Liabilities	<u>6,177,525</u>	<u>7,382,993</u>
Total Liabilities	<u>7,072,960</u>	<u>7,888,336</u>
<b>Deferred Inflows of Resources</b>		
Related to pensions & OPEB (2018)	<u>15,317</u>	<u>216,797</u>
<b>Net Position</b>		
Invested in Capital Assets,		
Net of Related Debt	(997,231)	893,539
Restricted	2,514,413	303,639
Unrestricted	<u>(1,392,704)</u>	<u>(2,479,394)</u>
<b>Total Net Position</b>	<b>\$ <u>124,478</u></b>	<b>\$ <u>(1,282,216)</u></b>

An additional portion of the District's net position \$303,639 represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position*, (\$2,479,394).

The District's net position decreased by \$236,978 during the current fiscal year. Most of this decrease is attributable to the implementation of GASB 75 (see Note 9). The District's blended enrollment was approximately 266 students.

District's Changes in Net Position

Governmental Activities	2017	2018
<b>Revenue</b>		
Program Revenue		
Charges for Services	\$ 71,631	\$ 55,592
Operating Grants and Contributions	472,659	609,983
General Revenue:		
Property Taxes	871,098	1,071,993
State School Aid	1,488,197	1,458,792
Interest and investment earnings	29,759	16,242
Other	315,148	213,037
<b>Total Revenue</b>	<b>3,248,492</b>	<b>3,425,639</b>
<b>Expenses</b>		
Instruction	1,549,566	1,984,076
Support Services	947,811	1,213,305
Community Activities	16,197	18,353
Facilities Improvements	80,507	-
Food Service	151,393	182,150
Depreciation - unallocated	138,278	178,282
Interest on Long Term Debt	100,649	86,453
<b>Total Expenses</b>	<b>2,984,401</b>	<b>3,662,619</b>
<b>Increase (Decrease) In Net Position</b>	<b>264,091</b>	<b>(236,980)</b>
Net Position, Beginning of Year	(139,613)	124,478
Prior period adjustment regarding:		
Adoption of GASB 75	-	(1,169,716)
<b>Net Position, End of Year</b>	<b>\$ 124,478</b>	<b>\$ (1,282,218)</b>

**Governmental activities.** Governmental activities decreased the District's net position by \$236,978. In addition to expanded disclosure requirements, the District is required to report its proportionate share of the MPSERS net pension liability on the statement of net position. This change resulted in a total net position of governmental activities of (\$1,282,216).

**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,679,293, a decrease of \$2,111,591 in comparison with the prior year. Approximately 76% of this total amount \$1,277,647 constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because the underlying assets are included in debt retirement and food service and are not available for current expenditure.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,277,647. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent approximately 45% and 60% respectively of total general fund expenditures.

The fund balance of the District's general fund increased by \$76,308 during the current fiscal year. Revenues decreased \$86,042 and expenditures increased by \$227,136 compared to the prior year.

The capital projects funds have a total fund balance of \$251,651.

The food service fund has a total fund balance of \$18,362 which decreased by \$26,994 this year.

**General Fund Budgetary Highlights**

Differences between the original and final amended budgets were significant, with revenue adjusting upward 9% while expenses increased by 5% from beginning to final. The excess of revenues over expenditures budgetary figure was more than the actual results by \$13,482 for the General Fund. As additional information became known during the fiscal year, budget amendments were made to recognize the increase in revenue and/or planned expenditures related to various District programs.

**Capital assets.** The District's investment in capital assets for its governmental activities as of June 30, 2018, amounted to \$3,948,539 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, vehicles and equipment.

The major capital asset event during the current fiscal year was capital projects fund renovation projects.

**District's Capital Assets**  
(net of depreciation)

	<u>2017</u>	<u>2018</u>
Land	\$ 3,550	\$ 3,550
Buildings	1,865,933	3,613,644
Vehicles	177,697	150,386
Equipment	<u>100,757</u>	<u>180,959</u>
<b>Total</b>	<b>\$ <u>2,147,937</u></b>	<b>\$ <u>3,948,539</u></b>

Additional information on the District's capital assets can be found in note 5 of this report.

**Long-term debt.** The district currently has three items of long-term debt: compensated absences of \$29,526, a bus bond \$120,000 and a general obligation bond of \$2,935,000. Additional information on the District's long term debt can be found in Note 7 of this report.

#### **GASB No. 75 Implementation**

For the year ended June 30, 2018, Ellsworth Community School implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

#### **Factors Bearing on the District's Future**

The following factors were considered in preparing the District's budget for the 2018-2019 fiscal year:

- The budget was prepared assuming there would be a decrease in revenue for the year mainly attributed to state sources. The district has adopted a budget that includes an operating deficit. Increases in utility costs, health care, and contractual obligations have outpaced the growth of State Aid, creating an ongoing problem for the district.
- The pupil population for the Ellsworth Community School has averaged around 264 pupils for the past five years, however the 2017-18 blended count was 266. The budget was prepared using an estimated enrollment of 240 students. With a projected decrease in the number of pupils, the district will need to continue to provide the same level of services with the small increase in funding provided by the School Aid Act.
- The district has reached a fund balance level of 45% at the end of the 2017-18 school year. The district is currently projecting a deficit of \$149,289 that will result in an ending fund balance of approximately 37%. The financial situation will continue to be closely monitored with spending cut being instituted as deemed necessary in the 2018-19 school year.

#### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ellsworth Community School  
Superintendent's Office  
9467 Park Street  
Ellsworth, MI 49729

ELLSWORTH COMMUNITY SCHOOL  
DISTRICT WIDE - STATEMENT OF NET POSITION  
JUNE 30, 2018

<u>Assets</u>	Governmental Activities
Cash and investments	\$ 1,855,527
Accounts receivable	142
Due from governmental units	288,945
Inventory	839
Prepaid expenses	18,228
Capital assets - net	3,948,539
Total assets	6,112,220
<u>Deferred outflow of resources</u>	
Related to pensions	641,092
Related to OPEB	69,605
Total deferred outflow of resources	710,697
<u>Liabilities</u>	
Accounts payable	66,072
Salaries payable	234,516
Accrued interest	20,955
Due to fiduciary fund	2,186
Unearned revenue	181,614
Long-term liabilities	
Due within one year	95,000
Due in more than one year	2,989,526
Net pension liability	3,251,083
Net OPEB liability	1,047,384
Total liabilities	7,888,336
<u>Deferred inflows of resources</u>	
Related to pensions	179,201
Related to OPEB	37,596
Total deferred inflow of resources	216,797
<u>Net Position</u>	
Invested in capital assets, net of related debt	893,539
Restricted for capital projects	301,958
Restricted for debt service	1,681
Unrestricted	(2,479,394)
Total Net Position	\$ (1,282,216)

See accompanying notes which are an integral part of the financial statements.

ELLSWORTH COMMUNITY SCHOOL  
DISTRICT WIDE - STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Change in Net Position</u>
<b>Governmental Activities</b>				
Instruction	\$ 1,984,075	\$ 3,000	\$ 489,680	\$ (1,491,395)
Support services	1,213,304	12,775	281	(1,200,248)
Community services	18,353	4,683	-	(13,670)
Facilities improvements	-	-	-	-
Food services	182,150	35,134	120,022	(26,994)
Interest on long term debt	86,453	-	-	(86,453)
Depreciation - unallocated	178,282	-	-	(178,282)
Total Governmental Activities	<u>\$ 3,662,617</u>	<u>\$ 55,592</u>	<u>\$ 609,983</u>	<u>(2,997,042)</u>
 <b>General Revenues</b>				
<b>Taxes</b>				
Property taxes, levied for general operations				762,374
Property taxes, levied for sinking fund				136,333
Property taxes, levied for debt fund				173,286
State of Michigan aid, unrestricted				1,458,792
Interest and investment earnings				16,242
Other				213,037
Total General Revenues				<u>2,760,064</u>
Change in Net Position				(236,978)
Net position - beginning of year				124,478
Prior period adjustment regarding: Adoption of GASB 75 (see note 9)				<u>(1,169,716)</u>
Net position - end of year				<u>\$ (1,282,216)</u>

See accompanying notes which are an integral part of the financial statements.



ELLSWORTH COMMUNITY SCHOOL  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018

	GENERAL	2016 CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
<b>ASSETS</b>				
Cash and investments	\$ 1,438,601	\$ 310,450	\$ 106,476	\$ 1,855,527
Accounts receivable	142	-	-	142
Due from other governmental units	287,821	-	1,124	288,945
Due from other funds	-	-	14,486	14,486
Inventory	-	-	839	839
Prepaid expense	4,385	13,843	-	18,228
Total Assets	<u>\$ 1,730,949</u>	<u>\$ 324,293</u>	<u>\$ 122,925</u>	<u>\$ 2,178,167</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 6,056	\$ 59,971	\$ 45	\$ 66,072
Accrued salaries and withholdings	234,516	-	-	234,516
Unearned revenue	179,344	-	2,270	181,614
Due to other funds	4,001	12,671	-	16,672
Total Liabilities	<u>423,917</u>	<u>72,642</u>	<u>2,315</u>	<u>498,874</u>
<b>FUND BALANCES:</b>				
Nonspendable - inventory	4,385	-	839	5,224
Restricted for debt service	-	-	1,681	1,681
Restricted for public improvement	-	-	50,260	50,260
Restricted for capital projects	-	251,651	50,307	301,958
Restricted for food service	-	-	17,523	17,523
Committed-Bus purchase	25,000	-	-	25,000
Unassigned - General Fund	1,277,647	-	-	1,277,647
Total Fund Balances	<u>1,307,032</u>	<u>251,651</u>	<u>120,610</u>	<u>1,679,293</u>
Total Liabilities and Fund Balances	<u>\$ 1,730,949</u>	<u>\$ 324,293</u>	<u>\$ 122,925</u>	<u>\$ 2,178,167</u>
<b>Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position</b>				
Total Governmental Fund Balances				\$ 1,679,293
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:				
The cost of capital assets is				6,394,809
Accumulated depreciation is				(2,446,270)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:				
Related to pensions				641,092
Related to OPEB				69,605
Long term liabilities are not due and payable in the current period and are not reported in the funds:				
Capitalized leases				-
Compensated absences				(29,526)
Bonds payable				(3,055,000)
Net pension liability				(3,251,083)
Net OPEB liability				(1,047,384)
Accrued interest payable is included as a liability in governmental activities				(20,955)
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in the governmental funds:				
Related to pensions				(179,201)
Related to OPEB				(37,596)
Net Position of Governmental Activities				<u>\$ (1,282,216)</u>

See accompanying notes which are an integral part of the financial statements.

**ELLSWORTH COMMUNITY SCHOOL**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES**  
**(USES), AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	GENERAL	2016 CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
<b>REVENUES:</b>				
Local sources	\$ 877,267	\$ 13,079	\$ 345,013	\$ 1,235,359
State sources	1,723,042	-	6,927	1,729,969
Federal sources	92,830	-	113,095	205,925
Interdistrict sources	254,386	-	-	254,386
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<u>2,947,525</u>	<u>13,079</u>	<u>465,035</u>	<u>3,425,639</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	1,721,365	-	-	1,721,365
Support services	1,075,051	1,129	182,150	1,258,330
Community services	16,817	-	-	16,817
Facilities improvements	-	-	-	-
Capital outlay	7,984	2,119,936	236,345	2,364,265
Intergovernmental payments	-	-	-	-
Debt service	-	-	176,453	176,453
<b>Total Expenditures</b>	<u>2,821,217</u>	<u>2,121,065</u>	<u>594,948</u>	<u>5,537,230</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>126,308</u>	<u>(2,107,986)</u>	<u>(129,913)</u>	<u>(2,111,591)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond proceeds	-	-	-	-
Operating transfers in (out)	(50,000)	(4,457)	54,457	-
<b>Total Other Financing Sources (Uses)</b>	<u>(50,000)</u>	<u>(4,457)</u>	<u>54,457</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	76,308	(2,112,443)	(75,456)	(2,111,591)
<b>FUND BALANCES - Beginning of year</b>	<u>1,230,724</u>	<u>2,364,094</u>	<u>196,066</u>	<u>3,790,884</u>
<b>FUND BALANCES - End of year</b>	<u>\$ 1,307,032</u>	<u>\$ 251,651</u>	<u>\$ 120,610</u>	<u>\$ 1,679,293</u>

See accompanying notes which are an integral part of the financial statements.

**ELLSWORTH COMMUNITY SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

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**Net Change in Fund Balances - Total Governmental Funds** **\$ (2,111,591)**

Amounts reported for governmental activities are different because:

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

	<b>\$</b>	<b>(178,282)</b>	
Depreciation expense			
Capital Outlay		<u>2,364,265</u>	
			<b>2,185,983</b>

Accrued interest is recorded in the statement of activities when incurred: it is not reported in governmental funds until paid	<b>(20,955)</b>
--	-----------------

(Increase) decrease in compensated absences are reported as expenditures when financial resources are used in the governmental funds	<b>(5,457)</b>
--	----------------

Payments on capitalized leases are not an expense in the government wide statements where they reduce long term debt	<b>168</b>
--	------------

Payments on bonded debt are not an expense in the government wide statements where they reduce long term debt	<b>90,000</b>
---	---------------

Government funds report early retirement incentive expenses when payments are made, the government wide statements recognize the expense when the commitment is incurred	<b>-</b>
--	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Pension related items	<u><b>(375,126)</b></u>

**Change in Net Position of Governmental Activities** **\$ (236,978)**

See accompanying notes which are an integral part of the financial statements.

ELLSWORTH COMMUNITY SCHOOL  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2018

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<u>ASSETS</u>	<u>2018</u>
Cash	\$ 53,967
Due from other funds	<u>2,186</u>
<b>Total Assets</b>	<b>\$ <u>56,153</u></b>
<u>LIABILITIES</u>	
Due to student groups	\$ 51,209
Accounts payable	4,944
Due to other funds	<u>-</u>
<b>Total Liabilities</b>	<b>\$ <u>56,153</u></b>

See accompanying notes which are an integral part of the financial statements.

ELLSWORTH COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Ellsworth Community School ("the 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 more significant policies used by the District:

**REPORTING ENTITY**

The 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 (GASB) 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 District's reporting entity, and which organizations are legally separate, component units of the school district. Based on the application criteria, the District does not have any component units.

**DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

The district-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the District's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain 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 government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**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 in 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 government-wide financial statements.

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

ELLSWORTH COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 the cash is received by the District.

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

The District reports the following major governmental funds:

The General Fund is the 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 Capital Projects Funds are used to record bond proceeds or other revenue and expenditures related to invoices specifically designated for constructing new facilities, renovating and improving existing facilities. The fund operates until the purpose for which it was created is accomplished.

Additionally, the District reports the following fund types:

Debt Funds - 2015 and 2016 is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Fund is a Special Revenue Fund that segregates, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of this fund. The School Service Fund maintained by the District is the Food Service Fund.

The Public Improvement Fund was established during 2018 to provide funds for future bus purchases and large equipment repairs.

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The District maintains a Student Activities Fund to record the transactions of student and parent groups school-related purposes. The funds are segregated and held in trust for the students and parents.

**ASSETS, LIABILITIES AND NET POSITION OR EQUITY**

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 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 tax and other trade receivable are shown net of an allowance for uncollectible amounts. The taxpayers of the District have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2017 taxable value of the District was \$47,857,467 principal residence and \$42,185,913 non-principal residence. The District levied 18.0000 mills for operating purposes on non-homestead and 1.5000 mills sinking fund purposes and 1.6500 mills and 0.2500 mills for debt service on all property for 2017.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

ELLSWORTH COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid items - Inventories are valued at cost on a first-in, first-out basis. Inventory is maintained in the General Fund and the Special Revenue Fund (Food Service Fund). Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-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 government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one 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 the asset life are not capitalized. The District does not have infrastructure type assets.

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

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

Compensated Absences - The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated sick pay balances computed according to the terms of the negotiated contracts. Vacation days are required to be used annually by all employees except the Superintendent, who may accumulate 20 days vacation.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as other bond expenditures.

Fund Equity - Governmental fund equity is classified as fund balance. Government fund report *nonspendable* fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. *Restricted* fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. As applicable, *committed* fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the School Board. The District reports assigned fund balance for amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted or committed. *Unassigned* fund balance is the residual classification for the General Fund.

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

ELLSWORTH COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Estimates** - The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

**Deferred Outflow/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The District has one item that qualifies for reporting in this category. It is the pension contributions reported in the government-wide statement of net position. A deferred outflow is recognized for pension contributions made after the plan's measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (receipts) until that time. The District has one item that qualifies for reporting in this category. It is the future resources yet to be recognized in relation to the pension actuarial calculation. The future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.

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

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**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., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. During the year the budgets were amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The District did not incur expenditures in excess of the amended budget.

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
NONE			



ELLSWORTH COMMUNITY SCHOOL  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year-end the District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	District Total
Cash and investments	\$ 1,855,527	\$ 53,967	\$ 1,909,494
Total	\$ 1,855,527	\$ 53,967	\$ 1,909,494

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

Deposits (checking, savings)	\$ 213,052
Investments (Michigan Liquid Asset Fund)	1,696,242
	\$ 1,909,294

The total of cash and investments on the Statement of Net Position includes petty cash of \$200.

As of June 30, 2018 the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity
Investment pool	\$ 1,696,242	31 days

**Interest rate risk**

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by investing operating funds primarily in shorter term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk**

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally statistical rating organizations (NRSROs). As of June 30, 2018 the District did not have any investments in commercial paper or corporate bonds.

**Concentration of credit risk**

The District will minimize the concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At June 30, 2018 the District's investments were in a pooled investment fund.

**Custodial credit risk - deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2018, \$0 of the District's bank balance of \$214,824 was exposed to custodial risk because it was uninsured. The book balance of these accounts was \$213,052.

**Custodial credit risk - investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District did not have any custodial credit risk on its investments at June 30, 2018. The District will minimize custodial credit risk, which is the loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by law; and by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the District will do business.

**Foreign currency risk**

The District is not authorized to invest in investments which have this type of risk.

ELLSWORTH COMMUNITY SCHOOL  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

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**NOTE 4 - RECEIVABLES**

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

	General Fund	Capital Projects Fund	Nonmajor and Other Funds	Total
Receivables:				
Accounts receivable	\$ 142	\$ -	\$ -	\$ 142
Intergovernmental	287,821	-	1,124	288,945
Total receivables	<u>\$ 287,963</u>	<u>\$ -</u>	<u>\$ 1,124</u>	<u>\$ 289,087</u>

Governmental funds report unearned 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. At the end of the current fiscal year, the various components of unearned revenue are as follows:

	Unearned
Grants and categorical aid payment not considered available	\$ -
Payments received prior to meeting all eligibility requirements:	
Credit balance food service accounts	2,270
Vocational education millage	179,344
Totals	<u>\$ 181,614</u>
 Total unearned revenue	 <u>\$ 181,614</u>

(NOTES TO FINANCIAL STATEMENTS CONTINUED ON NEXT PAGE)

ELLSWORTH COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity of the District's Governmental activities were as follows:

<u>Assets</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 3,550	\$ -	\$ -	\$ 3,550
Subtotal	<u>3,550</u>	<u>-</u>	<u>-</u>	<u>3,550</u>
<b>Capital assets being depreciated:</b>				
Buildings & improvements	3,881,119	1,925,073	42,408	5,763,784
Buses	323,417	-	-	323,417
Furniture & equipment	208,404	95,654	-	304,058
Subtotal	<u>4,412,940</u>	<u>2,020,727</u>	<u>42,408</u>	<u>6,391,259</u>
<b><u>Accumulated Depreciation</u></b>				
Buildings & improvements	2,015,186	135,519	565	2,150,140
Buses	145,720	27,311	-	173,031
Furniture & equipment	107,647	15,452	-	123,099
Subtotal	<u>2,268,553</u>	<u>178,282</u>	<u>565</u>	<u>2,446,270</u>
Net capital assets being depreciated	<u>2,144,387</u>	<u>1,842,445</u>	<u>41,843</u>	<u>3,944,989</u>
<b>Governmental Activities</b>				
Total Capital Assets net of Depreciation	<u>\$ 2,147,937</u>	<u>\$ 1,842,445</u>	<u>\$ 41,843</u>	<u>\$ 3,948,539</u>

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

**NOTE 6 - RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
Fiduciary Fund	\$ 2,186	General Fund	\$ 4,001
Nonmajor Funds	14,486	2016 Capital Projects Fund	12,671
Total	<u>\$ 16,672</u>	Total	<u>\$ 16,672</u>
<b><u>Transfer In</u></b>		<b><u>Transfer Out</u></b>	
2016 Capital Projects	\$ 4,457	2015 Debt Service	\$ 4,457
Public improvement	50,000	General Fund	50,000
None	<u>\$ 54,457</u>	None	<u>\$ 54,457</u>

ELLSWORTH COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 7 - LONG-TERM DEBT**

The 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 full faith and credit of the school district. The District has one outstanding capitalized leases. Other long term liabilities include compensated absences.

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>				
Capitalized leases	\$ 168	\$ (168)	\$ -	\$ -
Bus bond	145,000	(25,000)	120,000	30,000
General obligation bonds	3,000,000	(65,000)	2,935,000	65,000
Compensated absences	24,069	5,457	29,526	-
Early retirement incentives	-	-	-	-
<b>Total Governmental Activities</b>	<b>\$ 3,169,237</b>	<b>\$ (84,711)</b>	<b>\$ 3,084,526</b>	<b>\$ 95,000</b>

Future payments on the Bus bond are as follows:

<u>Bus Bonds</u>	Year Ended	Principal	Interest	Total
	June 30			
installments ranging from	2019	\$ 30,000	\$ 2,460	\$ 32,460
\$20,000 to \$30,000 through	2020	30,000	1,845	31,845
May 1, 2022; interest rate	2021	30,000	1,230	31,230
of 2.050%	2022	30,000	315	30,315
		<b>\$ 120,000</b>	<b>\$ 5,850</b>	<b>\$ 125,850</b>

Future payments on the Bus bond are as follows:

<u>General Obligation Bonds</u>	Year Ended	Principal	Interest	Total
	June 30			
\$65,000 to \$185,000	2019	\$ 65,000	\$ 82,181	\$ 147,181
through May 1, 2040;	2020	70,000	80,881	150,881
interest rates ranging	2021	75,000	79,482	154,482
from 2.000% to 3.250%	2022-2026	525,000	370,906	895,906
	2027-2031	675,000	299,405	974,405
	2032-2036	800,000	191,283	991,283
	2037-2040	725,000	59,256	784,256
		<b>\$ 2,935,000</b>	<b>\$ 1,163,394</b>	<b>\$ 4,098,394</b>

ELLSWORTH COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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**NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The 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 have not exceeded this commercial coverage in any of the past three fiscal years.

The District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its general and member retention funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the District's General Fund.

**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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

**Benefits Provided - Overall**

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

ELLSWORTH COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

**Benefits Provided - Pension**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as the Basic Plan member's contributions range from 0%-4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages, Members first hired January 1, 1990, or later including Pension Plus Members, contribute at various graduated permanently fixed contribution rates from 3.0%-7.0%.

**Pension Reform 2010**

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contributions (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

**Pension Reform 2012**

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grant all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's transition date, which is defined as the first day of the pay period that began on or after February 2, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increase contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contributions to the pension fund as slated in Option 1 and retain the 1.5% pension factor in their pension formula. The increase contribution would begin as of their transition date and contribute until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formulas for any service thereafter would include a 1.25% pension factor.

**NOTES TO FINANCIAL STATEMENTS**  
**FINANCIAL STATEMENTS**

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**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

**Option 3 - Members voluntarily elected not to increase their contributions to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the pension formula for any service thereafter will include a 1.25% pension factor.**

**Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% and related earning in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).**

**Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.**

**Employees who first worked on or after September 4, 2012 chose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions**

**Final Average Compensation (FACO - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.**

**Pension Reform 2017**

**On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employees and the employer, including the cost of future unfunded liabilities. The assume rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ration falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.**

**Benefits Provided - Other postemployment benefit (OPEB)**

**Benefits provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013 it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008 (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute.**

NOTES TO FINANCIAL STATEMENTS  
FINANCIAL STATEMENTS

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**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

**Benefits Provided - Other postemployment benefit (OPEB) (continued)**

To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

**Retiree Healthcare Reform of 2012**

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employee match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

**Regular Retirement (no reduction factor for age)**

**Eligibility** - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

**Annual Amount** - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

**Member Contributions**

Depending on the plan selected, member contributions, range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

**Employer Contributions**

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



NOTES TO FINANCIAL STATEMENTS  
FINANCIAL STATEMENTS

**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

**Employer Contributions (continued)**

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 22-year period for fiscal 2017.

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

	<u>Pension</u>	<u>Other postemployment benefit</u>
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2016 - September 30, 2017	13.54% - 19.74%	7.42% - 7.67%

Ellsworth Community School's pension contribution for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately \$213,000, with \$210,000 specifically for the Defined Benefit Plan.

Ellsworth Community School's OPEB contribution for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately \$91,000, with \$85,000 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UALL) Stabilization Rate (63% for pension and 27% for OPEB).

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.**

At June 30, 2018, Ellsworth Community Schools reported a liability of \$3,251,083 for its proportionate share of MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. Ellsworth Community Schools' proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, Ellsworth Community Schools' proportion was .01255% an increase of .00013 percent from its proportion measured as of September 30, 2016.

*MPSERS (Plan) Net Pension Liability - As of September 30, 2017*

MPSERS (Plan) Non-University Employers	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Total Pension Liability	\$ 73,501,296,000	\$ 67,355,988,000
Plan Fiduciary Net Position	\$ 47,011,783,000	\$ 42,382,361,000
Net Pension Liability	\$ 26,489,513,000	\$ 24,973,627,000
Proportionate Share	0.01255%	0.01242%
Net Pension liability for Ellsworth Community Schools	\$ 3,251,083	\$ 3,098,456

ELLSWORTH COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

For the year ended June 30, 2018, Ellsworth Community Schools recognized pension expense of \$369,381. At June 30, 2018, Ellsworth Community Schools reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,254	\$ 15,962
Changes of assumptions	356,182	-
Net difference between projected and actual earnings on pension plan investments	-	155,423
Changes in proportion and differences between Districts and proportionate share of contributions	97,122	7,816
District's contributions subsequent to the measurement date	159,534	-
<b>Total</b>	<b>\$641,092</b>	<b>\$ 179,201</b>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year  
(To be Recognized in Future Pension Expenses)

Year Ending September 30		Amount
2018	\$	91,634
2019		144,877
2020		69,484
2021	\$	(3,628)

**Actuarial Assumptions**

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

ELLSWORTH COMMUNITY SCHOOL  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

**OPEB Liabilities**

At June 30, 2018, Ellsworth Community Schools reported a liability of \$1,108,968 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. Ellsworth Community School's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, Ellsworth Community School's proportion was 0.01252% percent, which was a decrease of a fractional percent from its proportion measured as of October 1, 2016.

<u>MPSERS (Plan) Non-University</u>	<u>September 30, 2017</u>
Total OPEB Liability	\$ 14,175,547
Plan Fiduciary Net Position	\$ 5,177,775
Net Pension Liability	\$ 8,997,773
Proportionate Share	0.01252%
Net OPEB liability for Ellsworth Community Schools	\$ 1,108,968

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ending June 30, 2018, Ellsworth Community Schools recognized OPEB expense of \$37,596. At June 30, 2018, Ellsworth Community Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	\$ 11,807
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	25,684
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	105
Employer contributions subsequent to the measurement date*	<u>69,605</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 69,605</u></u>	<u><u>\$ 37,596</u></u>

ELLSWORTH COMMUNITY SCHOOL  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

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**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year  
 (To be Recognized in Future OPEB Expenses)

Year Ending September 30	Amount
2018	\$ (9,084)
2019	(9,084)
2020	(9,084)
2021	(9,084)
2022	\$ (1,260)

**Actuarial Assumptions**

Investment rate of return for Pension - 7.5% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expense for the Hybrid group (Pension Plus plan).

Investment rate of return for OPEB - 7.5% a year, compounded annually net of investment and administrative

Salary increase - The rate of pay increase used for individual members is 3.5%

Inflation - 3.0%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using a projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

Experience study - the annual actuarial valuation report of the System used for these statements is dated September 30, 2016. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with September 30, 2014 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5% net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit - 7.5% for year one and graded to 3.5% to year twelve.

Additional assumptions for other postemployment benefit only - Applies to individuals hired before September 4, 2012.

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.

ELLSWORTH COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

**Long-Term Expected Return on Plan Assets**

Target asset allocation as of September 30, 2017 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0%	8.7%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	-0.1%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.0%
Short Term Investment Pools	2.0%	-0.9%
 Total	 100.0%	

*\*Long-term rates of return are net of administrative expenses and 2.3% inflation.*

**Pension Discount rate** - A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**OPEB Discount rate** - A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

ELLSWORTH COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

Sensitivity of the net pension liability to changes in the discount rate - The following presents Ellsworth Community Schools' proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for Pension Plus Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease 6.5% / 6.0%	Current Single Discount Rate Assumption	1% Increase 8.5% / 8.0%
		7.5% / 7.0%	
District's proportionate share of the net pension liability	\$4,235,079	\$3,251,083	\$2,422,620

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents Ellsworth Community Schools' proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase 8.5%
	District's proportionate share of the net OPEB liability	\$1,298,922	\$1,108,968

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates - The following presents Ellsworth Community Schools' proportionate share of the net OPEB liability calculated using the healthcare cost trend rate of 7.5% (decreasing 3.5%), as well as what the Schools proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate	1% Increase 8.5%
	District's proportionate share of the net OPEB liability	\$939,147	\$1,108,968

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

Payable to the Pension and OPEB Plan - At year end Ellsworth Community Schools is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are included in the financial statements as a liability titled accrued payroll and payroll liabilities. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

ELLSWORTH COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

Other Information - On December 20, 2017, the Michigan Supreme Court affirmed that Public Act 75 of 2010 is unconstitutional as it substantially impaired the employee's employment contracts by involuntarily reducing the employee's wages by 3%. As a result, the funds collected pursuant to Public Act 75 before the effective date of Public Act 300 of 2012, must be refunded to the employees in accordance with the Michigan Court of Claims judgment on the aforementioned court case. Effective September 30, 2017, the 3% contribution collected under Public Act 75, which amounted to approximately \$554 million (Including interest), was posted as a liability on the plan's CAFR report.

**NOTE 10 - CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is a reimbursing employer to the State of Michigan Unemployment Agency and as such is responsible to pay the Agency for all benefits paid and charged to the District. As of June 30, 2018 all known liabilities for claims paid by the Agency are recorded as accounts payable.

**NOTE 11 - CAPITAL PROJECTS FUNDS**

The Capital Projects Funds records capital project activities funded with Sinking Fund millage. For this fund, the Ellsworth Community School has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

**NOTE 12 - TAX ABATEMENTS**

Some governmental entities within the District have entered into property tax abatement agreements with local businesses. Under these agreements, the localities may grant property tax abatements of up to 50% of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions.

The amount of abated real and personal property taxes affecting the District for the year ended June 30, 2018 was \$6,647. None of the abatements affecting the District were material to the financial statements of the District.

**NOTE 13 - SUBSEQUENT EVENTS**

The District has evaluated subsequent events through August 2, 2018, the date on which the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTAL INFORMATION**



ELLSWORTH COMMUNITY SCHOOL  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	2018 Original	2018 Final	Budgetary Basis	
<b>REVENUES</b>				
Local sources	\$ 822,766	\$ 878,311	\$ 877,267	\$ (1,044)
State sources	1,584,725	1,723,966	1,723,042	(924)
Federal sources	82,726	92,832	92,830	(2)
Interdistrict sources	229,954	263,272	254,386	(8,886)
Total Revenues	<u>2,720,171</u>	<u>2,958,381</u>	<u>2,947,525</u>	<u>(10,856)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Basic programs	1,302,308	1,301,558	1,287,363	14,195
Added needs	306,059	349,110	348,401	709
Career and technical education	86,995	103,751	85,601	18,150
Support services:				
Pupil support services	121,928	120,679	148,760	(28,081)
Improvement of instruction	10,701	18,782	8,769	10,013
Board of education	35,929	31,127	30,138	989
School administration	243,214	334,364	333,004	1,360
Business services	61,370	54,452	54,403	49
Operation & maintenance	231,787	247,215	244,928	2,287
Pupil transportation	112,458	101,706	97,982	3,724
Other central services	96,174	93,657	93,120	537
Athletics	78,207	72,312	71,931	381
Community activities	24,127	16,842	16,817	25
Total Expenditures	<u>2,711,257</u>	<u>2,845,555</u>	<u>2,821,217</u>	<u>24,338</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Incoming transfers and other transactions	-	-	-	-
Outgoing transfers and other transactions	-	50,000	50,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Excess of Revenues over (under) Expenditures and Other Financing Sources (Uses)	8,914	62,826	76,308	13,482
Budgetary fund balance - July 1, 2017	<u>1,230,724</u>	<u>1,230,724</u>	<u>1,230,724</u>	<u>-</u>
Budgetary fund balance - June 30, 2018	<u>\$ 1,239,638</u>	<u>\$ 1,293,550</u>	<u>\$ 1,307,032</u>	<u>\$ 13,482</u>

See notes to the financial statements.

**ELLSWORTH COMMUNITY SCHOOL  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)**

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability	0.01255%	0.01242%	0.01194%	0.01183%
Reporting unit's proportionate share of net pension liability	\$ 3,251,083	\$ 3,098,456	\$ 2,917,626	\$ 2,606,500
Reporting unit's covered-employee payroll	\$ 1,047,384	\$ 1,065,528	\$ 877,228	\$ 851,437
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	310.40%	290.79%	332.60%	306.13%
Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.15%

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

With the implementation of GASB 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

See notes to the financial statements.

**ELLSWORTH COMMUNITY SCHOOL  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 REPORTING UNIT FISCAL YEARS (AMOUNTS DETERMINED OF AS 6/30 OF EACH YEAR)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contributions	\$ 210,278	\$ 184,327	\$ 195,308	\$ 214,141
Contributions in relation to statutorily required contributions*	<u>(210,278)</u>	<u>(184,327)</u>	<u>(195,308)</u>	<u>(214,141)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 1,185,775	\$ 1,033,421	\$ 998,538	\$ 836,587
Contribution as a percentage of covered-employee payroll	17.73%	17.84%	19.56%	25.60%

\*Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

With the implementation of GASB 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

See notes to the financial statements.

**ELLSWORTH COMMUNITY SCHOOL**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE**  
**NET OPEB LIABILITY**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
**Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)**

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	<u>2017</u>
Reporting unit's proportion of net OPEB liability	0.01252%
Reporting unit's proportionate share of net OPEB liability	\$ 74,176
Reporting unit's covered-employee payroll (OPEB)*	\$ 1,047,384
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	7.08%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%**

\*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

\*\*For non-university employers (K12 districts, ISDs, charter schools/PSAs, libraries, and community colleges).

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

See notes to the financial statements.

**ELLSWORTH COMMUNITY SCHOOL**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
**LAST 10 REPORTING UNIT FISCAL YEARS (AMOUNTS DETERMINED OF AS 6/30 OF EACH YEAR)**

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	<u>2018</u>
Statutory required contributions	\$ 85,379
Contributions in relation to statutorily required contributions*	<u>(85,379)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Reporting unit's covered-employee payroll (OPEB)**	\$ 1,185,775
Contribution as a percentage of covered-employee payroll	7.20%

\*Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

\*\*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

See notes to the financial statements.

ELLSWORTH COMMUNITY SCHOOL  
REQUIRED SUPPLEMENTAL INFORMATION  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION - PENSION & OPEB  
FOR THE YEAR ENDED JUNE 30, 2018

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**Changes in benefit terms:** There were no changes of benefit terms in 2017.

**Changes of assumptions:** There were no changes of benefit assumptions in 2017.

See notes to the financial statements.

## **OTHER SUPPLEMENTAL INFORMATION**

ELLSWORTH COMMUNITY SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
COMPARATIVE SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
<b>LOCAL SOURCES:</b>		
Property tax levy	\$ 762,374	\$ 738,170
Earnings on Investments and deposits	15,982	7,398
Athletic admissions & fees	12,774	15,768
Contributions from private sources	10,722	1,910
Miscellaneous	75,415	46,320
<b>TOTAL LOCAL SOURCES</b>	<b>877,267</b>	<b>809,566</b>
<b>STATE SOURCES:</b>		
Unrestricted:		
State Aid	1,458,792	1,488,197
Restricted:		
Special education	45,212	50,266
At risk	132,914	64,483
Other	-	-
Received through ISD:		
Other	86,124	160,874
<b>TOTAL STATE SOURCES</b>	<b>1,723,042</b>	<b>1,763,820</b>
<b>FEDERAL SOURCES:</b>		
Received Direct:		
REAP	21,005	16,632
Received through State:		
Title I	61,544	51,209
Title II	-	15,836
Title IV	10,000	-
Received through ISD:		
Medicaid	281	398
<b>TOTAL FEDERAL SOURCES</b>	<b>92,830</b>	<b>84,075</b>
<b>INTERDISTRICT SOURCES:</b>		
Special education	38,968	37,157
Vocation education	180,037	160,449
Other	35,381	6,416
<b>TOTAL INTERDISTRICT SOURCES</b>	<b>254,386</b>	<b>204,022</b>
<b>TOTAL REVENUES</b>	<b>2,947,525</b>	<b>2,861,483</b>
<b>OTHER FINANCING SOURCES:</b>		
Capitalized lease proceeds	-	-
Operating transfers in	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 2,947,525</b>	<b>\$ 2,861,483</b>

See notes to the financial statements.



ELLSWORTH COMMUNITY SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2018

INSTRUCTION:	<u>2018</u>	<u>2017</u>
<b>Basic Programs:</b>		
<b>Elementary:</b>		
Salaries of teachers	\$ 273,602	\$ 274,539
Salaries of substitute teachers & assistants	10,654	1,785
Contracted services	24,546	6,261
Conferences and travel	3,228	1,909
Copier	3,387	2,854
Teaching supplies	7,921	5,599
Textbooks	142	9,581
Other supplies	1,367	3,626
Miscellaneous	1,265	5,793
Fringe benefits	233,474	204,936
Capital outlay	-	-
Total Elementary	<u>559,586</u>	<u>516,883</u>
<b>High School:</b>		
Salaries of teachers	328,500	336,443
Salaries of substitute teachers	3,506	4,153
Contracted services	16,375	20,856
Conferences and travel	1,500	1,178
Copier	2,900	5,184
Teaching supplies	17,483	10,206
Textbooks	6,763	7,075
Other supplies and expense	3,236	2,882
Miscellaneous	22,356	6,603
Fringe benefits	246,193	240,742
Capital outlay	-	-
Total High School	<u>648,812</u>	<u>635,322</u>
<b>Preschool:</b>		
Salaries of teachers	30,000	45,000
Salaries of substitute teachers	321	62
Contracted services	19,377	33,906
Conferences and travel	112	-
Teaching supplies	3,553	738
Miscellaneous	520	3,481
Fringe benefits	25,082	27,876
Total Preschool	<u>\$ 78,965</u>	<u>\$ 111,063</u>

(CONTINUED ON NEXT PAGE)

See notes to the financial statements.

ELLSWORTH COMMUNITY SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
<b>INSTRUCTION (Continued):</b>		
<b>Basic Programs (continued):</b>		
<b>Summer School:</b>		
Salaries of teachers	\$ -	\$ 3,398
Contracted services	-	-
Supplies	-	-
Fringe benefits	-	1,495
<b>Total Summer School</b>	<u>-</u>	<u>4,893</u>
<b>TOTAL BASIC PROGRAMS</b>	<u>1,287,363</u>	<u>1,268,161</u>
<b>Added Needs:</b>		
<b>Special Education:</b>		
Salaries of teachers	114,907	82,919
Salaries of substitute teachers	965	394
Purchased services	15,492	13,716
Conferences and travel	458	72
Teaching Supplies	1,216	364
Miscellaneous	-	69
Fringe benefits	58,336	46,724
<b>Total Special Education</b>	<u>191,374</u>	<u>144,258</u>
<b>Compensatory Education:</b>		
Salary of teacher	68,065	10,698
Salaries of teachers' assistants	-	3,471
Contracted services	36,641	56,574
Teaching supplies	30	-
Other supplies	1,220	1,220
Fringe benefits	51,071	7,421
<b>Total Compensatory Education</b>	<u>157,027</u>	<u>79,384</u>
<b>Career and Technical Education:</b>		
Salary of teacher	10,046	4,671
Salaries of substitute teachers	75	190
Purchased services	25,365	20,466
Conferences and travel	505	648
Teaching supplies	44,743	27,476
Miscellaneous	1,874	1,248
Fringe benefits	2,993	3,064
Capital outlay	-	-
<b>Total Vocational Education</b>	<u>85,601</u>	<u>57,763</u>
<b>TOTAL ADDED NEEDS</b>	<u>434,002</u>	<u>281,405</u>
<b>TOTAL INSTRUCTION</b>	<u>\$ 1,721,365</u>	<u>\$ 1,549,566</u>

(CONTINUED ON NEXT PAGE)

See notes to the financial statements.

**ELLSWORTH COMMUNITY SCHOOL**  
**OTHER SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF EXPENDITURES**  
**(CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017
<b>SUPPORTING SERVICES:</b>		
Support Service - Pupil:		
Guidance Services:		
Salary	\$ 61,192	\$ 57,226
Purchased services	408	221
Equipment repair and maintenance	-	407
Other supplies and expense	669	580
Miscellaneous	-	68
Medical supplies	165	-
Fringe benefits	48,747	44,474
Total Guidance Services	111,181	102,976
Absenteeism Services:		
Coordinator Salary	16,800	12,377
Fringe benefits	1,303	2,868
Total Absenteeism Services	18,103	15,245
Other Pupil Support Services:		
Salaries	6,980	5,584
Contracted Library Specialist	1,840	-
Textbooks-Library	7,755	-
Supplies-Library	405	-
Supplies-other pupil support	1,204	3,539
Fringe benefits-other pupil support	1,292	2,268
Total Other Pupil Support Services	19,476	11,391
Total Support Service - pupil	148,760	129,612
Support service - Instructional Staff:		
Improvement of Instruction:		
Salaries	4,262	4,362
Purchased services	1,631	-
Professional development and travel	1,599	11,935
Fringe benefits	1,277	2,104
Total Improvement of Instruction	8,769	18,401
Total Support Service - Instructional Staff	\$ 8,769	\$ 18,401

(CONTINUED ON NEXT PAGE)

See notes to the financial statements.

ELLSWORTH COMMUNITY SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
COMPARATIVE SCHEDULE OF EXPENDITURES  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
<b>SUPPORTING SERVICES (Continued):</b>		
Support Service - General Administration		
Board of Education:		
Salaries of board of education members	\$ -	\$ -
Fringe benefits	-	-
Contracted services	11,770	11,824
Professional services	11,475	9,145
Election expense	-	-
Professional development and travel	-	-
Printing and publishing	5,139	3,728
Supplies	-	-
Dues and fees	1,629	1,600
Miscellaneous	125	71
Total Board of Education	<u>30,138</u>	<u>26,368</u>
Executive Administration:		
Salary of superintendent	96,827	101,133
Professional development and travel	289	815
Contracted services	-	-
Office supplies	215	302
Other supplies and materials	121	71
Dues and fees	2,235	1,469
Miscellaneous expenses	247	-
Fringe benefits	69,099	57,834
Capital outlay	-	-
Total Executive Administration	<u>169,033</u>	<u>161,624</u>
Total Support Service - General Administration	<u>199,171</u>	<u>187,992</u>
Support service - School Administration		
Office of the Principal:		
Salary of principal	60,000	-
Salaries of office assistants	34,730	37,005
Contracted services	123	2,724
Office supplies	3,425	1,823
Dues and fees	51	-
Other supplies and materials	2,307	2,532
Fringe benefits	63,253	23,244
Miscellaneous	82	-
Capital outlay	-	-
Total Support Service - School Administration	<u>163,971</u>	<u>67,328</u>
Support service - Business		
Fiscal Services:		
Contracted services	29,000	28,400
Office supplies	139	272
Dues and fees	1,842	1,140
Total Fiscal Services	<u>\$ 30,981</u>	<u>\$ 29,812</u>

(CONTINUED ON NEXT PAGE)

See notes to the financial statements.

**ELLSWORTH COMMUNITY SCHOOL**  
**OTHER SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF EXPENDITURES**  
**(CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
<b>SUPPORTING SERVICES (Continued):</b>		
Support service - Business:		
Other Business Services:		
Insurance	\$ 16,775	\$ 16,782
Contracted services	-	-
Taxes abated	6,647	8,782
<b>Total Other Business Services</b>	<u>23,422</u>	<u>25,564</u>
<b>Total Support Service - Business Services</b>	<u>54,403</u>	<u>55,376</u>
Support service - Operation and Maintenance:		
Salaries of custodians	66,652	60,457
Travel and conferences	-	-
Contracted services	14,495	12,125
Communications	4,180	4,202
Heating fuel	20,858	19,276
Electricity	26,673	20,084
Trash removal	2,080	1,720
Water	2,194	2,897
Insurance	1,214	1,019
Repairs and maintenance	29,482	23,220
Custodial supplies	26,492	21,523
Miscellaneous	1,952	57
Fringe benefits	40,672	36,228
Capital outlay	7,984	-
<b>Total Support Service -</b>		
<b>Operation and Maintenance</b>	<u>244,928</u>	<u>202,808</u>
Support service - Pupil Transportation Services:		
Salaries of bus drivers	38,367	38,353
Wages of mechanic	1,200	-
Contracted transportation	432	457
Communications	2,025	1,416
Insurance	4,701	4,497
Repairs and maintenance	50	5,930
Fuel, oil and grease	13,240	11,561
Vehicle repair parts	3,284	23,693
Other supplies	385	1,353
Miscellaneous expense	10,840	10,840
Fringe benefits	23,458	21,861
Capital outlay	-	-
<b>Total Pupil Transportation Services</b>	<u>\$ 97,982</u>	<u>\$ 119,961</u>

(CONTINUED ON NEXT PAGE)

See notes to the financial statements.

**ELLSWORTH COMMUNITY SCHOOL**  
**OTHER SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**COMPARATIVE SCHEDULE OF EXPENDITURES**  
**(CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017
<b>SUPPORTING SERVICES (Continued):</b>		
<b>Support service - Information Management Services</b>		
Salaries	\$ -	\$ -
Purchased services	80,754	53,242
Supplies	11,742	43,384
Miscellaneous expense	624	64
Capital outlay	-	-
<b>Total Information Management Services</b>	<b>93,120</b>	<b>96,690</b>
<b>Support service - Athletic Activities</b>		
Salaries	24,065	16,868
Purchased services	30,265	35,810
Travel	2,084	-
Supplies	6,865	4,748
Miscellaneous expense	5,241	5,146
Fringe benefits	3,411	7,071
<b>Total Athletic Activities</b>	<b>71,931</b>	<b>69,643</b>
<b>TOTAL SUPPORTING SERVICES</b>	<b>1,083,035</b>	<b>947,811</b>
<b>COMMUNITY SERVICES:</b>		
Salaries	5,168	2,686
Contracted services	8,789	11,577
Supplies	277	785
Miscellaneous expense	-	70
Fringe benefits	2,583	1,079
<b>TOTAL COMMUNITY SERVICES</b>	<b>16,817</b>	<b>16,197</b>
<b>FACILITIES IMPROVEMENTS</b>		
Building	-	42,408
Room improvements	-	38,099
<b>TOTAL FACILITIES IMPROVEMENTS</b>	<b>-</b>	<b>80,507</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,821,217</b>	<b>\$ 2,594,081</b>

See notes to the financial statements.

**ELLSWORTH COMMUNITY SCHOOL**  
**OTHER SUPPLEMENTAL INFORMATION**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2018**

	2014 CAPITAL PROJECTS FUND	PUBLIC IMPROVEMENT	2015 DEBT SERVICE FUND	2016 DEBT SERVICE FUND	FOOD SERVICE FUND	TOTAL
<b>ASSETS</b>						
Cash	\$ 37,636	\$ 50,260	\$ -	\$ 1,681	\$ 16,899	\$ 106,476
Due from other government units	-	-	-	-	1,124	1,124
Due from other funds	12,671	-	-	-	1,815	14,486
Inventory	-	-	-	-	839	839
Total Assets	<u>\$ 50,307</u>	<u>\$ 50,260</u>	<u>\$ -</u>	<u>\$ 1,681</u>	<u>\$ 20,677</u>	<u>\$ 122,925</u>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 45	\$ 45
Accrued salaries and withholdings	-	-	-	-	-	-
Unearned revenue	-	-	-	-	2,270	2,270
Due to other funds	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,315</u>	<u>2,315</u>
<b>FUND BALANCES:</b>						
Nonspendable - inventory	-	-	-	-	839	839
Restricted for public improvement	-	50,260	-	-	-	50,260
Restricted for debt service	-	-	-	1,681	-	1,681
Restricted for capital projects	50,307	-	-	-	-	50,307
Restricted for food service	-	-	-	-	17,523	17,523
Total Fund Balances	<u>50,307</u>	<u>50,260</u>	<u>-</u>	<u>1,681</u>	<u>18,362</u>	<u>120,610</u>
Total Liabilities and Fund Balance	<u>\$ 50,307</u>	<u>\$ 50,260</u>	<u>\$ -</u>	<u>\$ 1,681</u>	<u>\$ 20,677</u>	<u>\$ 122,925</u>

See notes to the financial statements.

**ELLSWORTH COMMUNITY SCHOOL**  
**OTHER SUPPLEMENTAL INFORMATION**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	2014 CAPITAL PROJECTS FUND	Public Improvement	2015 DEBT SERVICE FUND	2016 DEBT SERVICE FUND	FOOD SERVICE FUND	TOTAL
<b>REVENUES:</b>						
Local sources	\$ 136,333	\$ 260	\$ 23,515	\$ 149,771	\$ 35,134	\$ 345,013
State sources	-	-	-	-	6,927	6,927
Federal sources	-	-	-	-	113,095	113,095
Total Revenues	<u>136,333</u>	<u>260</u>	<u>23,515</u>	<u>149,771</u>	<u>155,156</u>	<u>465,035</u>
<b>EXPENDITURES:</b>						
Current:						
Support services	-	-	-	-	182,150	182,150
Capital outlay	236,345	-	-	-	-	236,345
Debt service	-	-	27,972	148,481	-	176,453
Total Expenditures	<u>236,345</u>	<u>-</u>	<u>27,972</u>	<u>148,481</u>	<u>182,150</u>	<u>594,948</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(100,012)</u>	<u>260</u>	<u>(4,457)</u>	<u>1,290</u>	<u>(26,994)</u>	<u>(129,913)</u>
Other Financing Sources (Uses)						
Transfers In (Out)	-	50,000	4,457	-	-	54,457
Net Change in Fund Balance	(100,012)	50,260	-	1,290	(26,994)	(75,456)
FUND BALANCES - Beginning of year	<u>150,319</u>	<u>-</u>	<u>-</u>	<u>391</u>	<u>45,356</u>	<u>196,066</u>
FUND BALANCES - End of year	<u>\$ 50,307</u>	<u>\$ 50,260</u>	<u>\$ -</u>	<u>\$ 1,681</u>	<u>\$ 18,362</u>	<u>\$ 120,610</u>

See notes to the financial statements.



**ELLSWORTH COMMUNITY SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
TRUST AND AGENCY FUND - SCHOOL ACTIVITIES  
STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Balances July 1, 2017	Revenues	Expenditures	Balances June 30, 2018
Administrative	\$ 2,537	\$ 1,173	\$ 3,703	\$ 7
Agriculture FFA	809	1,805	364	2,250
Band	1,984	4,665	4,584	2,065
Baseball	1,459	3,590	3,347	1,702
Boys Basketball	72	322	132	262
Boat Building Club	-	790	787	3
Classes	1,834	8,133	8,455	1,512
Clearing	183	-	183	-
Community Library	1,624	17,300	4,539	14,385
Cross Country	4,208	6,863	5,814	5,257
Drama	64	-	64	-
eSports	500	-	500	-
Girls Basketball	1,070	1,295	1,219	1,146
Washington D.C.	98	7,161	4,546	2,713
Humanities	7	-	7	-
National Honor Society	(191)	749	558	-
Quiz Bowl	96	-	35	61
Ski Club	940	2,855	-	3,795
Softball	8,072	8,732	5,995	10,809
Student Council	640	435	782	293
Student Council MS	-	80	-	80
Terryberry	3,482	250	-	3,732
Track	(150)	787	637	-
Volleyball	576	-	243	333
Yearbook	(1,891)	2,695	-	804
<b>Total</b>	<b>\$ 28,023</b>	<b>\$ 69,680</b>	<b>\$ 46,494</b>	<b>\$ 51,209</b>

See notes to the financial statements.

**ELLSWORTH COMMUNITY SCHOOL**  
**OTHER SUPPLEMENTAL INFORMATION**  
**SCHEDULES OF BONDED INDEBTEDNESS**  
**JUNE 30, 2018**

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DATE OF ISSUE - April 13, 2015

Original amount of issue - \$ 190,000

Purpose of issue - purchase of school buses.

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
2.050%	2018-19	\$ 1,230	\$ 1,230	\$ 30,000	\$ 32,460
2.050%	2019-20	923	922	30,000	31,845
2.050%	2020-21	615	615	30,000	31,230
2.050%	2021-22	307	308	30,000	30,615
		<u>\$ 3,075</u>	<u>\$ 3,075</u>	<u>\$ 120,000</u>	<u>\$ 126,150</u>

(CONTINUED ON NEXT PAGE)

See notes to the financial statements.

**ELLSWORTH COMMUNITY SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS  
JUNE 30, 2018**

**DATE OF ISSUE - March 3, 2016**

**Original amount of issue - \$ 3,000,000**

**Purpose of issue - Erecting additions to, partially remodeling, installing security measures for, furnishing and refurbishing and equipping and re-equipping school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; and developing and improving parking areas and sites.**

**Early Redemption - The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2027, are subject to redemption at the option of the Schools District in such order as the School District may determine and by lot within any maturity, on any date occurring on or after May 1, 2026, at par plus accrued interest to the date fixed for redemption.**

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
2.000%	2018-19	\$ 41,090	\$ 41,091	\$ 65,000	\$ 147,181
2.000%	2019-20	40,440	40,441	70,000	150,881
2.000%	2020-21	39,741	39,741	75,000	154,482
2.000%	2021-22	38,991	38,990	75,000	152,981
2.000%	2022-23	38,240	38,241	105,000	181,481
2.000%	2023-24	37,191	37,190	110,000	184,381
2.000%	2024-25	36,091	36,091	115,000	187,182
2.250%	2025-26	34,941	34,940	120,000	189,881
2.500%	2026-27	33,590	33,591	125,000	192,181
3.000%	2027-28	32,028	32,028	130,000	194,056
3.000%	2028-29	30,078	30,078	135,000	195,156
3.000%	2029-30	28,053	28,053	140,000	196,106
3.000%	2030-31	25,953	25,953	145,000	196,906
3.000%	2031-32	23,779	23,778	150,000	197,557
3.000%	2032-33	21,528	21,529	155,000	198,057
3.000%	2033-34	19,204	19,203	160,000	198,407
3.000%	2034-35	16,803	16,803	165,000	198,606
3.125%	2035-36	14,328	14,328	170,000	198,656
3.125%	2036-37	11,672	11,672	175,000	198,344
3.250%	2037-38	8,937	8,938	180,000	197,875
3.250%	2038-39	6,013	6,012	185,000	197,025
3.250%	2039-40	3,006	3,006	185,000	191,012
		\$ 581,697	\$ 581,697	\$ 2,935,000	\$ 4,098,394

See notes to the financial statements.

# *Schulze Oswald Miller & Edwards PC*

120 N. Ripley Street • Alpena, MI 49707  
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Rose City 989-685-2411 • Fax 989-685-2412

## **AUDIT COMMUNICATIONS**

August 2, 2018

To the Board of Education  
Ellsworth Community School  
Ellsworth, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ellsworth Community Schools for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 27, 2018. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Ellsworth Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2018. We noted no transactions entered into by Ellsworth Community Schools the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Government wide financial statements were:

Management's estimate of the net book value of fixed assets is based on estimated depreciation lives.

Net pension liability.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

The disclosures regarding the net pension liability in note 9 to the financial statements.

The financial statements are neutral, consistent, and clear.

#### ***Difficulties Encountered In Performing the Audit***

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

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.



Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

***Disagreements with Management***

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

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated August 2, 2018.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Ellsworth Community School financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Ellsworth Community School auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the Management's Discussion and Analysis, Budgetary Comparison Schedules and Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the comparative schedule of revenues and other financing sources, comparative schedule of expenditures, combining balance sheet, combining statement of revenues, expenditures and changes in fund balance, statement of changes in deposits held for others, and schedules of bonded indebtedness. Which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Restriction on Use**

This information is intended solely for the information and use of the Board of Education and management of Ellsworth Community School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Schulze, Oswald, Miller & Edwards PC*

***Schulze, Oswald, Miller & Edwards PC***

**Certified Public Accountants**

**Alpena, Michigan**



# Schulze Oswald Miller & Edwards PC

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## INDEPENDENT AUDITORS' 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

Ellsworth Community School  
Ellsworth, Michigan 49729

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ellsworth Community School as of the year ended June 30, 2018, in accordance with the auditing standards generally accepted in the United States of America, we considered the Ellsworth Community School's internal control over financial reporting (internal control) as to basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinions on the financial statements, but not for the purpose of effectiveness of Ellsworth Community School internal control. Accordingly, we do not express an opinion on the effectiveness of Ellsworth Community School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We do not identify any differences in internal control that we considered to be significant deficiencies.

This communication is intended solely for the information and use of management, the Board of Education, and others within Ellsworth Community School and is not intended to be and should not be used by anyone other than the specified parties.

*Schulze, Oswald, Miller & Edwards PC*

Schulze, Oswald, Miller & Edwards PC  
Alpena, Michigan  
August 2, 2017



