

EAST CHINA SCHOOL DISTRICT
St. Clair County, Michigan
AUDITED FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

EAST CHINA SCHOOL DISTRICT

Table of Contents

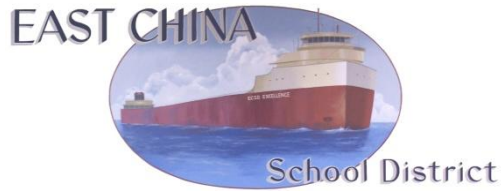
	Page
Management's Discussion and Analysis	i-xii
Independent Auditor's Report	1-2
Basic Financial Statements	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	3
Statement of Activities	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	6-7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	9-10
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	11
Statement of Net Position - Proprietary Funds (Internal Service)	12
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds (Internal Service)	13
Statement of Cash Flows - Proprietary Funds (Internal Service)	14
Statement of Fiduciary Net Position - Fiduciary Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	16
Notes to Financial Statements	17-39
Required Supplementary Information	
Schedule of East China School District's Proportionate Share of the Net Pension Liability	40
Schedule of East China School District's Pension Contributions	41
Schedule of East China School District's Proportionate Share of the Net OPEB Liability	42
Schedule of East China School District's OPEB Contributions	43
Supplemental Information	
<i>Non-Major Governmental Funds:</i>	
Combining Balance Sheet	44
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	45
Supplemental Schedules	
<i>General Fund:</i>	
Schedule of Revenues and Other Financing Sources - Budget and Actual	46
Schedule of Instructional Expenditures - Budget and Actual	47-48

EAST CHINA SCHOOL DISTRICT

Table of Contents

Supplemental Schedules (continued)

Schedule of Support Services Expenditures - Budget and Actual	49-52
Schedule of Community Services Expenditures and Other Transactions - Budget and Actual	53
Special Revenue Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	54-55
Schedule of Bonded Indebtedness	56



MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the annual financial report of the East China School District (“the District”) presents our discussion and analysis of the District’s financial performance during the fiscal year that ended June 30, 2018. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

Using this Annual Report

The accompanying financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, GASB Statement No. 68, GASB Statement No. 75, Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments. The following components of the District’s financial statements are required:

- Management’s Discussion and Analysis
- Basic Financial Statements, including:
 - *District-wide Financial Statements with Statement of Net Position and Statement of Activities*
 - *Fund Financial Statements*
- Notes to the Financial Statements
- Required Supplementary Information

Management’s Discussion and Analysis is a narrative insight to the past and present financial condition of the District. This summary does not take the place of the comprehensive financial statements and other supplemental information following this narrative.

Reporting the District as a Whole – District-wide Financial Statements

The District-wide Financial Statements provide information about the activities of the whole District, presenting both an aggregate view of the District’s finances and a longer-term view of those finances. These statements use the full accrual basis of accounting similar to that used by companies in the private sector. The two District-wide Statements are the Statement of Net Position and the Statement of Activities, which appear first in the District’s financial statements.

The Statement of Net Position includes all of the District’s assets and liabilities, regardless if they are short-term or long-term. The Statement of Activities includes all of the current year’s revenues and expenses, regardless of when cash is received or paid.

These two statements report the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results. However, the District's goal is to provide exceptional student services, not to generate profits. One must consider non-financial factors, such as the quality of the education provided by the District and the safety of the District's students, to assess the overall health of the District.

Reporting the District's Most Significant Funds – Fund Financial Statements

The focus of the Fund Statements is on the District's major funds. The Fund Statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available, and therefore, represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used in the school's programs. In addition, capital asset purchases are expensed and not recorded as assets.

Debt payments are recorded as expenditures in the current year and future debt obligations are not recorded.

The District's Fund Financial Statements provide detailed information about the most significant funds – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required to be established by State law or by bond covenants. However, the District established several other funds to help it control and manage money for particular purposes (the Latchkey Fund is an example) or to show that it is meeting legal responsibilities for using grant monies and certain taxes.

The Fund Financial Statements focus on individual parts of the District and look at the District's operations in more detail than the District-wide Financial Statements. They tell how services were financed in the short-term as well as what remains for future spending. The Fund Financial Statements provide information about the District's most significant funds – the General Fund, the Debt Retirement Fund, the Sinking Fund, the 2015 Capital Projects Fund, and the 2018 Capital Projects Fund. All other funds are presented in one column as non-major funds.

The General Fund is used primarily to account for the general educational requirements of the District. Its revenues are primarily derived from property taxes, state aid foundation allowance, and state and federal grants. The Debt Retirement Fund is used to record the funding and payment of principal and interest on bonded debt. The Sinking Fund is used to record the revenue from the millage levied and the expenditures for state approved District sinking fund projects. The 2015 Capital Project Fund and 2018 Capital Project Fund are used to account for the proceeds and related expenditures of the 2015 Bus bond and 2018 Bus bond. These Capital Project Funds are used to account for proceeds and related expenditures for the respective bond issues that are dedicated for bus purchases.

The non-major funds include the Special Revenue Funds and the 2017 Capital Project Fund. The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. They include the activities of the Cafeteria and Latchkey Funds. The 2017 Capital Projects Fund was developed to account for the local proceeds and construction of new tennis courts for the St. Clair High School.

Beginning in fiscal year 2010-11 the District is reporting revenues and expenditures related to Athletics in the General Fund. This reporting is required under GASB 54. The Proprietary Fund includes the transactions related to the District's self-funded dental insurance plan.

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

The District is the trustee, or fiduciary, for its Student Activity Funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its general operations.

Financial Analysis of the District as a Whole

Statement of Net Position

The Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets as of June 30, 2018. Four prior years of position is also provided for trend analysis.

Table 1
CONDENSED NET POSITION
(in thousands)

	2014	2015	2016	2017	2018
ASSETS					
Current and other assets	\$ 11,371	\$ 12,356	\$ 12,036	\$ 11,876	\$ 12,641
Capital assets/bond issuance costs	60,486	59,000	57,450	56,315	54,747
Deferred Outflows of Resources	-	6,637	8,160	9,266	15,665
TOTAL ASSETS	71,857	77,993	77,646	77,457	83,053
LIABILITIES					
Current liabilities	9,698	9,845	10,042	9,966	10,239
Long-Term liabilities	24,167	21,227	16,655	12,068	8,346
Net Pension liability	59,624	60,205	65,332	65,822	67,820
Net OPEB liability	-	-	-	-	23,166
Deferred Inflows of Resources	-	6,656	3,082	3,690	9,000
TOTAL LIABILITIES	93,489	97,933	95,111	91,546	118,571
NET POSITION					
Invested in capital assets – net of related debt	32,856	33,958	36,803	40,228	42,120
Restricted for capital projects, food service, debt service	753	1,770	1,465	1,465	3,196
Unrestricted	(55,241)	(55,668)	(55,733)	(55,782)	(80,834)
TOTAL NET POSITION	\$ (21,632)	\$ (19,940)	\$ (17,465)	\$ (14,089)	\$ (35,518)

The District's reportable net position was (\$35,517,755) at June 30, 2018. The significant change in Net Position reported on June 30, 2018, is a result of new GASB 75 requirement to account for the District's Net OPEB Liability. In 2013-14, another significant change in net position was reported as a result of the GASB 68 requirement to recognize the District's Net Pension Liability. As identified in Table 1, Net Pension Liability at June 30, 2018 is \$67,820,078 and Net OPEB Liability is \$23,166,145.

GASB 75 requires the reporting of postemployment benefits other than pensions and GASB 68 requires the reporting of pensions by state and local government and pension plans. They are designed to improve the decision-usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension/OPEB information across governments.

Net position can be separated into three categories: net capital assets, restricted net position, and unrestricted net position.

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The District's Net Capital Assets were \$42,120,256 at June 30, 2018; a reported 4.7% increase over the prior fiscal year. This increase is primarily due to a decrease in outstanding bond obligations.

The accumulated depreciation is the accumulation of depreciation expense since acquisition. The majority of capital asset acquisitions were financed through long-term debt, which will be repaid from voter-approved property taxes collected as the debt service comes due.

Restricted net position is reported separately to show legal constraints from debt obligations and legislation that limit the District's ability to use those net assets for day-to-day operations. Restricted net position consists of \$3,196,273.

The remaining net position is unrestricted. The Unrestricted Net Position represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in Unrestricted Net Position from year to year. The unrestricted net position, for fiscal year 2017-18 is reported at (\$80,834,284). This is a continued decrease from 2016-2017 and is directly related to the Net Pension and OPEB Liabilities reporting requirements of GASB 68 and GASB 75. Unrestricted Net Position *net of Net Pension and OPEB Liabilities* for fiscal year 2017-18 is \$3,486,851.

Statement of Activities

The results of this year's operations for the District as a *whole* are reported in the Statement of Activities and in a more condensed format in Table 2. This multi-year statement has been prepared to show a comparison of revenues/expenses and to identify variations and trends.

Table 2

CONDENSED CHANGE IN NET POSITION
(in thousands)

REVENUE	2014	2015	2016	2017	2018
Program Revenue:					
Grants and Contributions	\$4,272	\$4,220	\$4,043	\$4,144	\$4,149
Charges for Services	1,398	1,460	1,473	1,465	1,499
Capital Grants and Contributions	-	-	-	540	117
General Revenue:					
Property Taxes	18,221	19,364	19,656	20,388	20,186
State Foundation Allowance	22,800	22,097	20,440	21,535	21,905
Other	236	627	484	464	526
TOTAL REVENUE	\$46,927	\$47,768	\$46,096	\$48,536	\$48,382
PROGRAM EXPENSES					
Instruction	\$26,441	\$26,710	\$25,310	\$26,369	\$26,150
Support Services	13,857	13,135	12,650	13,121	13,594
Community Services	40	37	32	55	21
Food Services	1,326	1,226	1,230	1,277	1,284
Athletics	788	850	808	821	825
Latchkey	426	427	435	408	464
Interest on Long-Term Debt	1,370	973	603	511	395
Other Bond Expenditures	1	12	9	11	51
Depreciation (Unallocated)	2,558	2,598	2,544	2,587	2,636
Debt issuance costs	-	108	-	-	-
Opening GASB 68 & 75 adjustment	58,861	-	-	-	24,391
TOTAL EXPENSES	105,668	46,076	43,621	45,160	69,811
INCR/(DECR) IN NET POSITION	(\$58,741)	\$1,692	\$2,475	\$3,376	(\$21,429)

As reported in the Statement of Activities, one of the *District-wide* financial statements, the cost of all governmental activities this year was \$45,420,194. Certain activities were partially funded in the amount of \$1,498,826 from those who benefited from the program. Other programs were subsidized by State and Federal grants and contributions in the amount of \$4,149,417. The District paid for the remaining “public benefit” portion of the governmental activities with \$20,186,161 in taxes, \$21,905,467 in State Foundation Allowance, and with other miscellaneous revenue, such as interest and general entitlements. The District experienced an increase in net position, net of Net Pension and OPEB Liabilities, of approximately \$3.0 million.

A few of the significant factors affecting net assets during the year are:

General Operations

In 2017-18, the District experienced a surplus in the aggregate of all governmental funds of \$646,056. This surplus is a result of revenues exceeding expenditures in the following funds:

General Fund	\$ (451,660)
Debt Retirement Fund	67,873
Sinking Fund	216,257
2015 Capital Projects Fund	(164)
2018 Capital Projects Fund	1,139,888
Other Governmental Funds	<u>(326,138)</u>
	\$ 646,056

Capital Outlay Acquisitions

Actual capital outlay acquisitions for the fiscal year ended June 30, 2018, were \$1,088,192.

This capital outlay amount is based on the District’s capitalization policy. The policy requires the capitalization of assets over a certain dollar limit (\$5,000) and over a specific useful life (one year).

Combined with the increase in accumulated depreciation, net assets (i.e., net book value) invested capital assets decreased by \$1,567,925.

Depreciation Expense

Depreciation expense is recorded on a straight-line basis over the estimated useful life of the asset. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the fiscal year ended June 30, 2018, the depreciation expense was \$2.7 million.

Bond Principal and Interest Repayment

Repayment of bond principal reduces long-term liabilities. For the fiscal year ended June 30, 2018, the District paid bond principal in the amount of \$4,575,000 and \$516,059 of interest and fees on long-term debt.

The District's Funds

As noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is accountable for the resources taxpayers and others provide it and may lend more insight into the District's overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of \$7,121,724, which is an increase of \$646,056, or (10.0%) from last year. This net increase is primarily attributable to bond proceeds from the 2018 Bus Bond, Series II from the 2018 Capital Projects Fund and offset by a deficit experienced in the General Fund. A bond millage was voter passed in 2014 for the sole purpose of bus replacement.

A few of the significant factors affecting the total governmental fund balance are:

General Operating Fund

		OPERATING REVENUE				
		2014	2015	2016	2017	2018
REVENUE						
Property Taxes	\$	13,280,425	\$ 13,511,271	\$ 13,796,252	\$ 14,572,211	\$ 14,394,264
State sources		23,887,664	23,223,456	23,292,464	22,809,881	23,562,529
Other sources		3,052,673	2,996,747	2,870,434	2,946,840	2,831,202
<i>TOTAL REVENUE</i>		40,220,762	39,731,474	39,959,150	40,328,932	40,787,995

The General Fund had total revenue and other sources of \$40,787,995, which included \$14,394,264 from property taxes and \$23,562,529 from State sources. Combined, these two sources account for approximately 93% of General Fund revenues. Total revenue and other financing sources increased by 1.1%, or \$459,063 from 2016-17. This slight increase in revenue is attributed to an increase in State Foundation Allowance, State categorical funding and grant award levels.

		2014	2015	2016	2017	2018
EXPENDITURES						
Instruction	\$	26,040,506	\$ 25,985,012	\$ 26,248,731	\$ 26,071,871	\$ 26,371,614
Support services		13,763,778	12,961,282	13,058,661	13,313,665	13,963,459
Athletic activities		787,805	841,454	853,275	826,652	858,303
Interfund transfers		5,278	--	--	1,217	1,443
Community services		40,304	30,831	58,214	54,221	39,691
Other		--	--	24,318	36,516	5,145
<i>TOTAL EXPENDITURES</i>	\$	40,637,671	\$ 39,818,579	\$ 40,243,199	\$ 40,304,142	\$ 41,239,655

Total General Fund expenditures of \$41,239,655 consist of \$26,371,614 for 'Instruction' purposes, which includes teacher salaries, fringe benefits, and instructional supplies; \$13,963,459 for 'Support Services' which includes all other District personnel, plus transportation services and maintenance and operations; \$858,303 for 'Athletic Activities' which includes all expenses for extracurricular sports. Combined, these three categories account for approximately 99.9% of General Fund expenditures.

When compared to the prior fiscal year, General Fund expenditures for 'Instruction' increased by approximately 1.15% while expenditures for 'Support Services' increased by approximately 4.88%. The change in General Fund expenditures for the Support Services category was due to increases in the costs of salaries, benefits and purchased services.

Total General Fund expenditures increased by \$935,513 or 2.32% from 2016-17. The increase in both revenues and expenditures are partially attributed to additional funding for specialized instruction for At-Risk students.

The General Fund experienced a deficit of \$451,660 for the fiscal year 2017-18. Below is a five year illustration of performance levels:

	GF	GF	NET
	REVENUES	EXPEND	REV/EXP
2013-14	\$40,220,762	\$40,637,671	\$ (416,909)
2014-15	39,731,474	39,818,579	(87,105)
2015-16	39,959,150	40,243,199	(284,049)
2016-17	40,328,932	40,304,142	24,790

Other Governmental Funds

Cafeteria Fund

Revenues and other sources of \$1,376,897 include food sales of \$576,027, which account for approximately 42% of the total. The remaining income is primarily comprised of State and Federal reimbursements to the food service program. Total expenses and transfers of \$1,288,318 include \$965,912 paid to Chartwells Compass Group, for the cost of food, supplies, wages, and administrative fees related to the management of the East China School District food service program. Indirect costs for 2017-18 were budgeted at \$25,000, with an actual amount of \$24,313, relative to state guidelines.

The Cafeteria Fund ended the year with a net operating surplus of \$90,022 for fiscal year 2017-18. To ensure that sufficient funds are provided to the nonprofit school food service account for meals served to students not eligible for free or reduced price meals a three year price increase of \$.20/\$.10/\$.05 was adopted by the Board of Education for school years 2015, 2016, 2017. There were no increases to school lunch prices for 2017-18.

Latchkey Fund

The sole source of revenue for the Latchkey Fund is the fee charged for the daycare and latchkey services it provides. Approximately 69% of its expenditures represent salaries and fringe benefits for the caregivers in the various programs. During this fiscal year, the Latchkey Fund transferred \$80,000 to the General Fund toward overhead costs. For 2017-18, the Latchkey Fund had total revenues of \$562,807, an increase of 4.7%, or \$26,637 from the prior fiscal year. The Fund incurred expenditures and transfers of \$670,455 during the current fiscal year, an increase of \$144,439 from the prior fiscal year. The current year fund performance resulted in a balance of revenues and expenditures with a decrease in fund balance by \$107,648.

During 2016-17, the District initiated a capital plan to relocate the Latchkey program from the ECEC building to the Eddy Elementary building. Associated capital expenditures for 2017-18 were \$125,973. Capital expenditures to complete the relocation project were anticipated to be approximately \$100,000 for 2017-18.

The District performs an annual review of the daycare and latchkey activities in an effort to maintain this as a self-sustaining program.

2017 Capital Projects Fund

The Community Foundation of St. Clair County extended a gift of \$600,000 to the East China School District for the purpose of replacing the current seven (7) tennis courts at St. Clair High School, with eight (8) new tennis courts.

The specific function of the 2017 Capital Projects Fund is to account for revenues and expenditures associated with the construction of the tennis courts. Total local grant revenues of \$657,226 have been received and construction expenditures of \$656,856 have been incurred, resulting in a fund surplus of \$1,961 for 2017-18. The remaining fund balance is anticipated to be exhausted in 2018-19.

Construction began in May 2017 with an anticipated completion in fall of 2017. Additional project addendums were added in 2017-2018, and final completion was rescheduled for September 2018. Any funds not spent for the specific purpose must be returned to the Community Foundation.

Debt Retirement Fund

The Debt Retirement Fund generated a total of \$5,142,230 in revenues in fiscal year 2017-18. Of the total revenue, 99.2% of revenue is generated by a millage levy of 2.88 mills on taxable value of \$1.69 billion dollars. The District made \$4,575,000 in principal payments and \$516,059 in interest/fees payments on the 2005 Refunding Bond/2015 Bus Bond and the 2009 Capital Projects Bond debt issues. Revenues and transfers exceeded total principal and interest payments by \$67,873. Adequate Fund Equity is maintained to meet principal and interest payment obligations due each November and April.

The levy for debt retirement decreased from the prior year, from 2.96 mills to 2.88. Changes in taxable values and bond payments are evaluated each year to determine the required millage.

In May 2015, the District issued bonds for the 2015 School Bus Series I and Refunding Bonds (2005) for \$17,560,000. The 2015 School Bus Bond Series I was issued for \$1,550,000 and the Refunding Bonds (2005) was issued for \$16,010,000.

The District received voter approval in November 2014, to issue bonds not to exceed \$2,810,000 in general obligation unlimited tax bonds, in one or more series, for the purpose of purchasing school buses. Bus purchases are planned for five (5) buses per year for five (5) years for a total of approximately twenty-five (25) buses. A School Bus Bond Series II for \$1,260,000 was issued in 2018.

The 2015 Refunding Bonds were issued to refinance the 2005 Refunding Bond to decrease tax rates; without extending the life of the long term debt. True interest rate is 1.52050% from 4.85%, with a total net cumulative savings of \$1,512,669 and a maturity date of 2021.

Sinking Fund

In 2012, the voters in the East China School District renewed the District's Sinking Fund levy of .4000 mills. The renewal was for a period of ten years.

In any year when property values increase greater than the rate of inflation or 5%, whichever is less, the millage is subject to a "Headlee Rollback" of the originally voted millage.

In 2016, the original voter approved sinking fund millage of .4000 was subject to a "Headlee" Millage Reduction Fraction of .9981, resulting in a 2016 Millage Rate Permanently Reduced by MCL 211.4d "Headlee" to .3992.

The Sinking Fund generated a total of \$687,255 in property tax revenues and \$5,740 in interest, local source, and insurance proceeds revenue. Sinking Fund expenditures and other fund uses for District projects were \$476,738. The remaining balance in the Sinking Fund, \$743,496 will be used to pay for future projects.

Revenues by Sources – All Funds

The following provides a view of the District’s total revenues by source for all funds: (In Thousands)

	2014	2015	2016	2017	2018
State sources	\$ 23,943	\$ 23,271	\$ 23,337	\$ 22,869	\$ 23,619
Property taxes	18,221	19,364	19,656	20,388	20,186
Other local sources	1,604	1,654	1,631	2,147	1,685
Federal sources	2,223	2,276	2,200	2,229	2,217
Other sources	40	217	45	80	92
Interdistrict sources	892	751	705	797	725
<i>Total</i>	<u>\$ 46,923</u>	<u>\$ 47,533</u>	<u>\$ 47,574</u>	<u>\$ 48,510</u>	<u>\$ 48,524</u>

State Foundation Allowance

A significant portion of State funding to the District is through the State Aid Foundation Allowance. The Foundation Allowance is determined annually by the State of Michigan using the following variables:

1. State of Michigan State Aid Act per student foundation allowance;
2. Student Enrollment – blended at 90% of current year fall count and 10% of the prior winter count;
3. Non-homestead tax levy of the District.

The District’s base foundation allowance for 2017-18 was \$7,927 per pupil.

The student enrollment for the fall count of 2017-18 was 4,142 students. Over the past 11 years, the District’s fall enrollment has decreased 1,221 students. The following information summarizes our Fall student enrollment over the previous 11 years.

<u>FISCAL YEAR</u>	<u>FALL COUNT STUDENT FTE</u>	<u>FTE CHANGE FROM PRIOR YEAR</u>
2017-2018	4,142	(74)
2016-2017	4,216	(39)
2015-2016	4,255	(83)
2014-2015	4,338	(102)
2013-2014	4,440	(114)
2012-2013	4,554	(195)
2011-2012	4,749	(188)
2010-2011	4,937	(135)
2009-2010	5,072	(99)
2008-2009	5,171	(192)
2007-2008	5,363	(137)

Property Taxes Levied for General Operations (General Fund Property Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on non-homestead properties. Under Michigan law, the property tax levy is based on the taxable value of properties. If the ownership of the property does not change during the year, the taxable value is capped at the rate of the prior year’s Consumer Price Index increase or 5%, whichever is less.

The revenue from the District’s adjusted non-homestead property levy for the 2017-18 fiscal year was \$14.4 million. The non-homestead tax levy decreased by approximately .81% from 2016-17 levels.

Property Taxes Levied for Debt Service

The Debt Fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties in the District, including both homestead and non-homestead.

For 2017-18, the District's debt millage levy was 2.88 mills, which generated a levy of \$5.1 million.

Property Taxes Levied for Sinking Fund

The Sinking Fund levy, which is used to pay for approved projects throughout the District, is based on the taxable valuation of all properties in the District, including both homestead and non-homestead.

For 2017-18, the District's Sinking Fund millage levy generated tax collection revenue of \$687,255.

Food Service Sales to Students and Adults

The sale of food to students and adults is accounted for in the Cafeteria Fund, which is part of the non-major governmental funds. The total Cafeteria Fund revenue for the current fiscal year was \$1.38 million. A total 418,306 equivalent meals were served in the 2017-18 fiscal year; 333,898 lunches, 1,804 snacks, and 82,513 breakfast meals. Equivalent meals served decreased by (1.37%) in 2017-18 from the prior year.

Total Cost of Governmental Activities

The following provides a view of the District's total expenditures by function for all funds:
(in thousands)

	2014		2015		2016		2017		2018	
Instruction and instr. support	\$26,408	54%	\$26,039	54%	\$26,329	55%	\$26,104	54%	\$26,417	54%
Support services	13,764	28%	12,961	27%	13,059	27%	13,314	28%	13,963	28%
Food services	1,297	3%	1,203	3%	1,210	3%	1,257	3%	1,264	3%
Athletics	788	2%	841	2%	853	2%	827	2%	858	2%
Latchkey	426	1%	427	1%	435	1%	408	1%	464	1%
Debt service	5,253	11%	5,332	11%	5,099	11%	5,088	11%	5,132	10%
Capital outlay	739	2%	1,135	2%	1,028	2%	1,354	3%	990	2%
Community services	40	0%	31	0%	58	0%	54	0%	40	0%
<i>Total</i>	<u>\$48,715</u>	<u>100%</u>	<u>\$47,969</u>	<u>100%</u>	<u>\$48,071</u>	<u>100%</u>	<u>\$48,406</u>	<u>100%</u>	<u>\$49,128</u>	<u>100%</u>

Capital Assets

At June 30, 2018, the District had \$54.7 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and adjustments) of approximately \$1.6 million or (2.8%), from last year.

	<i>(in millions)</i>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Land and improvements	\$ 5.3	\$ 5.4	\$ 5.3	\$ 5.3	\$ 5.3
Buildings	89.7	90.8	91.6	92.6	93.1
CIP	1.1	0.8	0.5	0.4	0.9
Buses and other vehicles	3.9	3.9	4.0	4.0	3.7
Furniture and equipment	4.5	4.5	4.5	4.6	4.6
<i>Total Capital Assets</i>	<u>104.6</u>	<u>105.4</u>	<u>106.0</u>	<u>106.9</u>	<u>107.6</u>
Less: Accumulated depreciation	<u>(44.2)</u>	<u>(46.4)</u>	<u>(48.5)</u>	<u>(50.6)</u>	<u>(52.9)</u>
NET CAPITAL ASSETS	<u>\$ 60.4</u>	<u>\$ 59.0</u>	<u>\$ 57.5</u>	<u>\$ 56.3</u>	<u>\$ 54.7</u>

We present more detailed information about our capital assets in the notes to the financial statements.

Debt Administration

At the end of the fiscal year, the District had \$12.2 million in bonds outstanding versus \$15.6 million in the previous year. Principal payments totaling \$4.6 million were made on 2005/2015 and 2009 Debt Issues.

	2014	2015	2016	2017	2018
2005 Refund Bonds	\$ 19,885,000	\$ -	\$ -	\$ -	\$ -
2009 Capital Projects Bond	7,435,000	6,825,000	6,195,000	5,505,000	4,740,000
2015 Bus Bond and Refunding Bonds	-	17,560,000	13,890,000	10,130,000	6,320,000
2018 Bus Bond, Series II	-	-	-	-	1,180,000
<i>Total</i>	<u>\$ 27,320,000</u>	<u>\$24,385,000</u>	<u>\$20,085,000</u>	<u>\$15,635,000</u>	<u>\$12,240,000</u>

The District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that can be issued to 15 percent of the assessed value of all taxable property within the District's boundaries. If the District issues "qualified debt," (i.e., debt backed by the State of Michigan) such obligations are not subject to this debt limit. The District's outstanding unqualified general obligation debt of \$12.2 million is significantly below the statutorily imposed limit.

Other obligations of the District at June 30, 2018, include employee-compensated absences, unamortized bond premium, and Voluntary Severance totaling approximately \$966,578. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Changes from Original to Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget prior to July 1, the start of the fiscal year before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets as actual enrollments and resultant staffing requirements are known. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>% Variance</u>
Revenues	\$40,394,387	\$40,744,199	0.9%
Expenditures	\$40,861,557	\$41,313,613	1.1%

General Fund Budgetary Highlights

General Fund Revenues

Any variance between the actual revenues and the original and final revenue budgets are due primarily to the following:

- Changes in property tax values and collections and various property tax appeals necessitated an adjustment to the budgeted amount for property tax revenue. In general, the amount of taxes abated due to appeals is subsequently paid by the State through the State Aid Fund.
- All adjustments to property tax revenue necessitate adjustments to state source revenue, due to the school funding structure.

- State and federal grant budgets were adjusted from original estimates as actual grant allocations became available.
- Actual pupil enrollment levels for the fall count in relation to estimates used in preparing the original budget.

General Fund Expenditures

Actual expenditures were \$73,958 less than anticipated from the final budget. This amount represents .18% of the total final budgeted expenditures for 2017-18. Actual revenues were \$43,796 more than anticipated, or .11% of the total final budgeted revenues from the final budget.

Economic Factors and Next Year's Budgets and Rates

Our elected Board members and the Administration considered many factors when setting the District's 2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the Foundation Allowance per pupil. The blended count for the 2019 fiscal year will be 90 percent and 10 percent of the October 2018 and the February 2019 student count, respectively. The 2019 fiscal year budget was adopted in June 2018, based on an estimate of student enrollment in the previous February pupil count.

Approximately 48% of total General Fund revenues are from the State's share of the foundation allowance. Under State law, the District cannot assess additional property tax revenue for general operations. As a result, District funding is heavily dependent on the State's ability to fund local operations. Based on early enrollment data at the start of the 2018-19 year, we anticipate that the fall student count will be close to the estimates used in creating the 2019 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the District to amend the budget if actual District resources are not sufficient to fund original appropriations.

However, as the District is facing declining student enrollment and increased expenditures for employee benefits, utilities, and fuel, it has proactively taken several steps to help reduce the effect on its fund balance. These budget reduction measures include but are not limited to: matching staffing levels to student enrollment, reducing utility costs and reducing building and departmental budgets for non-payroll related items.

Since the District's revenue is heavily dependent on State funding and the health of the State School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to Districts. The State periodically holds revenue-estimating conferences to evaluate its ability to fund its obligations. Should State revenues fall below previous estimates, a State-wide proration of the Foundation Allowance to Districts could occur. If a cut in State Aid funding becomes real, the District would again reevaluate its financial situation and make appropriate budget adjustments to lessen the effect on its operating deficit.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department, 1585 Meisner Road, East China, Michigan 48054-4143.



INDEPENDENT AUDITOR'S REPORT

October 15, 2018

Board of Education
East China School District
1585 Meisner Road
East China, MI 48054

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of EAST CHINA SCHOOL DISTRICT 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East China School District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 13 to the financial statements, in the 2018 fiscal year, the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and *GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. 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 the pension and OPEB schedules on pages i-xiii and 40-43 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 East China School District's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules as listed in the table of contents 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 and the supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018, on our consideration of East China School District'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 East China School District's internal control over financial reporting and compliance.

Respectfully submitted,



MCBRIDE-MANLEY & COMPANY P.C.
Certified Public Accountants

EAST CHINA SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Primary Government	
	Governmental Activities	Total
ASSETS		
<i>Current Assets</i>		
Cash and demand accounts	\$ 3,189,017	\$ 3,189,017
Cash equivalent investments	4,261,851	4,261,851
Due from other governmental units	5,122,425	5,122,425
Miscellaneous receivables	12,837	12,837
Prepaid expenses	55,290	55,290
Total Current Assets	12,641,420	12,641,420
<i>Noncurrent Assets</i>		
Fixed assets net of accumulated depreciation	54,746,793	54,746,793
Total Assets	67,388,213	67,388,213
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated deferred outflows	15,664,910	15,664,910
Total Deferred Outflows of Resources	15,664,910	15,664,910
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	974,382	974,382
Accrued payroll	2,780,761	2,780,761
Accrued expenditures and other	1,370,485	1,370,485
Unearned revenue	189,668	189,668
Accrued interest	62,959	62,959
Current portion of long-term debt	4,725,000	4,725,000
Accrued vacation pay	35,643	35,643
Current portion of accrued voluntary severance pay	100,000	100,000
Total Current Liabilities	10,238,898	10,238,898
<i>Noncurrent Liabilities</i>		
Bonds and loans payable	7,515,000	7,515,000
Unamortized bond premium	386,537	386,537
Accrued sick pay	444,398	444,398
Net pension liability	67,820,078	67,820,078
Net OPEB liability	23,166,145	23,166,145
Total Liabilities	109,571,056	109,571,056
DEFERRED INFLOWS OF RESOURCES		
Aggregated deferred inflows	8,999,822	8,999,822
Total Deferred Inflows of Resources	8,999,822	8,999,822
NET POSITION		
Invested in fixed assets net of related debt	42,120,256	42,120,256
<i>Restricted for:</i>		
Debt retirement	594,024	594,024
Food service	492,079	492,079
Sinking fund projects	743,496	743,496
Capital projects	1,366,674	1,366,674
<i>Unrestricted</i>	(80,834,284)	(80,834,284)
Total Net Position	\$ (35,517,755)	\$ (35,517,755)

EAST CHINA SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 26,150,028	\$ 84,931	\$ 3,159,833	\$ --
Support services	13,594,325	64,969	190,797	--
Food services	1,283,639	576,027	798,787	--
Athletics	824,724	210,092	--	117,226
Latchkey	464,482	562,807	--	--
Bond interest	394,569	--	--	--
Other bond expenditures	51,121	--	--	--
Unallocated portion of depreciation	2,636,483	--	--	--
Community services	20,198	--	--	--
Other	625	--	--	--
Total Governmental Activities	\$ 45,420,194	\$ 1,498,826	\$ 4,149,417	\$ 117,226

General Purpose Revenues and Transfers:

Revenues

Property taxes

Interest and dividend revenue

Local sources

State sources

Premiums charged to other funds

Gains (losses) on sales of fixed assets

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Period - Restated

Net Position at End of Period

Net (Expense) Revenue	
Primary Government	
Governmental Activities	Total
\$ (22,905,264)	\$ (22,905,264)
(13,338,559)	(13,338,559)
91,175	91,175
(497,406)	(497,406)
98,325	98,325
(394,569)	(394,569)
(51,121)	(51,121)
(2,636,483)	(2,636,483)
(20,198)	(20,198)
(625)	(625)
<u>(39,654,725)</u>	<u>(39,654,725)</u>
20,186,161	20,186,161
91,914	91,914
125,723	125,723
21,905,467	21,905,467
253,959	253,959
53,565	53,565
<u>42,616,789</u>	<u>42,616,789</u>
2,962,064	2,962,064
(38,479,819)	(38,479,819)
<u>\$ (35,517,755)</u>	<u>\$ (35,517,755)</u>

EAST CHINA SCHOOL DISTRICT

**Balance Sheet
Governmental Funds
June 30, 2018**

	Debt Service			Capital Projects
	General	Debt Retirement	Sinking	2015 Capital Projects
ASSETS				
Cash and demand accounts	\$ 369,863	\$ 301,304	\$ 261,673	\$ 24,705
Cash equivalent investments	3,161,929	395,158	504,644	200,120
Due from other governmental units	5,082,351	38	5	--
Miscellaneous receivables	4,020	--	--	--
Prepaid expenses	44,640	500	--	--
Due from other funds	129,851	--	--	--
Total Assets	8,792,654	697,000	766,322	224,825
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 8,792,654	\$ 697,000	\$ 766,322	\$ 224,825
LIABILITIES				
Accounts payable	\$ 779,215	\$ 17	\$ 22,826	\$ --
Accrued payroll	2,759,783	--	--	--
Accrued expenditures and other	1,370,485	--	--	--
Unearned revenue	169,594	--	--	--
Due to other funds	--	--	--	--
Total Liabilities	5,079,077	17	22,826	--
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	5,079,077	17	22,826	--
FUND BALANCE				
Nonspendable	44,640	--	--	--
Restricted	--	696,983	743,496	224,825
Committed	25,000	--	--	--
Unassigned	3,643,937	--	--	--
Total Fund Balance	3,713,577	696,983	743,496	224,825
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 8,792,654	\$ 697,000	\$ 766,322	\$ 224,825

2018 Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 1,142,138	\$ 878,506	\$ 2,978,189
--	--	4,261,851
--	40,031	5,122,425
--	8,817	12,837
--	150	45,290
--	1,184	131,035
<u>1,142,138</u>	<u>928,688</u>	<u>12,551,627</u>
--	--	--
<u>\$ 1,142,138</u>	<u>\$ 928,688</u>	<u>\$ 12,551,627</u>
\$ 2,250	\$ 153,646	\$ 957,954
--	20,978	2,780,761
--	--	1,370,485
--	20,074	189,668
--	131,035	131,035
<u>2,250</u>	<u>325,733</u>	<u>5,429,903</u>
--	--	--
<u>2,250</u>	<u>325,733</u>	<u>5,429,903</u>
--	--	44,640
1,139,888	494,040	3,299,232
--	108,915	133,915
--	--	3,643,937
<u>1,139,888</u>	<u>602,955</u>	<u>7,121,724</u>
<u>\$ 1,142,138</u>	<u>\$ 928,688</u>	<u>\$ 12,551,627</u>

EAST CHINA SCHOOL DISTRICT**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018**

Total Fund Balance - Governmental Funds	\$	7,121,724
Net Position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements		204,400
Capital assets are reported as expenditures in the governmental funds; however, these costs are capitalized and depreciated on the Statement of Net Position		54,746,793
Compensated absences for amounts due after one year are accrued in the entity-wide statements but not reflected in the fund level statements. These are expensed as paid in the fund level statements but expensed as incurred in the Statement of Activities		(480,041)
Accrued interest payable is reflected in the entity-wide Statement of Net Position, however, interest expense is recorded when paid in the fund level statements		(62,959)
Long-term liabilities are reflected in Statement of Net Position but are omitted from the fund level Balance Sheets		(12,626,537)
Net pension liability reflected in the government-wide statements but does not qualify for recognition in the fund-level statements		(60,421,194)
Amounts due to employees covered by the District's voluntary severance plan are reflected in the government-wide statements but do not qualify for recognition in the fund-level statements		(100,000)
Net OPEB liability reflected in the government-wide statements but does not qualify for recognition in the fund-level statements		(23,899,941)
Total Net Position-Governmental Funds	\$	(35,517,755)

EAST CHINA SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended June 30, 2018

	Debt Service		Capital Projects	
	General	Debt Retirement	Sinking	2015 Capital Projects
Revenues				
Property taxes	\$ 14,394,264	\$ 5,104,642	\$ 687,255	\$ --
Local sources	421,140	6,840	930	--
State sources	23,562,529	--	--	--
Federal sources	1,475,138	--	--	--
Interdistrict sources	724,614	--	--	--
Interest and dividend revenue	52,432	30,748	4,810	461
Total Revenues	40,630,117	5,142,230	692,995	461
Expenditures				
<i>Current</i>				
Instruction	26,371,614	--	45,032	--
Support services	13,963,459	--	--	--
Food services	--	--	--	--
Athletics	858,303	--	--	--
Latchkey	--	--	--	--
Other	--	--	--	625
Community services	39,691	--	--	--
<i>Debt Service</i>				
Bond principal	--	4,575,000	--	--
Bond interest	--	505,050	--	--
Other bond expenditures	--	11,009	--	--
<i>Capital outlay</i>	5,145	--	431,706	--
Total Expenditures	41,238,212	5,091,059	476,738	625
Excess of Revenues Over (Under) Expenditures	(608,095)	51,171	216,257	(164)
Other Financing Sources (Uses)				
Gains (losses) on sales of fixed assets	53,565	--	--	--
Bond proceeds	--	--	--	--
Premium on bond proceeds	--	16,702	--	--
Transfers from other funds	104,313	--	--	--
Transfers to other funds	(1,443)	--	--	--
Net Other Financing Sources (Uses)	156,435	16,702	--	--
Net Change in Fund Balance	(451,660)	67,873	216,257	(164)
<i>Fund Balance at Beginning of Period</i>	4,165,237	629,110	527,239	224,989
Fund Balance at End of Period	\$ 3,713,577	\$ 696,983	\$ 743,496	\$ 224,825

2018 Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 20,186,161
--	1,256,060	1,684,970
--	56,569	23,619,098
--	742,218	2,217,356
--	--	724,614
--	3,463	91,914
<u>--</u>	<u>2,058,310</u>	<u>48,524,113</u>
--	--	26,416,646
--	--	13,963,459
--	1,264,005	1,264,005
--	--	858,303
--	464,482	464,482
--	--	625
--	--	39,691
--	--	4,575,000
--	--	505,050
40,112	--	51,121
--	553,091	989,942
<u>40,112</u>	<u>2,281,578</u>	<u>49,128,324</u>
<u>(40,112)</u>	<u>(223,268)</u>	<u>(604,211)</u>
--	--	53,565
1,180,000	--	1,180,000
--	--	16,702
--	1,443	105,756
--	(104,313)	(105,756)
<u>1,180,000</u>	<u>(102,870)</u>	<u>1,250,267</u>
<u>1,139,888</u>	<u>(326,138)</u>	<u>646,056</u>
--	929,093	6,475,668
<u>\$ 1,139,888</u>	<u>\$ 602,955</u>	<u>\$ 7,121,724</u>

EAST CHINA SCHOOL DISTRICT**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2018**

Total Net Change in Fund Balances - Governmental Funds	\$ 646,056
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements	(13,786)
Capital assets are reported as expenditures in the governmental funds; however, these costs are capitalized and depreciated on the Statement of Net Position	1,088,192
Loan principal payments are an expenditure in the governmental funds; however, these payments decrease the related liability on the Statement of Net Position	4,670,613
Compensated absences for amounts due after one year are accrued in the entity-wide statements but not reflected in the fund level statements. These are expensed as paid in the fund level statements but expensed as incurred in the Statement of Activities	(6,446)
Accrued interest payable is reflected in the entity-wide Statement of Net Position, however, interest expense is recorded when paid in the fund level statements	14,868
Proceeds of long-term debt treated as revenues in fund level statements are treated as increases to liabilities in entity-wide statements	(1,196,702)
Depreciation expense reflected in Statement of Activities is not reflected in the fund level statements	(2,656,117)
Net pension liability reflected in the government-wide statements but does not qualify for recognition in the fund-level statements	(175,744)
Amounts due to employees covered by the District's voluntary severance plan are reflected in the government-wide statements but do not qualify for recognition in the fund-level statements	100,000
Net OPEB liability reflected in the government-wide statements but does not qualify for recognition in the fund-level statements	491,130
Changes in Net Position-Governmental Funds	\$ 2,962,064

EAST CHINA SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2018

	Governmental Activities Internal Service Funds
	<u> </u>
ASSETS	
<i>Current Assets</i>	
Cash and demand accounts	\$ 210,828
Prepaid expenses	10,000
Total Current Assets	<u>220,828</u>
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	<u> --</u>
Total Deferred Outflows of Resources	<u> --</u>
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	<u>16,428</u>
Total Liabilities	<u>16,428</u>
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	<u> --</u>
Total Deferred Inflows of Resources	<u> --</u>
NET POSITION	
<i>Unrestricted</i>	<u>204,400</u>
Total Net Position	<u>\$ 204,400</u>

EAST CHINA SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2018

	Governmental Activities Internal Service Funds
Operating Revenues	
Premiums charged to other funds	\$ 253,959
<i>Total Operating Revenues</i>	<u>253,959</u>
Operating Expenses	
Instruction	267,745
<i>Total Operating Expenses</i>	<u>267,745</u>
<i>Operating Income (Loss)</i>	<u>(13,786)</u>
<i>Change In Net Position</i>	(13,786)
<i>Net Position at Beginning of Period</i>	<u>218,186</u>
<i>Net Position at End of Period</i>	\$ 204,400

EAST CHINA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Governmental Activities Internal Service Funds
Cash Flows From Operating Activities:	
Premiums charged to other funds	\$ 254,719
Payments for claims	<u>(264,818)</u>
Net Cash Provided By (Used In) Operating Activities	<u>(10,099)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>(10,099)</u>
Cash and Cash Equivalents at Beginning of Period	<u>220,927</u>
Cash and Cash Equivalents at End of Period	<u>\$ 210,828</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Operating income (loss)	\$ (13,786)
<i>Change in assets and liabilities:</i>	
Due from other funds	760
Accounts payable	<u>2,927</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (10,099)</u>

EAST CHINA SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	<u>Agency</u>
	<u>Internal Activities</u>
ASSETS	
Cash and demand accounts	\$ 88,247
Cash equivalent investments	465,043
Miscellaneous receivables	4,734
Total Assets	<u>558,024</u>
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Deferred Outflows of Resources	<u>--</u>
LIABILITIES	
Accounts payable	31,667
Due to student groups	525,705
Due to other funds	652
Total Liabilities	<u>558,024</u>
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	<u>--</u>
NET POSITION	
Held in Trust	<u>\$ --</u>

EAST CHINA SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

General Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local sources	\$ 15,055,023	\$ 14,921,472	\$ 14,867,836	\$ (53,636)
State sources	22,987,204	23,457,084	23,562,529	105,445
Federal sources	1,525,514	1,464,670	1,475,138	10,468
Interdistrict sources	711,646	743,573	724,614	(18,959)
Total Revenues	40,279,387	40,586,799	40,630,117	43,318
Other Financing Sources				
Gain on sales of fixed assets	10,000	52,400	53,565	1,165
Transfers from other funds	105,000	105,000	104,313	(687)
Total Revenues and Other Financing Sources	40,394,387	40,744,199	40,787,995	43,796
Expenditures				
Elementary instruction	8,905,187	9,279,118	9,270,093	9,025
Middle school instruction	5,485,621	5,718,520	5,671,841	46,679
Senior high instruction	7,357,174	7,486,134	7,466,236	19,898
Special education instruction	2,930,400	2,532,392	2,505,227	27,165
Compensatory education instruction	1,159,252	1,044,852	1,199,497	(154,645)
Vocational education instruction	17,000	17,000	16,932	68
Other added needs instruction	300,309	227,547	241,788	(14,241)
Pupil services	2,352,993	2,780,910	2,713,134	67,776
Instructional staff services	1,416,987	1,325,881	1,280,399	45,482
General administration	378,279	355,246	348,661	6,585
School administration	2,993,132	3,147,895	3,161,172	(13,277)
Fiscal services	455,509	461,285	452,616	8,669
Internal services	27,950	27,950	18,778	9,172
Operations and maintenance	3,450,122	3,430,623	3,441,733	(11,110)
Pupil transportation	1,701,406	1,601,810	1,567,839	33,971
Central services	1,021,781	1,012,723	984,272	28,451
Community services	57,406	14,680	39,691	(25,011)
Athletics	851,049	849,047	858,303	(9,256)
Total Expenditures	40,861,557	41,313,613	41,238,212	75,401
Other Financing Uses				
Transfers to other funds	--	--	1,443	(1,443)
Total Expenditures and Other Financing Uses	40,861,557	41,313,613	41,239,655	73,958
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(467,170)	(569,414)	(451,660)	117,754
Net Change in Fund Balance	(467,170)	(569,414)	(451,660)	117,754
Fund Balance at Beginning of Period	4,165,237	4,165,237	4,165,237	--
Fund Balance at End of Period	\$ 3,698,067	\$ 3,595,823	\$ 3,713,577	\$ 117,754

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ENTITY AND ITS OPERATIONS

East China School District covers an area of 122 square miles. The District operates under an elected seven-member board and provides K-12 educational services to its students, approximately 4,200.

REPORTING ENTITY

The financial reporting entity consists solely of East China School District. The financial reporting entity generally consists of (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria for determining the inclusion of a related entity are the makeup of its governing body, legal status, degree of fiscal independence, the primary entity's ability to appoint a voting majority of its governing body, or to impose its will, and the potential for benefit or burden. Certain other organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization would be reported as a component unit of the reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Using this criteria, no component units have been identified.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and state aid, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

The proprietary fund is an internal service fund that is consolidated as part of the governmental activities in the government-wide statements.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary (internal service) and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes and other revenues are recognized in the accounting period when they become measurable and available to finance operations. Properties are assessed as of December 31, and the related property taxes are levied and become a lien on December 1 of the following year. These taxes are due on February 15 or March 1, based upon the local taxing unit, with a final collection date of April 1, before they are delinquent, and added to the county tax rolls.

The District reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local District. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Debt Retirement Fund - This fund is used to record tax and interest revenue and the payment of interest, principal, and other expenses on long-term debt. There is only one fund of this type; therefore, combining statements are not presented.

2015 and 2018 Capital Projects Funds - These funds are used to record bond proceeds and interest revenue and capital outlay expenditures incurred by the District. These funds are presented separately; therefore, combining statements are not presented.

Sinking Fund - This fund is used to record tax and interest revenue and major repair and capital outlay expenditures incurred by the District. There is only one fund of this type; therefore, combining statements are not presented.

Additionally, the District reports the following fund types:

Internal Service Fund - The Internal Service Fund is used to account for the cost of certain claims under the District's dental plans.

Special Revenue Funds - These are used to account for specific revenue sources that are restricted for expenditures for specified purposes. The three special revenue funds of the District are the Latchkey Fund, Cafeteria Fund, and 2017 Capital Projects Fund.

Agency Fund - This is used to account for assets held by the District as an agent for student clubs and other activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for functions of the District when eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Residual balances between the business-type activities and the governmental activities are reported as "internal balances."

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to other funds for benefit claims. Operating expenses for proprietary funds include the cost of self-insuring specified risks. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCE

DEPOSITS AND INVESTMENTS

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. The governmental pool investment funds are valued at cost which approximates fair value. The governmental pool investment funds have the general characteristics of demand deposit accounts, and are reported as cash equivalent investments.

RECEIVABLES AND PAYABLES

In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of allowance for uncollectible amounts. At year end, no amounts are considered uncollectible.

INVENTORY AND PREPAID ITEMS

Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. 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 property, buildings, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Assets are depreciated using the straight-line method over the following useful lives:

<u>Asset Type</u>	<u>Life</u>
Buildings and Additions	15-50 years
Office Equipment	10-15 years
Computer Equipment	5 years
Vehicles	8 years

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COMPENSATED ABSENCES

The District accrues the liability for future vacation, sick, and other leave benefits that are attributable to employee services already rendered if this obligation relates to vested obligations, the payment of which is probable and can be reasonably estimated. Vacation benefits are treated as current, as they are payable within one year.

All vacation and vested sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

VOLUNTARY SEVERANCE PLAN

The District has implemented a Voluntary Severance Plan (VSP) during the 2017 fiscal year. The plan requires employees who opt into the plan to relinquish their contractual rights and continued employment with the District. The District recognizes a liability and expense for voluntary termination benefits on the entity-wide financial statements when the employees accept the offer and the amounts can be reasonably estimated. For the fund-level statements, the VSP liability is recognized in the period the liability matures and is expected to be liquidated with expendable financial resources.

PENSION

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

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

UNEARNED / UNAVAILABLE REVENUE

Governmental funds report a deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also have unearned revenue 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/unavailable revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund - Grants	\$ --	\$ 169,594
Non-Major Funds - Other	--	20,074
Total	<u>\$ --</u>	<u>\$ 189,668</u>

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any amounts that qualify to be reported as deferred outflows of resources on a modified-accrual basis. See Notes 8 and 9 for details on deferred outflows for pension and other post employment benefit costs.

In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District does not have any amounts that qualify to be reported as deferred inflows of resources on a modified-accrual basis. See Notes 8 and 9 for details on deferred inflows for pension and other post employment benefit costs.

FUND BALANCE/EQUITY

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Nonspendable fund balance represents amounts that are not expected to be converted to cash, such as inventories or prepaid amounts. Restrictions of fund balance represents amounts that can only be used for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints. Commitments of fund balance represent amounts committed by the District's highest level of decision-making authority and require a Board resolution. Assignments of fund balance represent tentative management plans that are subject to change. Management's authority to create these assignments are created by the Board of Education.

It is the policy of the District to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Committed or assigned amounts are considered to have been spent when an expenditure is incurred for the purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a generally accepted accounting principles basis. The approved budgets, as amended, of the District for these budgetary funds were adopted to the functional level and are shown in the supplemental schedules to this statement. Budget amendments require approval from the Board of Education. Actual expenditures exceeding those budgeted are as follows:

<u>General Fund:</u>		<u>Cafeteria Fund:</u>	
Compensatory education instruction	\$ 154,645	Salaries and fringes	\$ 4,866
Other added needs instruction	14,241	Purchased services	13,257
School administration	13,277	Commodities	7,535
Operations and maintenance	11,110		
Community services	25,011	<u>Latchkey Fund:</u>	
Athletics	9,256	Salaries and fringes	2,219
Transfers	1,443	Supplies, materials and other	3,555
		Capital outlay	973

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 3: CASH AND INVESTMENTS

DEPOSITS

Governing statutes allow the District to make various investments with public monies including, but not limited to, the following:

1. Direct bonds and obligations of the U.S., its agencies or instrumentalities.
2. Certificates of deposit, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency and authorized to operate in the state.
3. Commercial paper rated prime at the time of purchase and matures not later than 270 days after purchase.
4. U.S. or agency repurchase agreements.
5. Mutual funds or investment pools composed entirely of investments which school districts can make directly.
6. Bankers' acceptances of a bank that is a member of the Federal Deposit Insurance Corporation.
7. Certificate of Deposit Account Registry's (CDARS) held by an eligible financial institution as custodian for the District.

Deposits and investments with maturity dates within one year of the date acquired are carried at cost. Investments with a maturity date more than one year from the date of acquisition are recorded at fair market value.

The deposits and investments of the District are not limited beyond statutory authority and are in compliance at year end.

Deposits and investments are recorded at cost. The carrying amounts are included on the balance sheet as "Cash and demand accounts," "Cash equivalent investments," and "Restricted cash."

The District's cash deposits are as follows:

Total governmental funds	\$ 7,240,040
Total proprietary funds	210,828
Total fiduciary funds	553,290
Less: cash on hand	(3,624)
Total Deposits	\$ 8,000,534

Deposits and investments at the balance sheet date consisted of the following:

<u>Deposits</u>	<u>Insured (FDIC)</u>	<u>Uninsured and Uncollateralized</u>	<u>Carrying Amount</u>	<u>Bank Balance/ Market Value</u>
Demand deposits	\$ 250,000	\$ 3,589,611	\$ 3,273,640	\$ 3,839,611
Savings and CD's	--	4,731,628	4,726,894	4,731,628
Total Cash	\$ 250,000	\$ 8,321,239	\$ 8,000,534	\$ 8,571,239

INTEREST RATE RISK

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy contains specific objectives regarding safety of principal, maintenance of liquidity, and yield/return on investment. The safety of principal objective, identified as the foremost of these objectives, provides guidelines for minimizing custodial credit risk, concentration credit risk, and investment rate risk.

CREDIT RISK

Statutes limit investments as stated above. The District's investment policy does limit its investment choices beyond the statute. The authority to make investment decisions has been granted to the Executive Director for Finance.

CONCENTRATION OF CREDIT RISK

The District places no limit on the amount that it may invest in any one issuer.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a deposit policy for custodial credit risk. As of year end, \$8,321,239 of the District's bank balance of \$8,571,239 was exposed to custodial credit risk because it was uninsured or uncollateralized.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 3: CASH AND INVESTMENTS (Continued)

Custodial credit risk for investments 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 does not have exposure to this type of risk.

NOTE 4: CAPITAL ASSETS

A summary of changes in governmental fixed assets follows:

	Balance 07/01/2017	Completed Construction in Progress	Additions	Disposals	Balance 06/30/2018
Land	\$ 608,520	\$ --	\$ --	\$ --	\$ 608,520
Land improvements	4,652,079	--	8,920	--	4,660,999
Buildings	92,110,176	484,356	528,935	--	93,123,467
Construction in progress	403,758	(162,840)	545,192	--	786,110
Construction in process – Temporary	449,282	(321,516)	--	--	127,766
Infrastructure	56,088	--	--	--	56,088
Furniture and equipment	4,590,850	--	5,145	--	4,595,995
Licensed vehicles	4,040,744	--	--	(323,344)	3,717,400
Total Capital Assets	106,911,497	--	1,088,192	(323,344)	107,676,345
Accumulated Depreciation	(50,596,779)	--	(2,656,117)	323,344	(52,929,552)
Total Carrying Value of Fixed Assets	<u>\$ 56,314,718</u>	<u>\$ --</u>	<u>\$ (1,567,925)</u>	<u>\$ --</u>	<u>\$ 54,746,793</u>

The above amounts include land with a cost of \$608,520 not subject to depreciation.

Governmental activity depreciation, included on the Statement of Activities, was allocated as follows:

Food Service	\$ 19,634
Unallocated	2,636,483
Total	<u>\$ 2,656,117</u>

NOTE 5: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The amounts of interfund receivables and payables are as follows:

Fund	Receivable	Fund	Payable
General	<u>\$ 123,617</u>	Cafeteria	<u>\$ 123,617</u>
General	<u>\$ 6,234</u>	Latchkey	<u>\$ 6,234</u>
General *	<u>\$ 652</u>	Internal Activities	<u>\$ 652</u>
Cafeteria	<u>\$ 1,184</u>	Latchkey	<u>\$ 1,184</u>

* Amounts treated as cash

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 5: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
		Cafeteria	\$ 24,313
		Latchkey	80,000
General	<u>\$ 104,313</u>		<u>\$ 104,313</u>
Cafeteria	<u>\$ 1,443</u>	General	<u>\$ 1,443</u>

The above transfers were made to provide various permissible interfund subsidies and reimbursements.

NOTE 6: FUND BALANCE CLASSIFICATIONS

<u>Fund:</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General				
Prepaid expenses	\$ 44,640	\$ --	\$ --	\$ --
Building improvements	--	--	25,000	--
Debt Retirement				
Debt retirement	--	696,983	--	--
Sinking Fund				
Sinking fund projects	--	743,496	--	--
Latchkey				
Latchkey operations	--	--	108,915	--
Cafeteria Fund				
Cafeteria operations	--	492,079	--	--
2015 Capital Projects				
Capital projects	--	224,825	--	--
2017 Capital Projects				
Capital projects	--	1,961	--	--
2018 Capital Projects				
Capital projects	--	1,139,888	--	--
Total	<u>\$ 44,640</u>	<u>\$ 3,299,232</u>	<u>\$ 133,915</u>	<u>\$ --</u>

The District has a minimum fund balance policy equal to 10% of budgeted expenditures adopted by the Board of Education. Of the \$3,643,937 unassigned fund balance reported in the governmental funds balance sheet, \$4,131,361 is the minimum required fund balance under this policy, leaving a deficiency of \$487,424.

NOTE 7: LONG-TERM DEBT

The District issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Certain contractual agreements and installment purchase agreements are also general obligations of the District.

CHANGES IN INDEBTEDNESS BY FUND TYPE

	<u>Payable at</u> <u>07/01/17</u>	<u>Increase</u>	<u>Decrease</u>	<u>Payable at</u> <u>06/30/18</u>	<u>Due Within</u> <u>One Year</u>
Total Governmental					
Activities Indebtedness	<u>\$ 16,100,448</u>	<u>\$ 1,196,702</u>	<u>\$ 4,670,613</u>	<u>\$ 12,626,537</u>	<u>\$ 4,821,916</u>

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 7: LONG-TERM DEBT (Continued)

CHANGES IN INDEBTEDNESS BY TYPE

	Payable at 07/01/17	Increase	Decrease	Payable at 06/30/18	Due Within One Year
General Obligation:					
General obligation bonds	\$ 15,635,000	\$ 1,180,000	\$ 4,575,000	\$ 12,240,000	\$ 4,725,000
Unamortized bond premium	465,448	16,702	95,613	386,537	96,916
Total General Obligation	<u>\$ 16,100,448</u>	<u>\$ 1,196,702</u>	<u>\$ 4,670,613</u>	<u>\$ 12,626,537</u>	<u>\$ 4,821,916</u>

The general obligation bonds listed above are generally retired by the Debt Retirement Fund. All other long-term liabilities are retired by the General Fund. Complete details of the District's outstanding indebtedness are presented on the Schedule of Bonded Indebtedness.

SUMMARY OF INDEBTEDNESS

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
General Obligations				
2009 School Building And Improvement Bonds	1	3.0-4.0%	2021	\$ 4,740,000
2009 Bond Premium	N/A	N/A	2021	9,087
2015 School Bus, Series I And Refunding Bonds	1	2.5-3.0%	2022	6,320,000
2015 Bond Premium	N/A	N/A	2022	361,146
2018 School Bus, Series II Bonds	1	3.0%	2025	1,180,000
2018 Bond Premium	N/A	N/A	2025	16,304
Total General Obligations				<u>\$ 12,626,537</u>

In addition to bonds payable, the District has the following long term liabilities:

Description	Balance at 07/01/2017	Balance at 06/30/2018
Compensated absences	\$ 442,806	\$ 480,041
Net pension liability	See Note 8	See Note 8
Voluntary severance payments	\$ 200,000	\$ 100,000
Net OPEB liability	See Note 13	See Note 9

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

Year Ending June 30	Governmental Activities	
	General Obligation Bonds	
	Principal	Interest
2019	\$ 4,725,000	\$ 413,125
2020	3,105,000	263,650
2021	3,285,000	151,400
2022	615,000	33,750
2023	170,000	15,300
2024 - 2028	340,000	15,300
	<u>\$ 12,240,000</u>	<u>\$ 892,525</u>

EAST CHINA SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2018

NOTE 7: LONG-TERM DEBT (Continued)

Total interest expense for the District for the year was \$394,569. This has been included in the functional expenses in the Statement of Activities.

NOTE 8: DEFINED BENEFIT PENSION PLAN

PLAN DESCRIPTION

Substantially all of the District's employees are covered by The Michigan Public School Employees' Retirement System (MPERS). 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. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the system's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available at: www.michigan.gov/orsschools.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

PLAN BENEFITS

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 the eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

PLAN CONTRIBUTIONS / FUNDING

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20 year period for the 2016 fiscal year.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

Additionally, the State of Michigan provides section 147(c) money from the State Aid fund which is required to be remitted to MPERS for pension on OPEB payments. Annually, the Office of Retirement Services (ORS) determines how these funds should be allocated between OPEB and pension obligations. For the September 30, 2017, plan year, 72.88% of the 147(c) funds received by the District have been allocated to pension. For the September 30, 2018 plan year, the percentage allocated to pension was increased to 100%. Accordingly, 100% of the amounts received after September 30, 2017, have been included as deferred inflows and outflows of resources.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Pension Contribution Rates

Benefit Structure	Member	Employer	
		Universities	Non-Universities
Basic	0.0 - 4.0 %	23.05%	19.03 %
Member Investment Plan (MIP)	3.0 - 7.0	23.05	19.03
Pension Plus	3.0 - 6.4	N/A	18.40
Defined Contribution	0.0	18.75	15.27

Required contributions to the pension plan from East China School District were \$6,138,479 for the year ended September 30, 2017.

MEASUREMENT OF THE MPERS NET PENSION LIABILITY

The plan's net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

MPERS (PLAN) NET PENSION LIABILITY – NON-UNIVERSITY AS OF SEPTEMBER 30, 2017 (in thousands)

Total Pension Liability	\$ 72,407,219
Plan Fiduciary Net Position	(46,492,968)
Net Pension Liability	<u>\$ 25,914,251</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.21%
Net Pension Liability as Percentage of Covered-Employee Payroll	309.13%

PROPORTIONATE SHARE OF REPORTING UNIT'S NET PENSION LIABILITY

At June 30, 2018, the District reported a liability of \$67,820,078 for its proportionate share of the 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. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.26170958 percent, which was a decrease of 0.0021139 percent from its proportion measured as of September 30, 2016.

LONG-TERM EXPECTED RETURN ON PLAN ASSETS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

<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	<u>2.0</u>	(0.9)
Total	<u>100%</u>	

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

RATE OF RETURN

For the fiscal year ended September 30, 2017, the annual money weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

DISCOUNT RATE

A discount rate of 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.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the District's proportionate share of the net pension liability, calculated using a discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)*	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)*	1% Increase (Non-Hybrid/Hybrid)*
<u>6.5% / 6.0%</u>	<u>7.5% / 7.0%</u>	<u>8.5% / 8.0%</u>
\$88,347,004	\$67,820,078	\$50,537,713

* University employers provide non-hybrid plans only. For non-university employers, the Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

TIMING OF THE VALUATION

An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures.

ACTUARIAL VALUATIONS AND ASSUMPTIONS

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid):	7.5%
- Pension Plus Plan (Hybrid)	7.0%
Projected Salary Increases:	3.5 – 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	- RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the system. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

- NOTES:
- 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 the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
 - Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188.
 - Recognition period for assets in years is 5.0000.
 - Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report. (www.michigan.gov/orsschools)

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2018, the District recognized total pension expense of \$6,430,003. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 589,403	\$ 332,779
Changes of assumptions	7,430,228	--
Net difference between projected and actual earnings on pension plan investments	--	3,242,246
Changes in proportion and differences between employer contributions and proportionate share of contributions	60,798	1,428,914
Employer contributions subsequent to the measurement date	4,322,394	--
Section 147(c) of State Aid payments received subsequent to the measurement date	3,212,699	3,212,699
Total	<u>\$ 15,615,522</u>	<u>\$ 8,216,638</u>

\$4,322,394 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. Section 147(c) deferred inflow and outflow of \$3,212,699 will also be recognized in the year ended June 30, 2019. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows and Deferred Inflows of
Resources by Year to be Recognized in
Future Pension Expenses

Plan Year Ending <u>September 30</u>	Net Deferred Inflows of <u>Resources</u>
2018	\$ 635,885
2019	1,850,869
2020	790,532
2021	(200,796)

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) FIDUCIARY NET POSITION
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR available at www.michigan.gov/mpsers-cafr.

PAYABLES TO THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS)
As of June 30, 2018, there were no amounts due to MPSERS for employee or employer contributions.

EAST CHINA SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2018

NOTE 9: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (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 and payable in accordance with the benefit terms. Investments are reported at fair value.

PLAN BENEFITS

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

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

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

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 9: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

PLAN CONTRIBUTIONS/FUNDING

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

Additionally, the State of Michigan provides section 147(c) money from the State Aid fund which is required to be remitted to MPERS for pension and OPEB payments. Annually, the Office of Retirement Services (ORS) determines how these funds should be allocated between OPEB and pension obligations. For the September 30, 2017, plan year, 27.12% of the 147(c) funds received by the District have been allocated to OPEB. For the September 30, 2018 plan year, the percentage allocated to OPEB was 0%. Accordingly, none of the amounts received after September 30, 2017, have been included as deferred inflows and outflows of resources related to the net OPEB liability.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>	
		Universities	Non-Universities
Premium Subsidy	3.00 %	7.36 %	5.91 %
Personal Healthcare Fund (PHF)	0.00	6.98	5.69

Required contributions to the OPEB plan from East China School District were \$2,036,686 for the year ended September 30, 2017.

MEASUREMENT OF THE MPERS (PLAN) NET OPEB LIABILITY

The net OPEB liability is to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the fair value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

MPERS (PLAN) NET OPEB LIABILITY - NON-UNIVERSITY AS OF SEPTEMBER 30, 2017 (in thousands)

Total OPEB Liability	\$ 13,920,946
Plan Fiduciary Net Position	(5,065,475)
Net OPEB Liability	<u>\$ 8,855,471</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	36.39%
Net OPEB Liability as Percentage of Covered-Employee Payroll	105.64%

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 9: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

PROPORTIONATE SHARE OF REPORTING UNIT'S NET OPEB LIABILITY

At June 30, 2018, the District reported a liability of \$23,166,145 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. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, East China School District's proportion was 0.26160263 percent which was an increase of .004557633 percent from its proportion measured as of October 1, 2016.

LONG-TERM EXPECTED RETURN ON PLAN ASSETS

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, 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	<u>100%</u>	

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

RATE OF RETURN

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

DISCOUNT RATE

A discount rate of 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.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 9: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

SENSITIVITY OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	Current Single Discount Rate Assumption	
1% Decrease		1% Increase
<u>6.5%</u>	<u>7.5%</u>	<u>8.5%</u>
\$27,134,252	\$23,166,145	\$19,798,465

SENSITIVITY OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TO HEALTHCARE COST TREND RATE

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

	Current Healthcare Cost Trend Rate Assumption	
1% Decrease		1% Increase
<u>6.5%</u>	<u>7.5%</u>	<u>8.5%</u>
\$19,618,611	\$23,166,145	\$27,194,123

TIMING OF THE VALUATION

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the OPEB plan's fiscal year end.

The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures.

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.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 9: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5 - 12.3% including wage inflation at 3.5%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the tables were used for females.
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.
Notes:	<p>Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.</p> <p>Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744</p> <p>Recognition period for assets in years is 5.0000</p> <p>Full actuarial assumptions are available in the 2017 MPERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.</p>

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 9: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ending June 30, 2018, the District recognized OPEB expense of \$1,549,966. At June 30, 2018, the District 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	\$ --	\$ 246,651
Changes of assumptions	--	--
Net difference between projected and actual earnings on OPEB plan investments	--	536,533
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,965	--
Employer contributions subsequent to the measurement date	47,423	--
Total	<u>\$ 49,388</u>	<u>\$ 783,184</u>

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 Outflows and Deferred Inflows of
Resources by Year to be Recognized in
Future OPEB Expenses

<u>Plan Year Ending September 30</u>	<u>Net Deferred Inflows of Resources</u>
2018	\$ (188,819)
2019	(188,819)
2020	(188,819)
2021	(188,819)
2022	(25,943)

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.

PAYABLES TO THE OPEB PLAN

As of June 30, 2018, there were no amounts due to MPSERS for employee or employer contributions.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 10: BONDED CONSTRUCTION AND SINKING FUNDS

The 2015 Capital Projects Fund and 2018 Capital Projects Fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of section 1351a of the Revised School Code.

The Sinking Fund capital projects fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of section 1212 of the Revised School Code.

NOTE 11: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has established a limited risk management program for prescription drug and dental coverages. Premiums are paid into the internal service fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. These interfund premiums are used to reduce the amount of claim expenses reported in the internal service fund.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Settlements have not exceeded coverages for each of the past three fiscal years.

During the current fiscal year, the District received an insurance recovery for \$98,250 related to damage to the pool at St. Clair High School. These proceeds have been presented net of the related expenditures in the government-wide and fund-level financial statements.

NOTE 12: TAX ABATEMENTS

Tax abatements are a reduction in tax revenues between one or more governments and an individual or entity where the individual or entity promises to take a specific action after the agreement, contributes to the economic development, or otherwise benefits the government or citizens of the government.

As of June 30, 2018, East China School District had property taxes reduced under the following tax abatement programs:

WATER POLLUTION CONTROL EXEMPTION

The Water Pollution Control Exemption, PA 451 of 1994, Part 37, as amended, affords a 100% property and sales tax exemption to facilities that are designed and operated primarily for the control, capture and removal of industrial waste from the water. After review by the Property Services Division and the Department of Environmental Quality, a recommendation is made to the State Tax Commission (STC) regarding the qualification of the application. The STC is responsible for final approval and issuance of certificates. Exemptions are effective until revoked by the State Tax Commission.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 12: TAX ABATEMENTS (Continued)

For the year ended June 30, 2018, the District's property taxes were reduced by the State of Michigan \$2,269,180 under this program from the following municipalities:

<u>City/Township</u>	<u>Amount of Abatement</u>
China Township	\$ 1,359,804
East China Township	859,852
City of St. Clair	49,524
Total taxes abated under Water Pollution Program	<u>\$ 2,269,180</u>

School operating taxes are reimbursed by the State of Michigan through the State Aid Formula. Therefore, approximately \$1.9 million has been reimbursed to the District through State Aid distributions.

AIR POLLUTION CONTROL EXEMPTION

The Air Pollution Control Exemption, PA 451 of 1994, Part 59, as amended, affords a 100% property and sales tax exemption to facilities that are designed and operated primarily for the purpose of controlling or disposing of air pollution that, if released, would render the air harmful or inimical to the public health or property within the State of Michigan. After review by the Property Services Division and the Department of Environmental Quality, a recommendation is made to the State Tax Commission (STC) regarding the qualification of the application. The STC is responsible for the final approval and issuance of certificates. Exemptions are effective until revoked by the State Tax Commission.

For the year ended June 30, 2018, the District's property taxes were reduced by the State of Michigan \$17,299,494 under this program from the following municipalities:

<u>City/Township</u>	<u>Amount of Abatement</u>
China Township	\$ 7,746,753
East China Township	9,491,261
City of St. Clair	61,480
Total taxes abated under Air Pollution Program	<u>\$ 17,299,494</u>

School operating taxes are reimbursed by the State of Michigan through the State Aid Formula. Therefore, approximately \$14.6 million has been reimbursed to the District through State Aid distributions.

INDUSTRIAL FACILITIES EXEMPTION

Municipalities within the District boundaries entered into property tax abatement agreements with local businesses under the Plan Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. The IFT on a new plant and non-industrial property, such as some high tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year ended June 30, 2018, the District's property taxes were reduced by \$772,583 from the following municipalities:

<u>City/Township</u>	<u>Amount of Abatement</u>
Cottrellville Township	\$ 16,476
City of St. Clair	32,368
China Township	4,216
City of Marysville	712,822
City of Marine City	3,819
St. Clair Township	2,882
Total taxes abated under IFT program	<u>\$ 772,583</u>

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 12: TAX ABATEMENTS (Continued)

School operating taxes are reimbursed by the State of Michigan through the State Aid Formula. Therefore, approximately \$701,000 has been reimbursed to the District through State Aid distributions.

NOTE 13: CHANGE IN ACCOUNTING METHOD

GASB 75 - OPEB

During the fiscal year, the District adopted Governmental Accounting Standards Board (GASB) *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement requires all governments providing other postemployment benefits (OPEB) to recognize a liability for the net OPEB liability on the entity-wide statements, as well as provide additional disclosures and required supplementary information (RSI) to provide financial statement users with a better understanding of the impact this liability has on the District. See Note 9 for additional information regarding how the net OPEB liability, related expense, and deferred inflows and outflows are recognized. This statement also required the District to report the net OPEB liability on the entity-wide financial statements and requires restatement of the prior year net position for the beginning net OPEB obligation. As a result of the change in accounting principle, the beginning net position of the District has been decreased for the following adjustments:

	Governmental Funds	Total
Net OPEB liability at 06/30/2017 per Office of Retirement Services (ORS)	\$ (24,435,151)	\$ (24,435,151)
Deferred outflow for employer contributions made after the measurement date	44,079	44,079
Deferred outflow for Section 147(c) payments related to OPEB	749,412	749,412
Deferred inflow for Section 147(c) payments related to OPEB	<u>(749,412)</u>	<u>(749,412)</u>
Decrease in net position for 06/30/2017	(24,391,072)	(24,391,072)
Net position at 06/30/2017, as originally presented	<u>(14,088,747)</u>	<u>(14,088,747)</u>
Restated Net position at 06/30/2017	<u>\$ (38,479,819)</u>	<u>\$ (38,479,819)</u>

GASB 88 - DEBT DISCLOSURES

The District also adopted *GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year. The new standard improves financial reporting by creating more consistency between governments on what is reported as long term debt. These disclosures have been included in Note 7. This standard does not change the District's net assets of the current or prior period financial statements.

NOTE 14: UPCOMING REPORTING CHANGES

In 2017, the Governmental Accounting Standards Board (GASB) issued *Statement No. 87, Leases*. This statement requires a lessee to recognize a lease liability and a right-to-use asset for leases previously classified as operating leases. The Statement was issued to better meet the information needs of financial statement users by improving the accounting and financial reporting for leases by governments. It also establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset and enhances the relevance and consistency of information about governments' leasing activities. The District is currently evaluating the impact the new standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the 2020-2021 fiscal year.

The GASB has also issued *Statement No. 84, Fiduciary Activities* in 2017. This Statement establishes criteria for all fiduciary activities of all state and local governments and provides guidance for proper treatment of these activities. The Michigan Department of Education (MDE) has indicated it will issue guidance for Districts to consider for their student activity funds when evaluating the impacts of *GASB Statement No. 84*. Accordingly, the District will evaluate the impact the new standard will have on the financial statements when MDE has issued their guidance for applying this standard to Michigan School Districts. The provisions of this statement are effective for financial statements for the 2019-2020 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

EAST CHINA SCHOOL DISTRICT**Required Supplementary Information****Schedule of East China School District'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)**

	2017		2016		2015		2014
East China School District's proportion of net pension liability (%)	0.26171%		0.26382%		0.26748%		0.27333%
East China School District's proportionate share of net pension liability	\$ 67,820,078	\$	65,821,800	\$	65,332,074	\$	60,205,499
East China School District's covered-employee payroll	21,862,345		22,084,768		22,227,155		23,235,874
East China School District's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	310.21%		298.04%		293.93%		259.11%
Plan fiduciary net position as a percentage of total pension liability (%)	64.21%		63.27%		63.17%		66.20%

Notes to Schedule:

Presentation: GASB Statement No. 68 requires presentation of 10 years of comparative information for the Schedule of the Proportionate Share of the Net Pension Liability. This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years which data is available, beginning with FYE June 30, 2015.

East China School District**Required Supplementary Information****Schedule of East China School District's Pension Contributions****Michigan Public School Employees Retirement Plan****Last 10 Fiscal Years (amounts determined as of 9/30 each year)**

	2017	2016	2015	2014
Statutorily required contributions	\$ 6,138,479	\$ 5,924,293	\$ 5,160,037	\$ 7,475,493
Contributions in relation to the actuarially determined contributions *	6,138,479	5,924,293	5,160,037	7,475,493
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --
Covered-employee payroll	\$ 21,965,633	\$ 21,916,294	\$ 22,227,155	\$ 28,997,258
Contributions as a percentage of covered-employee payroll	27.95%	27.03%	23.22%	25.78%

Notes to Schedule:

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

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

Presentation: GASB Statement No. 68 requires presentation of 10 years of comparative information for the Schedule of Contributions. This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years which data is available, beginning with FYE June 30, 2015.

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

EAST CHINA SCHOOL DISTRICT

Required Supplementary Information

Schedule of East China School District'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)

	<u>2017</u>
East China School District's proportion of net OPEB liability (%)	0.26160%
East China School District's proportionate share of net OPEB liability	\$ 23,166,145
East China School District's covered-employee payroll	21,862,345
East China School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	105.96%
Plan fiduciary net position as a percentage of total OPEB liability (%)	36.39%

Notes to Schedule:

Presentation: GASB Statement No. 75 requires presentation of 10 years of comparative information for the Schedule of the Proportionate Share of the Net OPEB Liability. This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years which data is available, beginning with FYE June 30, 2018.

East China School District

Required Supplementary Information

Schedule of East China School District's OPEB Contributions

Michigan Public School Employees Retirement Plan

Last 10 Fiscal Years (amounts determined as of 9/30 each year)

	2017
Statutorily required contributions	\$ 2,036,686
Contributions in relation to the actuarially determined contributions *	2,036,686
Contribution deficiency (excess)	\$ --
Covered-employee payroll	\$ 21,965,633
Contributions as a percentage of covered-employee payroll	9.27%

Notes to Schedule:

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

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

Presentation: GASB Statement No. 75 requires presentation of 10 years of comparative information for the Schedule of Contributions. This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years which data is available, beginning with FYE June 30, 2018.

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

SUPPLEMENTAL INFORMATION

EAST CHINA SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Latchkey	Cafeteria	2017 Capital Projects	
ASSETS				
Cash and demand accounts	\$ 129,496	\$ 642,932	\$ 106,078	\$ 878,506
Due from other governmental units	--	40,031	--	40,031
Miscellaneous receivables	8,817	--	--	8,817
Prepaid expenses	--	150	--	150
Due from other funds	--	1,184	--	1,184
Total Assets	138,313	684,297	106,078	928,688
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 138,313	\$ 684,297	\$ 106,078	\$ 928,688
LIABILITIES				
Accounts payable	\$ 1,002	\$ 48,527	\$ 104,117	\$ 153,646
Accrued payroll	20,978	--	--	20,978
Unearned revenue	--	20,074	--	20,074
Due to other funds	7,418	123,617	--	131,035
Total Liabilities	29,398	192,218	104,117	325,733
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	29,398	192,218	104,117	325,733
FUND BALANCE				
Restricted	--	492,079	1,961	494,040
Committed	108,915	--	--	108,915
Total Fund Balance	108,915	492,079	1,961	602,955
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 138,313	\$ 684,297	\$ 106,078	\$ 928,688

EAST CHINA SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended June 30, 2018

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Latchkey</u>	<u>Cafeteria</u>	<u>2017 Capital Projects</u>	
Revenues				
Local sources	\$ 562,807	\$ 576,027	\$ 117,226	\$ 1,256,060
State sources	--	56,569	--	56,569
Federal sources	--	742,218	--	742,218
Interest and dividend revenue	--	2,083	1,380	3,463
Total Revenues	<u>562,807</u>	<u>1,376,897</u>	<u>118,606</u>	<u>2,058,310</u>
Expenditures				
<i>Current</i>				
Food services	--	1,264,005	--	1,264,005
Latchkey	464,482	--	--	464,482
<i>Capital Outlay</i>	<u>125,973</u>	<u>--</u>	<u>427,118</u>	<u>553,091</u>
Total Expenditures	<u>590,455</u>	<u>1,264,005</u>	<u>427,118</u>	<u>2,281,578</u>
Excess of Revenues Over (Under) Expenditures	<u>(27,648)</u>	<u>112,892</u>	<u>(308,512)</u>	<u>(223,268)</u>
Other Financing Sources (Uses)				
Transfers from other funds	--	1,443	--	1,443
Transfers to other funds	<u>(80,000)</u>	<u>(24,313)</u>	<u>--</u>	<u>(104,313)</u>
Net Other Financing Sources (Uses)	<u>(80,000)</u>	<u>(22,870)</u>	<u>--</u>	<u>(102,870)</u>
Net Change in Fund Balance	(107,648)	90,022	(308,512)	(326,138)
<i>Fund Balance at Beginning of Period</i>	<u>216,563</u>	<u>402,057</u>	<u>310,473</u>	<u>929,093</u>
Fund Balance at End of Period	\$ 108,915	\$ 492,079	\$ 1,961	\$ 602,955

SUPPLEMENTAL SCHEDULES

EAST CHINA SCHOOL DISTRICT

Schedule of Revenues and Other Financing Sources - Budget and Actual

General Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local sources:				
Property taxes	\$ 14,558,898	\$ 14,469,134	\$ 14,394,262	\$ (74,872)
Other local revenue	496,125	452,338	473,574	21,236
<i>Total Local Sources</i>	<u>15,055,023</u>	<u>14,921,472</u>	<u>14,867,836</u>	<u>(53,636)</u>
State sources:				
Foundation Allowance - Net of taxes	18,778,248	18,575,795	18,602,307	26,512
Other state grants & aid	4,208,956	4,881,289	4,960,222	78,933
<i>Total State Sources</i>	<u>22,987,204</u>	<u>23,457,084</u>	<u>23,562,529</u>	<u>105,445</u>
Federal sources:				
Title I /II	579,719	512,807	545,768	32,961
Other federal programs	945,795	951,863	929,370	(22,493)
<i>Total Federal Sources</i>	<u>1,525,514</u>	<u>1,464,670</u>	<u>1,475,138</u>	<u>10,468</u>
Interdistrict sources:				
St. Clair County RESA & Other Interdistrict sources	711,646	743,573	724,614	(18,959)
<i>Total Interdistrict Sources</i>	<u>711,646</u>	<u>743,573</u>	<u>724,614</u>	<u>(18,959)</u>
Other Financing Sources				
Gain on sale of fixed assets	10,000	52,400	53,565	1,165
Interfund transfers	105,000	105,000	104,313	(687)
Total Revenues and Other Financing Sources	\$ 40,394,387	\$ 40,744,199	\$ 40,787,995	\$ 43,796

EAST CHINA SCHOOL DISTRICT
Schedule of Instructional Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Basic Programs				
Elementary school:				
Salaries and wages	\$ 5,321,302	\$ 5,473,269	\$ 5,459,746	\$ 13,523
Employee benefits	3,351,192	3,560,769	3,598,461	(37,692)
Purchased services	122,665	121,165	106,495	14,670
Supplies and materials	109,368	123,335	104,602	18,733
Other	660	580	789	(209)
<i>Total Elementary School</i>	<u>8,905,187</u>	<u>9,279,118</u>	<u>9,270,093</u>	<u>9,025</u>
Middle school:				
Salaries and wages	3,306,756	3,373,737	3,359,099	14,638
Employee benefits	2,033,181	2,190,067	2,204,035	(13,968)
Purchased services	61,700	55,810	45,738	10,072
Supplies and materials	83,534	98,396	62,077	36,319
Other	450	510	892	(382)
<i>Total Middle School</i>	<u>5,485,621</u>	<u>5,718,520</u>	<u>5,671,841</u>	<u>46,679</u>
High school:				
Salaries and wages	4,268,662	4,254,579	4,189,943	64,636
Employee benefits	2,707,956	2,845,275	2,843,116	2,159
Purchased services	280,603	280,603	314,907	(34,304)
Supplies and materials	99,243	105,527	111,899	(6,372)
Other	710	150	6,371	(6,221)
<i>Total High School</i>	<u>7,357,174</u>	<u>7,486,134</u>	<u>7,466,236</u>	<u>19,898</u>
Total Basic Programs	<u>21,747,982</u>	<u>22,483,772</u>	<u>22,408,170</u>	<u>75,602</u>
Added Needs				
Special education:				
Salaries and wages	1,748,161	1,515,081	1,529,809	(14,728)
Employee benefits	1,163,704	987,761	945,345	42,416
Purchased services	16,500	16,500	28,357	(11,857)
Supplies and materials	1,850	12,850	1,618	11,232
Other	185	200	98	102
<i>Total Special Education</i>	<u>2,930,400</u>	<u>2,532,392</u>	<u>2,505,227</u>	<u>27,165</u>
Compensatory:				
Salaries and wages	698,658	643,969	711,209	(67,240)
Employee benefits	445,284	397,983	419,927	(21,944)
Purchased services	11,310	1,700	13,850	(12,150)
Supplies and materials	4,000	1,100	54,444	(53,344)
Other	--	100	67	33
<i>Total Compensatory</i>	<u>1,159,252</u>	<u>1,044,852</u>	<u>1,199,497</u>	<u>(154,645)</u>

EAST CHINA SCHOOL DISTRICT

Schedule of Instructional Expenditures - Budget and Actual (Continued)

General Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Added Needs (Continued)				
Vocational education:				
Salaries and wages	\$ --	\$ --	\$ 1,120	\$ (1,120)
Employee benefits	--	--	349	(349)
Purchased services	--	--	1,810	(1,810)
Supplies and materials	17,000	17,000	13,653	3,347
<i>Total Vocational Education</i>	<u>17,000</u>	<u>17,000</u>	<u>16,932</u>	<u>68</u>
Other instruction:				
Salaries and wages	186,959	128,522	154,508	(25,986)
Employee benefits	95,948	80,330	87,534	(7,204)
Purchased services	1,657	1,905	772	1,133
Supplies and materials	7,745	8,790	10,116	(1,326)
Other	8,000	8,000	(11,142)	19,142
<i>Total Other Basic Programs</i>	<u>300,309</u>	<u>227,547</u>	<u>241,788</u>	<u>(14,241)</u>
Total Added Needs	<u>4,406,961</u>	<u>3,821,791</u>	<u>3,963,444</u>	<u>(141,653)</u>
Total Instruction	<u>\$ 26,154,943</u>	<u>\$ 26,305,563</u>	<u>\$ 26,371,614</u>	<u>\$ (66,051)</u>

EAST CHINA SCHOOL DISTRICT
Schedule of Support Services Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Pupil Support Services				
Counseling services:				
Salaries and wages	\$ 457,041	\$ 456,005	\$ 449,308	\$ 6,697
Employee benefits	314,647	333,341	332,207	1,134
Purchased services	10,000	10,000	13,187	(3,187)
Supplies and materials	5,550	5,550	365	5,185
Other expenses	20	10	64	(54)
<i>Total Counseling Services</i>	<u>787,258</u>	<u>804,906</u>	<u>795,131</u>	<u>9,775</u>
Health services:				
Salaries and wages	99,167	103,280	107,337	(4,057)
Employee benefits	50,800	55,540	54,736	804
Purchased services	1,700	1,700	902	798
Supplies and materials	2,500	2,500	1,545	955
<i>Total Health Services</i>	<u>154,167</u>	<u>163,020</u>	<u>164,520</u>	<u>(1,500)</u>
Psychological services:				
Purchased services	28,000	28,000	24,790	3,210
<i>Total Psychological Services</i>	<u>28,000</u>	<u>28,000</u>	<u>24,790</u>	<u>3,210</u>
Social work services:				
Salaries and wages	158,022	141,073	139,158	1,915
Employee benefits	115,594	111,276	107,322	3,954
Purchased services	600	600	342	258
Other expenses	70	120	50	70
<i>Total Social Work Services</i>	<u>274,286</u>	<u>253,069</u>	<u>246,872</u>	<u>6,197</u>
Teacher consultant services:				
Salaries and wages	581,697	549,830	538,399	11,431
Employee benefits	375,812	375,702	353,597	22,105
Purchased services	1,500	2,000	2,147	(147)
Supplies and materials	--	500	269	231
Other expenses	23	--	--	--
<i>Total Teacher Consultant Services</i>	<u>959,032</u>	<u>928,032</u>	<u>894,412</u>	<u>33,620</u>
Other pupil services:				
Salaries and wages	81,758	361,878	353,078	8,800
Employee benefits	63,967	239,505	226,506	12,999
Purchased services	1,025	--	2,858	(2,858)
Supplies and materials	3,500	2,500	4,869	(2,369)
Capital outlay	--	--	98	(98)
<i>Total Other Pupil Services</i>	<u>150,250</u>	<u>603,883</u>	<u>587,409</u>	<u>16,474</u>
Total Pupil Support Services	<u>2,352,993</u>	<u>2,780,910</u>	<u>2,713,134</u>	<u>67,776</u>

EAST CHINA SCHOOL DISTRICT

Schedule of Support Services Expenditures - Budget and Actual (Continued)

General Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Instructional Staff Support Services				
Improvement of instruction:				
Salaries and wages	\$ 85,276	\$ 52,857	\$ 29,944	\$ 22,913
Employee benefits	39,592	27,729	13,796	13,933
Purchased services	272,029	257,540	232,041	25,499
Supplies and materials	6,040	14,236	2,811	11,425
Other	400	995	600	395
<i>Total Improvement of Instruction</i>	<u>403,337</u>	<u>353,357</u>	<u>279,192</u>	<u>74,165</u>
Library / Media:				
Salaries and wages	373,948	351,607	354,731	(3,124)
Employee benefits	231,024	221,023	225,336	(4,313)
Purchased services	--	--	1,757	(1,757)
Supplies and materials	23,053	24,803	22,186	2,617
Other	60	50	49	1
<i>Total Library / Media</i>	<u>628,085</u>	<u>597,483</u>	<u>604,059</u>	<u>(6,576)</u>
Supervision of instruction:				
Salaries and wages	219,441	222,117	238,832	(16,715)
Employee benefits	157,266	146,754	155,144	(8,390)
Purchased services	4,758	3,995	1,529	2,466
Supplies and materials	2,700	800	906	(106)
Other	1,400	1,375	737	638
<i>Total Supervision of Instruction</i>	<u>385,565</u>	<u>375,041</u>	<u>397,148</u>	<u>(22,107)</u>
Total Instructional Staff				
Support Services	<u>1,416,987</u>	<u>1,325,881</u>	<u>1,280,399</u>	<u>45,482</u>

EAST CHINA SCHOOL DISTRICT

Schedule of Support Services Expenditures - Budget and Actual (Continued)

General Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
General Administration				
Board of Education:				
Purchased services	\$ 88,000	\$ 51,000	\$ 44,059	\$ 6,941
Other	8,350	8,350	7,922	428
<i>Total Board of Education</i>	<u>96,350</u>	<u>59,350</u>	<u>51,981</u>	<u>7,369</u>
Executive administration:				
Salaries and wages	160,991	169,215	171,522	(2,307)
Employee benefits	108,253	115,091	116,434	(1,343)
Purchased services	7,485	6,390	2,274	4,116
Supplies and materials	1,500	1,500	2,258	(758)
Other	3,700	3,700	4,192	(492)
<i>Total Executive Administration</i>	<u>281,929</u>	<u>295,896</u>	<u>296,680</u>	<u>(784)</u>
Total General Administration	<u>378,279</u>	<u>355,246</u>	<u>348,661</u>	<u>6,585</u>
School Administration				
Salaries and wages	1,697,017	1,878,369	1,869,795	8,574
Employee benefits	1,068,570	1,184,414	1,197,365	(12,951)
Purchased services	197,705	55,135	51,151	3,984
Supplies and materials	16,430	17,930	26,660	(8,730)
Capital outlay	4,500	4,500	2,815	1,685
Other	8,910	7,547	13,386	(5,839)
<i>Total School Administration</i>	<u>2,993,132</u>	<u>3,147,895</u>	<u>3,161,172</u>	<u>(13,277)</u>
Fiscal Services				
Salaries and wages	215,259	215,187	215,197	(10)
Employee benefits	148,105	154,208	153,272	936
Purchased services	87,360	87,105	80,082	7,023
Supplies and materials	3,600	3,600	3,451	149
Other	1,185	1,185	614	571
<i>Total Fiscal Services</i>	<u>455,509</u>	<u>461,285</u>	<u>452,616</u>	<u>8,669</u>
Internal Services				
Purchased services	21,000	21,000	17,353	3,647
Supplies and materials	6,950	6,950	1,326	5,624
Capital outlay	--	--	99	(99)
<i>Total Internal Services</i>	<u>27,950</u>	<u>27,950</u>	<u>18,778</u>	<u>9,172</u>

EAST CHINA SCHOOL DISTRICT

Schedule of Support Services Expenditures - Budget and Actual (Continued)

General Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Operations and Maintenance				
Salaries and wages	\$ 616,482	\$ 584,640	\$ 569,569	\$ 15,071
Employee benefits	477,304	430,553	430,782	(229)
Purchased services	1,211,074	1,250,075	1,237,677	12,398
Supplies and materials	1,144,027	1,164,155	1,200,869	(36,714)
Capital outlay	--	--	2,500	(2,500)
Other	1,235	1,200	336	864
Total Operations and Maintenance	3,450,122	3,430,623	3,441,733	(11,110)
Pupil Transportation				
Salaries and wages	434,915	424,808	424,446	362
Employee benefits	312,926	296,131	307,043	(10,912)
Purchased services	659,848	670,672	651,245	19,427
Supplies and materials	424,057	325,300	301,519	23,781
Capital outlay	--	--	5,145	(5,145)
Other	(130,340)	(115,101)	(121,559)	6,458
Total Pupil Transportation	1,701,406	1,601,810	1,567,839	33,971
Central Services				
Personnel services:				
Salaries and wages	173,209	167,732	155,648	12,084
Employee benefits	121,406	106,886	101,157	5,729
Purchased services	36,011	39,866	41,765	(1,899)
Supplies and materials	2,500	7,500	2,656	4,844
Other	9,030	9,030	5,456	3,574
Total Personnel Services	342,156	331,014	306,682	24,332
Technology support services:				
Salaries and wages	187,050	179,732	179,422	310
Employee benefits	110,375	109,512	111,326	(1,814)
Purchased services	291,960	278,040	265,923	12,117
Supplies and materials	51,000	51,000	72,332	(21,332)
Capital outlay	39,000	63,225	48,538	14,687
Other	240	200	49	151
Total Technology Support Services	679,625	681,709	677,590	4,119
Total Central Services	1,021,781	1,012,723	984,272	28,451
Total Support Services	\$ 13,798,159	\$ 14,144,323	\$ 13,968,604	\$ 175,719

EAST CHINA SCHOOL DISTRICT

**Schedule of Community Services Expenditures and Other Transactions - Budget and Actual
General Fund
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Athletic Activities</i>				
Salaries and wages	\$ 483,333	\$ 481,330	\$ 474,640	\$ 6,690
Employee benefits	236,998	237,379	242,459	(5,080)
Purchased services	49,708	49,328	61,000	(11,672)
Supplies and materials	51,865	51,865	44,455	7,410
Capital outlay	9,300	9,300	7,172	2,128
Other	19,845	19,845	28,577	(8,732)
<i>Total Athletic Activities</i>	\$ 851,049	\$ 849,047	\$ 858,303	\$ (9,256)
<i>Community Services</i>				
Salaries and wages	\$ 22,631	\$ 4,000	\$ 19,698	\$ (15,698)
Employee benefits	11,361	4,515	10,862	(6,347)
Purchased services	15,190	5,865	6,885	(1,020)
Supplies and materials	8,224	300	2,246	(1,946)
<i>Total Community Services</i>	\$ 57,406	\$ 14,680	\$ 39,691	\$ (25,011)
<i>Interfund Transfers</i>				
Cafeteria Fund	\$ --	\$ --	\$ 1,443	\$ (1,443)
<i>Total Interfund Transfers</i>	\$ --	\$ --	\$ 1,443	\$ (1,443)
<i>Total Expenditures and Other Financing Uses</i>	\$ 40,861,557	\$ 41,313,613	\$ 41,239,655	\$ 73,958

EAST CHINA SCHOOL DISTRICT

**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Cafeteria
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local sources	\$ 582,763	\$ 580,000	\$ 578,110	\$ (1,890)
State sources	46,000	40,000	56,569	16,569
Federal sources	700,000	710,000	742,218	32,218
Total Revenues	1,328,763	1,330,000	1,376,897	46,897
Other Financing Sources				
Transfers from other funds	--	--	1,443	1,443
Total Revenues and Other Financing Sources	1,328,763	1,330,000	1,378,340	48,340
Expenditures				
Salaries and fringes	145,000	155,000	159,866	(4,866)
Purchased services	985,000	961,000	974,257	(13,257)
Supplies, materials and other	35,000	35,000	27,347	7,653
Capital outlay	50,000	25,000	--	25,000
Commodities	90,000	95,000	102,535	(7,535)
Total Expenditures	1,305,000	1,271,000	1,264,005	6,995
Other Financing Uses				
Transfers to other funds	29,000	29,000	24,313	4,687
Total Expenditures and Other Financing Uses	1,334,000	1,300,000	1,288,318	11,682
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(5,237)	30,000	90,022	60,022
Net Change in Fund Balance	(5,237)	30,000	90,022	60,022
Fund Balance at Beginning of Period	402,057	402,057	402,057	--
Fund Balance at End of Period	\$ 396,820	\$ 432,057	\$ 492,079	\$ 60,022

EAST CHINA SCHOOL DISTRICT

**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Latchkey
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local sources	\$ 575,000	\$ 562,000	\$ 562,807	\$ 807
Total Revenues	575,000	562,000	562,807	807
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	575,000	562,000	562,807	807
Expenditures				
Salaries and fringes	425,000	439,500	441,719	(2,219)
Purchased services	7,000	7,000	6,208	792
Supplies, materials and other	13,000	13,000	16,555	(3,555)
Capital outlay	125,000	125,000	125,973	(973)
Total Expenditures	570,000	584,500	590,455	(5,955)
Other Financing Uses				
Transfers to other funds	80,000	80,000	80,000	--
Total Expenditures and Other Financing Uses	650,000	664,500	670,455	(5,955)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(75,000)	(102,500)	(107,648)	(5,148)
Net Change in Fund Balance	(75,000)	(102,500)	(107,648)	(5,148)
Fund Balance at Beginning of Period	216,563	216,563	216,563	--
Fund Balance at End of Period	\$ 141,563	\$ 114,063	\$ 108,915	\$ (5,148)

EAST CHINA SCHOOL DISTRICT
Schedule of Bonded Indebtedness
For the Year Ended June 30, 2018

Bonded Indebtedness

2009 Capital Projects Bonds (General Obligation)

Date of Issue	Amount of Issue	Interest Rate	Payable In Year Ending June 30	Principal	Interest	Total
10/29/2009	\$9,875,000	3.00-4.00%	2019	\$ 920,000	\$ 189,600	\$ 1,109,600
			2020	1,910,000	152,800	2,062,800
Principal due May 1			2021	1,910,000	76,400	1,986,400
Interest due May 1 and November 1						
Total 2009 Capital Projects Bonds				4,740,000	418,800	5,158,800

2015 Capital Projects and Refunding Bonds (General Obligation)

Date of Issue	Amount of Issue	Interest Rate	Payable In Year Ending June 30	Principal	Interest	Total
3/26/2015	\$17,560,000	2.50-3.00%	2019	\$ 3,645,000	\$ 189,600	\$ 3,834,600
			2020	1,025,000	80,250	1,105,250
Principal due May 1			2021	1,205,000	49,500	1,254,500
Interest due May 1 and November 1			2022	445,000	13,350	458,350
Total 2015 Capital Projects and Refunding Bonds				6,320,000	332,700	6,652,700

2018 Capital Projects Bonds (General Obligation)

Date of Issue	Amount of Issue	Interest Rate	Payable In Year Ending June 30	Principal	Interest	Total
5/16/2018	\$ 1,180,000	3.00%	2019	\$ 160,000	\$ 33,925	\$ 193,925
			2020	170,000	30,600	200,600
Principal due May 1			2021	170,000	25,500	195,500
Interest due May 1 and November 1			2022	170,000	20,400	190,400
			2023	170,000	15,300	185,300
			2024	170,000	10,200	180,200
			2025	170,000	5,100	175,100
Total 2018 Capital Projects Bonds				1,180,000	141,025	1,321,025
Total Bonded Indebtedness				\$ 12,240,000	\$ 892,525	\$ 13,132,525