

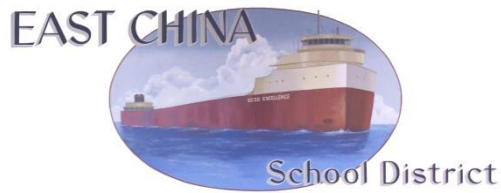
**EAST CHINA SCHOOL DISTRICT**  
St. Clair County, Michigan  
**AUDITED FINANCIAL STATEMENTS**  
For The Year Ended June 30, 2017

# EAST CHINA SCHOOL DISTRICT

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2017. 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, 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 2009 Capital Projects Fund, and the 2015 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 2009 Capital Projects Fund is used to account for the proceeds and related expenditures of a 2009 bond issue. The 2015 Capital Projects Fund is used to account for the proceeds and related expenditures for the 2015 bond issue that is dedicated for bus purchases.

The non-major funds include the Special Revenue Funds and the 2017 Capital Projects 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, 2017. Four prior years of position is also provided for trend analysis.

Table 1  
**CONDENSED NET POSITION**  
(in thousands)

	2013	2014	2015	2016	2017
<b>ASSETS</b>					
Current and other assets	\$ 13,175	\$ 11,371	\$ 12,356	\$ 12,036	\$ 11,876
Capital assets/bond issuance costs	61,648	60,486	59,000	57,450	56,315
Deferred Outflows of Resources	-	-	6,637	8,160	9,266
<b>TOTAL ASSETS</b>	<b>\$ 74,823</b>	<b>\$ 71,857</b>	<b>\$ 77,993</b>	<b>\$ 77,646</b>	<b>\$ 77,457</b>
<b>LIABILITIES</b>					
Current liabilities	\$ 9,544	\$ 9,698	\$ 9,845	\$ 10,042	\$ 9,966
Long-Term liabilities	28,169	24,167	21,227	16,655	12,068
Net Pension liability	-	59,624	60,205	65,332	65,822
Deferred Inflows of Resources	-	-	6,656	3,082	3,690
<b>TOTAL LIABILITIES</b>	<b>\$ 37,713</b>	<b>\$ 93,489</b>	<b>\$ 97,933</b>	<b>\$ 95,111</b>	<b>\$ 91,546</b>
<b>NET POSITION</b>					
Invested in capital assets - net of related debt	\$ 30,161	\$ 32,856	\$ 33,958	\$ 36,803	\$ 40,228
Restricted for capital projects, food service/debt service	2,579	753	1,770	1,465	1,465
Unrestricted	4,370	(55,241)	(55,668)	(55,733)	(55,782)
<b>TOTAL NET POSITION</b>	<b>\$ 37,110</b>	<b>\$ (21,632)</b>	<b>\$ (19,940)</b>	<b>\$ (17,465)</b>	<b>\$ (14,089)</b>

The District's reportable net position was (\$14,088,747) at June 30, 2017. The significant change from Net Position reported on June 30, 2013, is a result of new GASB 68 requirement to account for the District's Net Pension Liability. As identified in Table 1, Net Pension Liability at June 30, 2017 is \$65,821,800.

GASB 68 requires the reporting of pensions by state and local government and pension plans. It is designed to improve the decision-usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension 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 \$40,228,286 at June 30, 2017; a reported 9.31% 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 \$1,464,759.

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 2016-17 reported at (\$55,781,792). This is a continued decrease from 2015-2016 and is directly related to the Net Pension Liability reporting requirements of GASB 68. Unrestricted Net Position *net of Net Pension Liability* for fiscal year 2016-17 is \$4,463,658, or a 1.27% decrease from the prior year.

### ***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)*

<b>REVENUE</b>	2013	2014	2015	2016	2017
Program Revenue:					
Grants and Contributions	\$4,424	\$4,272	\$4,220	\$4,043	\$4,144
Charges for Services	1,381	1,398	1,460	1,473	1,465
Capital Grants and Contributions	-	-	-	-	540
General Revenue:					
Property Taxes	18,293	18,221	19,364	19,656	20,388
State Foundation Allowance	22,633	22,800	22,097	20,440	21,535
Federal Sources	71	-	-	-	-
Other	238	236	627	484	464
<b>TOTAL REVENUE</b>	<b>\$47,040</b>	<b>\$46,927</b>	<b>\$47,768</b>	<b>\$46,096</b>	<b>\$48,536</b>
<b>PROGRAM EXPENSES</b>					
Instruction	\$26,000	\$26,441	\$26,710	\$25,310	\$26,391
Support Services	13,607	13,857	13,135	12,650	13,099
Community Services	20	40	37	32	55
Food Services	1,386	1,326	1,226	1,230	1,277
Athletics	759	788	850	808	821
Lathkey	431	426	427	435	408
Interest on Long-Term Debt	1,522	1,370	973	603	511
Other Bond Expenditures	249	1	12	9	11
Depreciation (Unallocated)	2,451	2,558	2,598	2,544	2,587
Debt issuance costs	-	-	108	-	-
Opening GASB 68 adjustment	-	58,861	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$46,424</b>	<b>\$105,669</b>	<b>\$46,076</b>	<b>\$43,621</b>	<b>\$45,160</b>
<b>INCR/(DECR) IN NET POSITION</b>	<b>\$616</b>	<b>(\$58,741)</b>	<b>\$1,692</b>	<b>\$2,475</b>	<b>\$3,376</b>

As reported in the Statement of Activities, one of the *District-wide* financial statements, the cost of all governmental activities this year was \$45,159,827. Certain activities were partially funded in the amount of \$1,464,678 from those who benefited from the program. Other programs were subsidized by State and Federal grants and contributions in the amount of \$4,143,522. The District paid for the remaining “public benefit” portion of the governmental activities with \$20,388,101 in taxes, \$21,534,842 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 Liability, of approximately \$3.4 million.

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

### ***General Operations***

In 2016-17, the District experienced a surplus in the aggregate of all governmental funds of \$119,222. This surplus is a result of revenues exceeding expenditures in the following funds:

General Fund	\$ 24,790
Debt Retirement Fund	83,930
Sinking Fund	228,834
2009 Capital Projects Fund	(37,304)
2015 Capital Projects Fund	(510,117)
Other Governmental Funds	<u>329,089</u>
	\$ 119,222

### ***Capital Outlay Acquisitions***

Actual capital outlay acquisitions for the fiscal year ended June 30, 2017, were \$1,472,077.

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 \$1,135,051.

### ***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, 2017, the depreciation expense was \$2.6 million.

### ***Bond Principal and Interest Repayment***

Repayment of bond principal reduces long-term liabilities. For the fiscal year ended June 30, 2017, the District paid bond principal in the amount of \$4,450,000 and \$637,838 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 \$6,475,669, which is an increase of \$119,222, or 1.9% from last year. This net increase is primarily attributable to a temporary surplus of fund balance within the 2017 Capital Projects Fund and a deficit experienced in the 2015 Capital Projects Fund. A bond millage was voter passed in 2014 for the sole purpose of bus replacement. And a local grant was received for the purpose of replacing St. Clair High School tennis courts. Project completion for the tennis courts is projected in the fall of 2017.

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

### **General Operating Fund**

OPERATING REVENUE					
	2013	2014	2015	2016	2017
REVENUE:					
Property Taxes	\$ 13,057,462	\$ 13,280,425	\$ 13,511,271	\$ 13,796,252	\$ 14,572,211
State sources	23,766,386	23,887,664	23,223,456	23,292,464	22,809,881
Other sources	3,179,313	3,052,673	2,996,747	2,870,434	2,946,840
<i>Total Revenue</i>	<u>\$ 40,003,161</u>	<u>\$ 40,220,762</u>	<u>\$ 39,731,474</u>	<u>\$ 39,959,150</u>	<u>\$ 40,328,932</u>

The General Fund had total revenue and other sources of \$40,328,932, which included \$14,572,211 from property taxes and \$22,809,881 from State sources. Combined, these two sources account for approximately 93% of General Fund revenues. Total revenue and other financing sources increased by .93%, or \$369,782 from 2015-16. This slight increase in revenue is attributed to an increase in State Foundation Allowance and grant award levels.

	2013	2014	2015	2016	2017
EXPENDITURES:					
Instruction	\$ 26,631,539	\$ 26,040,506	\$ 25,985,012	\$ 26,248,731	\$ 26,071,871
Support services	13,359,386	13,763,778	12,961,282	13,058,661	13,313,665
Athletic activities	759,224	787,805	841,454	853,275	826,652
Interfund transfers	50,328	5,278	-	-	1,217
Community services	20,013	40,304	30,831	58,214	54,221
Other	-	-	-	24,318	36,516
<i>Total Expenditures</i>	<u>\$ 40,820,490</u>	<u>\$ 40,637,671</u>	<u>\$ 39,818,579</u>	<u>\$ 40,243,199</u>	<u>\$ 40,304,142</u>

Total General Fund expenditures of \$40,304,142 consist of \$26,071,871 for 'Instruction' purposes, which includes teacher salaries, fringe benefits, and instructional supplies; \$13,313,665 for 'Support Services' which includes all other District personnel, plus transportation services and maintenance and operations; \$826,652 for 'Athletic Activities' which includes all expenses for extracurricular sports. Combined, these three categories account for approximately 99.8% of General Fund expenditures.

When compared to the prior fiscal year, General Fund expenditures for 'Instruction' decreased by approximately (.67%) while expenditures for 'Support Services' increased by approximately 2%. The change in General Fund expenditures for the Support Services category was due to increase in the costs of salaries, benefits and purchased services.



Total General Fund expenditures increased by \$60,943 or .2% from 2015-16. The five year analysis of both revenues and expenditures marks a declining trend of expenditures necessitated by deteriorated revenue levels.

The General Fund experienced a surplus of \$24,790 for the fiscal year 2016-17. Below is a five year illustration of performance levels:

	GF REVENUES	GF EXPEND	NET REV/EXP
2012-13	\$40,003,161	\$40,820,490	\$ (817,329)
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 \$1,373,516 include food sales of \$600,748, which account for approximately 44% of the total. The remaining income is primarily comprised of State and Federal reimbursements to the food service program. Total expenses and transfers of \$1,365,054 include \$961,088 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 2016-17 were budgeted at \$25,000, with an actual amount of \$28,261, relative to state guidelines.

The Cafeteria Fund ended the year with a net operating surplus of \$8,462 for fiscal year 2016-17. For 2016-17 school lunch prices were increased by \$.05. 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.

### ***Latchkey Fund***

The sole source of revenue for the Latchkey Fund is the fee charged for the daycare and latchkey services it provides. Approximately 74% 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 2016-17, the Latchkey Fund had total revenues of \$536,170, a decrease of (7.4%), or (\$42,601) from the prior fiscal year. The Fund incurred expenditures and transfers of \$526,016 during the current fiscal year, an increase of \$10,605 from the prior fiscal year. The current year fund performance resulted in a balance of revenues and expenditures with an increase in fund balance by \$10,154.

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 2016-17 were \$37,925. Additional capital expenditures to complete the relocation project are anticipated for 2017-18 for approximately \$100,000.

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. Local grant revenues of \$540,000 were received and construction expenditures of \$229,738 were incurred, resulting in a fund surplus of \$310,473 for 2016-17. Construction began in May 2017 with an anticipated completion in fall of 2017. 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 \$5,171,768 in revenues in fiscal year 2016-17. Of the total revenue, 99.4% of revenue is generated by a millage levy of 2.96 mills on taxable value of \$1.66 billion dollars. The District made \$4,450,000 in principal payments and \$637,838 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 \$83,930. 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 3.04 mills to 2.96. 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 Bond Series II for \$1,260,000 is planned for issuance 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 originally 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 \$676,744 in property tax revenues and \$2,042 in interest, local source, and insurance proceeds revenue. Sinking Fund expenditures and other fund uses for District projects were \$449,952. The remaining balance in the Sinking Fund, \$527,240 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)

	2013	2014	2015	2016	2017
State sources	\$ 23,828	\$ 23,943	\$ 23,271	\$ 23,337	\$ 22,869
Property taxes	18,293	18,221	19,364	19,656	20,388
Other local sources	1,578	1,604	1,654	1,631	2,147
Federal sources	2,305	2,223	2,276	2,200	2,229
Other sources	39	40	217	45	80
Interdistrict sources	995	892	751	705	797
<i>Total</i>	\$ 47,038	\$ 46,923	\$ 47,533	\$ 47,574	\$ 48,510

### *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 2016-17 was \$7,823 per pupil.

The student enrollment for the fall count of 2016-17 was 4,216 students. Over the past 10 years, the District's fall enrollment has decreased 1,147 students. The following information summarizes our Fall student enrollment over the previous 10 years.

<u>FISCAL YEAR</u>	<u>FALL COUNT STUDENT FTE</u>	<u>FTE CHANGE FROM PRIOR YEAR</u>
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 2016-17 fiscal year was \$14.6 million. The non-homestead tax levy increased by approximately 5.3% over the prior year.

### ***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 2016-17, the District's debt millage levy was 2.96 mills, which generated a levy of \$5.14 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 2016-17, the District's Sinking Fund millage levy generated tax collection revenue of \$676,744.

### ***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 \$1.37 million. A total 424,109 equivalent meals were served in the 2016-17 fiscal year; 339,664 lunches, 1,482 snacks, and 82,963 breakfast meals. Equivalent meals served slightly decreased by (1.08%) in 2016-17 from the prior year.

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## **Total Cost of Governmental Activities**

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

*(stated in thousands)*

	<b>2013</b>		<b>2014</b>		<b>2015</b>		<b>2016</b>		<b>2017</b>	
Instruction and instr. support	\$26,515	52%	\$26,408	54%	\$26,039	54%	\$26,329	55%	\$26,104	54%
Support services	13,359	26%	13,764	28%	12,961	27%	13,059	27%	13,314	28%
Food services	1,359	3%	1,297	3%	1,203	3%	1,210	3%	1,257	3%
Athletics	759	1%	788	2%	841	2%	853	2%	827	2%
Latchkey	431	1%	426	1%	427	1%	435	1%	408	1%
Debt service	5,710	11%	5,253	11%	5,332	11%	5,099	11%	5,088	11%
Capital outlay	2,593	5%	739	2%	1,135	2%	1,028	2%	1,354	3%
Community services	20	0%	40	0%	31	0%	58	0%	54	0%
<i>Total</i>	<i>\$50,746</i>	<i>100%</i>	<i>\$48,715</i>	<i>100%</i>	<i>\$47,969</i>	<i>100%</i>	<i>\$48,071</i>	<i>100%</i>	<i>\$48,406</i>	<i>100%</i>

### ***Capital Assets***

At June 30, 2017, the District had \$56.3 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 \$1.2 million or (2.0%), from last year.

*(in millions)*

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Land and improvements	\$ 5.3	\$ 5.3	\$ 5.4	\$ 5.3	\$ 5.3
Buildings	87.8	89.7	90.8	91.6	92.6
CIP	1.8	1.1	0.8	0.5	0.4
Buses and other vehicles	4.0	3.9	3.9	4.0	4.0
Furniture and equipment	4.5	4.5	4.5	4.5	4.6
<i>Total Capital Assets</i>	<i>103.4</i>	<i>104.6</i>	<i>105.4</i>	<i>106.0</i>	<i>106.9</i>
Less: Accumulated depreciation	(41.8)	(44.2)	(46.4)	(48.5)	(50.6)
<b>NET CAPITAL ASSETS</b>	<b>\$ 61.6</b>	<b>\$ 60.4</b>	<b>\$ 59.0</b>	<b>\$ 57.5</b>	<b>\$ 56.3</b>

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 \$15.6 million in bonds outstanding versus \$20.1 million in the previous year. Principal payments totaling \$4.5 million were made on 2005/2015 and 2009 Debt Issues.

	2013	2014	2015	2016	2017
2005 Refund Bonds	\$ 23,070,000	\$ 19,885,000	\$ -	\$ -	\$ -
2009 Capital Projects Bond	8,045,000	7,435,000	6,825,000	6,195,000	5,505,000
2015 Bus Bond and Refunding Bonds	-	-	17,560,000	13,890,000	10,130,000
<i>Total</i>	<b>\$ 31,115,000</b>	<b>\$ 27,320,000</b>	<b>\$24,385,000</b>	<b>\$20,085,000</b>	<b>\$15,635,000</b>

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 \$15.6 million is significantly below the statutorily imposed limit.

Other obligations of the District at June 30, 2017 include employee-compensated absences, unamortized bond premium, and Voluntary Severance totaling approximately \$1,108,254. 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 supplemental information of these financial statements.

	<b>Original Budget</b>	<b>Final Budget</b>	<b>% Variance</b>
Revenues	\$39,446,719	\$40,232,570	2.0%
Expenditures	\$40,179,861	\$40,295,498	0.3%

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## **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 \$8,644 more than anticipated from the final budget. This amount represents .02% of the total final budgeted expenditures for 2016-17. Actual revenues were \$96,362 more than anticipated from the final budget. This amount represents .29% of the total final budgeted revenues from the final budget. Both revenue and expenditure variances are primarily due to the recognition of an Inter-district capital grant (Classrooms 4 the Future) in local grant revenues and capital expenditures.

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## **Economic Factors and Next Year's Budgets and Rates**

Our elected Board members and the Administration considered many factors when setting the District's 2018 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 2018 fiscal year will be 90 percent and 10 percent of the October 2017 and February 2018 student counts, respectively. The 2018 fiscal year budget was adopted in June 2017, based on an estimate of student enrollment in the previous February pupil count.

Approximately 57% 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 2017-18 year, we anticipate that the fall student count will be close to the estimates used in creating the 2018 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.

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## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, 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 6, 2017

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, 2017, 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, 2017, 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 12 to the financial statements, in the 2017 fiscal year, the District adopted new accounting guidance, *GASB Statement No. 77, Tax Abatement Disclosures*. 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 schedules on pages i–xiii and 35–36 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 6, 2017, 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, 2017**

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and demand accounts	\$ 3,563,444	\$ 3,563,444
Cash equivalent investments	3,063,535	3,063,535
Due from other governmental units	5,158,318	5,158,318
Miscellaneous receivables	38,087	38,087
Prepaid expenses	52,975	52,975
<b>Total Current Assets</b>	<b>11,876,359</b>	<b>11,876,359</b>
<i>Noncurrent Assets</i>		
Fixed assets net of accumulated depreciation	56,314,718	56,314,718
<b>Total Assets</b>	<b>68,191,077</b>	<b>68,191,077</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Aggregated deferred outflows	9,265,894	9,265,894
<b>Total Deferred Outflows of Resources</b>	<b>9,265,894</b>	<b>9,265,894</b>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts payable	1,075,740	1,075,740
Accrued payroll	2,687,721	2,687,721
Accrued expenditures and other	1,312,694	1,312,694
Unearned revenue	106,349	106,349
Accrued interest	77,827	77,827
Current portion of long-term debt	4,575,000	4,575,000
Accrued vacation pay	30,789	30,789
Current portion of accrued voluntary severance pay	100,000	100,000
<b>Total Current Liabilities</b>	<b>9,966,120</b>	<b>9,966,120</b>
<i>Noncurrent Liabilities</i>		
Bonds and loans payable	11,060,000	11,060,000
Unamortized bond premium	465,448	465,448
Accrued sick pay	442,806	442,806
Net pension liability	65,821,800	65,821,800
Accrued voluntary severance pay	100,000	100,000
<b>Total Liabilities</b>	<b>87,856,174</b>	<b>87,856,174</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Aggregated deferred inflows	3,689,544	3,689,544
<b>Total Deferred Inflows of Resources</b>	<b>3,689,544</b>	<b>3,689,544</b>
<b>NET POSITION</b>		
Invested in fixed assets net of related debt	40,228,286	40,228,286
<i>Restricted for:</i>		
Food service	402,057	402,057
Sinking fund projects	527,240	527,240
Capital projects	535,462	535,462
<i>Unrestricted</i>	(55,781,792)	(55,781,792)
<b>Total Net Position</b>	<b>\$ (14,088,747)</b>	<b>\$ (14,088,747)</b>

See accompanying notes.

**EAST CHINA SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 26,391,166	\$ 56,529	\$ 3,280,249	\$ --
Support services	13,098,211	74,703	96,644	--
Food services	1,276,814	600,748	766,629	--
Athletics	821,109	196,528	--	540,000
Latchkey	408,091	536,170	--	--
Bond interest	510,828	--	--	--
Other bond expenditures	11,188	--	--	--
Unallocated portion of depreciation	2,587,483	--	--	--
Community services	54,937	--	--	--
<b>Total Governmental Activities</b>	<b>\$ 45,159,827</b>	<b>\$ 1,464,678</b>	<b>\$ 4,143,522</b>	<b>\$ 540,000</b>

**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*

**Net Position at End of Period**

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Net (Expense) Revenue	
Primary Government	
Governmental Activities	Total
\$ (23,054,388)	\$ (23,054,388)
(12,926,864)	(12,926,864)
90,563	90,563
(84,581)	(84,581)
128,079	128,079
(510,828)	(510,828)
(11,188)	(11,188)
(2,587,483)	(2,587,483)
(54,937)	(54,937)
<u>(39,011,627)</u>	<u>(39,011,627)</u>
20,388,101	20,388,101
79,841	79,841
120,572	120,572
21,534,842	21,534,842
249,400	249,400
15,264	15,264
<u>42,388,020</u>	<u>42,388,020</u>
<b>3,376,393</b>	<b>3,376,393</b>
<u>(17,465,140)</u>	<u>(17,465,140)</u>
<b>\$ (14,088,747)</b>	<b>\$ (14,088,747)</b>

# EAST CHINA SCHOOL DISTRICT

## Balance Sheet Governmental Funds June 30, 2017

		Debt Service	Capital Projects	
	General	Debt Retirement	Sinking	2009 Capital Projects
<b>ASSETS</b>				
Cash and demand accounts	\$ 642,725	\$ 629,200	\$ 554,448	\$ 6,842
Cash equivalent investments	3,063,535	--	--	--
Due from other governmental units	5,117,527	7	1	--
Miscellaneous receivables	34,431	--	--	--
Prepaid expenses	42,975	--	--	--
Due from other funds	144,157	--	16,880	--
<b>Total Assets</b>	<b>9,045,350</b>	<b>629,207</b>	<b>571,329</b>	<b>6,842</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Aggregated deferred outflows	--	--	--	--
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 9,045,350</b>	<b>\$ 629,207</b>	<b>\$ 571,329</b>	<b>\$ 6,842</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 811,160	\$ 9	\$ 44,077	\$ --
Accrued payroll	2,667,032	--	--	--
Accrued expenditures and other	1,312,694	--	--	--
Unearned revenue	88,467	--	--	--
Due to other funds	760	88	12	6,842
<b>Total Liabilities</b>	<b>4,880,113</b>	<b>97</b>	<b>44,089</b>	<b>6,842</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Aggregated deferred inflows	--	--	--	--
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>4,880,113</b>	<b>97</b>	<b>44,089</b>	<b>6,842</b>
<b>FUND BALANCE</b>				
Nonspendable	42,975	--	--	--
Restricted	--	629,110	527,240	--
Committed	--	--	--	--
Unassigned	4,122,262	--	--	--
<b>Total Fund Balance</b>	<b>4,165,237</b>	<b>629,110</b>	<b>527,240</b>	<b>--</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 9,045,350</b>	<b>\$ 629,207</b>	<b>\$ 571,329</b>	<b>\$ 6,842</b>

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2015 Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 224,989	\$ 1,284,313	\$ 3,342,517
--	--	3,063,535
--	40,783	5,158,318
--	3,656	38,087
--	--	42,975
--	1,142	162,179
224,989	1,329,894	11,807,611
--	--	--
<b>\$ 224,989</b>	<b>\$ 1,329,894</b>	<b>\$ 11,807,611</b>
\$ --	\$ 206,993	\$ 1,062,239
--	20,689	2,687,721
--	--	1,312,694
--	17,882	106,349
--	155,237	162,939
--	400,801	5,331,942
--	--	--
--	400,801	5,331,942
--	--	42,975
224,989	712,530	2,093,869
--	216,563	216,563
--	--	4,122,262
224,989	929,093	6,475,669
<b>\$ 224,989</b>	<b>\$ 1,329,894</b>	<b>\$ 11,807,611</b>

**EAST CHINA SCHOOL DISTRICT****Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2017**

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Total Fund Balance - Governmental Funds	\$ 6,475,669
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	218,186
Capital assets are reported as expenditures in the governmental funds; however, these costs are capitalized and depreciated on the Statement of Net Position	56,314,718
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	(473,595)
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	(77,827)
Long-term liabilities are reflected in Statement of Net Position but are omitted from the fund level Balance Sheets	(16,100,448)
Net pension liability reflected in Statement of Net Position but omitted from the fund level Balance Sheets	(60,245,450)
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	(200,000)
<b>Total Net Position-Governmental Funds</b>	<b>\$ (14,088,747)</b>

**EAST CHINA SCHOOL DISTRICT****Statement of Revenues, Expenditures, and Changes in Fund Balance****Governmental Funds****For the Year Ended June 30, 2017**

		<b>Debt Service</b>	<b>Capital Projects</b>	
	<b>General</b>	<b>Debt Retirement</b>	<b>Sinking</b>	<b>2009 Capital Projects</b>
<b>Revenues</b>				
Property taxes	\$ 14,572,211	\$ 5,139,146	\$ 676,744	\$ --
Local sources	462,602	6,484	871	--
State sources	22,809,881	--	--	--
Federal sources	1,521,702	--	--	--
Interdistrict sources	797,066	--	--	--
Interest and dividend revenue	45,725	26,138	1,171	6
<b>Total Revenues</b>	<b>40,209,187</b>	<b>5,171,768</b>	<b>678,786</b>	<b>6</b>
<b>Expenditures</b>				
<i>Current</i>				
Instruction	26,071,871	--	25,733	6,880
Support services	13,313,665	--	--	--
Food services	--	--	--	--
Athletics	826,652	--	--	--
Latchkey	--	--	--	--
Community services	54,221	--	--	--
<i>Debt Service</i>				
Bond principal	--	4,450,000	--	--
Bond interest	--	626,650	--	--
Other bond expenditures	--	11,188	--	--
<i>Capital outlay</i>	36,516	--	424,219	30,430
<b>Total Expenditures</b>	<b>40,302,925</b>	<b>5,087,838</b>	<b>449,952</b>	<b>37,310</b>
<b>Excess of Revenues Over</b>				
<b>(Under) Expenditures</b>	<b>(93,738)</b>	<b>83,930</b>	<b>228,834</b>	<b>(37,304)</b>
<b>Other Financing Sources (Uses)</b>				
Gains (losses) on sales of fixed assets	11,484	--	--	--
Transfers from other funds	108,261	--	--	--
Transfers to other funds	(1,217)	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<b>118,528</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net Change in Fund Balance</b>	<b>24,790</b>	<b>83,930</b>	<b>228,834</b>	<b>(37,304)</b>
<i>Fund Balance at Beginning of Period</i>	<i>4,140,447</i>	<i>545,180</i>	<i>298,406</i>	<i>37,304</i>
<b>Fund Balance at End of Period</b>	<b>\$ 4,165,237</b>	<b>\$ 629,110</b>	<b>\$ 527,240</b>	<b>\$ --</b>

See accompanying notes.



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<b>2015 Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ --	\$ --	\$ 20,388,101
--	1,676,918	2,146,875
--	59,152	22,869,033
--	707,477	2,229,179
--	--	797,066
5,448	1,353	79,841
<u>5,448</u>	<u>2,444,900</u>	<u>48,510,095</u>
--	--	26,104,484
--	--	13,313,665
--	1,257,169	1,257,169
--	--	826,652
--	408,091	408,091
--	--	54,221
--	--	4,450,000
--	--	626,650
--	--	11,188
515,565	347,287	1,354,017
<u>515,565</u>	<u>2,012,547</u>	<u>48,406,137</u>
<u>(510,117)</u>	<u>432,353</u>	<u>103,958</u>
--	3,780	15,264
--	1,217	109,478
--	(108,261)	(109,478)
--	(103,264)	15,264
<u>(510,117)</u>	<u>329,089</u>	<u>119,222</u>
735,106	600,004	6,356,447
<u>\$ 224,989</u>	<u>\$ 929,093</u>	<u>\$ 6,475,669</u>

**EAST CHINA SCHOOL DISTRICT**

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**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and  
Changes in Fund Balance with Statement of Activities  
For the Year Ended June 30, 2017**

Total Net Change in Fund Balances - Governmental Funds	\$	119,222
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		(9,907)
Capital assets are reported as expenditures in the governmental funds; however, these costs are capitalized and depreciated on the Statement of Net Position		1,472,077
Loan principal payments are an expenditure in the governmental funds; however, these payments decrease the related liability on the Statement of Net Position		4,545,833
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		27,773
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		19,989
Depreciation expense reflected in Statement of Activities is not reflected in the fund level statements		(2,607,128)
Net pension liability reflected in Statement of Net Position but omitted from the fund level Balance Sheets		8,534
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		(200,000)
<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b>3,376,393</b>

**EAST CHINA SCHOOL DISTRICT****Statement of Net Position****Proprietary Funds****June 30, 2017**

	<b>Governmental Activities Internal Service Funds</b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and demand accounts	\$ 220,927
Prepaid expenses	10,000
Due from other funds	760
<b>Total Assets</b>	<b>231,687</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Aggregated deferred outflows	--
<b>Total Deferred Outflows of Resources</b>	<b>--</b>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts payable	13,501
<b>Total Liabilities</b>	<b>13,501</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	--
<b>Total Deferred Inflows of Resources</b>	<b>--</b>
<b>NET POSITION</b>	
<i>Unrestricted</i>	218,186
<b>Total Net Position</b>	<b>\$ 218,186</b>

**EAST CHINA SCHOOL DISTRICT****Statement of Revenues, Expenses, and Changes in Net Position****Proprietary Funds****For the Year Ended June 30, 2017**

	<b>Governmental Activities Internal Service Funds</b>
<b>Operating Revenues</b>	
Premiums charged to other funds	\$ 249,400
<b><i>Total Operating Revenues</i></b>	<b><i>249,400</i></b>
<b>Operating Expenses</b>	
Instruction	259,307
<b><i>Total Operating Expenses</i></b>	<b><i>259,307</i></b>
<b><i>Operating Income (Loss)</i></b>	<b><i>(9,907)</i></b>
<b><i>Change In Net Position</i></b>	<b><i>(9,907)</i></b>
<i>Net Position at Beginning of Period</i>	228,093
<b><i>Net Position at End of Period</i></b>	<b><i>\$ 218,186</i></b>

**EAST CHINA SCHOOL DISTRICT**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	<b>Governmental Activities Internal Service Funds</b>
<b><i>Cash Flows From Operating Activities:</i></b>	
Premiums charged to other funds	\$ 249,533
Payments for claims	<u>(269,019)</u>
<b><i>Net Cash Provided By (Used In) Operating Activities</i></b>	<b><u>(19,486)</u></b>
<b><i>Net Increase (Decrease) In Cash and Cash Equivalents</i></b>	<b><u>(19,486)</u></b>
 <i>Cash and Cash Equivalents at Beginning of Period</i>	 <u>240,413</u>
<b><i>Cash and Cash Equivalents at End of Period</i></b>	<b><u>\$ 220,927</u></b>
 <b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</i></b>	
Operating income (loss)	\$ (9,907)
<i>Change in assets and liabilities:</i>	
Due from other funds	133
Accounts payable	<u>(9,712)</u>
<b><i>Net Cash Provided By (Used In) Operating Activities</i></b>	<b><u>\$ (19,486)</u></b>

**EAST CHINA SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

	<u>Agency</u>
	<u>Internal Activities</u>
<b>ASSETS</b>	
Cash and demand accounts	\$ 611,478
<b>Total Assets</b>	<u>611,478</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Aggregated deferred outflows	--
<b>Total Deferred Outflows of Resources</b>	<u>--</u>
<b>LIABILITIES</b>	
Accounts payable	16,305
Due to student groups	551,361
Due to other funds	43,812
<b>Total Liabilities</b>	<u>611,478</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	--
<b>Total Deferred Inflows of Resources</b>	<u>--</u>
<b>NET POSITION</b>	
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, 2017**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local sources	\$ 14,358,681	\$ 15,041,273	\$ 15,080,538	\$ 39,265
State sources	22,724,118	22,804,197	22,809,881	5,684
Federal sources	1,553,031	1,525,514	1,521,702	(3,812)
Interdistrict sources	695,889	745,086	797,066	51,980
<b>Total Revenues</b>	<b>39,331,719</b>	<b>40,116,070</b>	<b>40,209,187</b>	<b>93,117</b>
<b>Other Financing Sources</b>				
Gain on sales of fixed assets	10,000	11,500	11,484	(16)
Transfers from other funds	105,000	105,000	108,261	3,261
<b>Total Revenues and Other Financing Sources</b>	<b>39,446,719</b>	<b>40,232,570</b>	<b>40,328,932</b>	<b>96,362</b>
<b>Expenditures</b>				
Elementary instruction	8,887,054	8,845,638	8,760,372	85,266
Middle school instruction	5,369,195	5,436,441	5,512,846	(76,405)
Senior high instruction	7,364,020	7,349,054	7,555,463	(206,409)
Special education instruction	2,913,539	2,862,422	2,857,286	5,136
Compensatory education instruction	987,737	1,140,441	1,060,012	80,429
Vocational education instruction	40,000	40,000	37,284	2,716
Other added needs instruction	260,846	304,558	288,608	15,950
Pupil services	2,222,487	2,301,671	2,332,074	(30,403)
Instructional staff services	1,416,648	1,403,319	1,343,077	60,242
General administration	372,601	353,830	334,483	19,347
School administration	2,840,211	2,861,535	2,871,515	(9,980)
Fiscal services	440,638	438,475	433,825	4,650
Internal services	27,950	27,950	26,106	1,844
Operations and maintenance	3,477,164	3,486,793	3,485,480	1,313
Pupil transportation	1,728,493	1,558,041	1,561,970	(3,929)
Central services	925,721	991,890	961,651	30,239
Community services	61,666	57,233	54,221	3,012
Athletics	843,891	836,207	826,652	9,555
<b>Total Expenditures</b>	<b>40,179,861</b>	<b>40,295,498</b>	<b>40,302,925</b>	<b>(7,427)</b>
<b>Other Financing Uses</b>				
Transfers to other funds	--	--	1,217	(1,217)
<b>Total Expenditures and Other Financing Uses</b>	<b>40,179,861</b>	<b>40,295,498</b>	<b>40,304,142</b>	<b>(8,644)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(733,142)</b>	<b>(62,928)</b>	<b>24,790</b>	<b>87,718</b>
<b>Net Change in Fund Balance</b>	<b>(733,142)</b>	<b>(62,928)</b>	<b>24,790</b>	<b>87,718</b>
<i>Fund Balance at Beginning of Period</i>	<i>4,140,447</i>	<i>4,140,447</i>	<i>4,140,447</i>	<i>--</i>
<b>Fund Balance at End of Period</b>	<b>\$ 3,407,305</b>	<b>\$ 4,077,519</b>	<b>\$ 4,165,237</b>	<b>\$ 87,718</b>

**EAST CHINA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**

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**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, 2017**

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**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.

2009 Capital Projects Fund and 2015 Capital Projects Fund - 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, 2017**

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**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, 2017**

**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.

**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 - Fees	\$ --	\$ 33,400
- Grants	--	55,067
Non-Major Funds - Other	--	17,882
Total	<u>\$ --</u>	<u>\$ 106,349</u>

**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 Note 8 for details on deferred outflows for pension related costs.

**EAST CHINA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 Note 8 for details on deferred inflows for pension related 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>	
Middle school instruction	\$ 76,405
Senior high instruction	206,409
Pupil services	30,403
School administration	9,980
Pupil transportation	3,929
Transfers	1,217
<u>Cafeteria Fund:</u>	
Salaries and fringes	10,654
Purchased services	13,513
Commodities	9,051
Transfers	28,261
<u>Latchkey Fund:</u>	
Capital outlay	7,925
Transfers	80,000

**EAST CHINA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**

**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	\$ 6,406,052
Total proprietary funds	220,927
Total fiduciary funds	611,478
Less: cash on hand	(47,208)
Total Deposits	<u>\$ 7,191,249</u>

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

Deposits	Insured (FDIC)	Uninsured and Uncollateralized	Carrying Amount	Bank Balance/ Market Value
Demand deposits	\$ 251,319	\$ 4,453,344	\$ 4,112,727	\$ 4,704,663
Savings and CD's	--	3,078,522	3,078,522	3,078,522
Total Cash	<u>\$ 251,319</u>	<u>\$ 7,531,866</u>	<u>\$ 7,191,249</u>	<u>\$ 7,783,185</u>

**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, \$7,531,866 of the District's bank balance of \$7,783,185 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, 2017**

**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 07/1/2016	Completed Construction in Progress	Additions	Disposals	Balance 06/30/2017
Land	\$ 608,520	\$ --	\$ --	\$ --	\$ 608,520
Buildings	91,617,603	529,585	412,270	--	92,559,458
Improvements and infrastructure	4,708,167	--	--	--	4,708,167
Construction in progress	529,585	(529,585)	403,758	--	403,758
Furniture and equipment	4,507,693	--	117,508	(34,351)	4,590,850
Licensed vehicles	3,978,098	--	538,541	(475,895)	4,040,744
Total Capital Assets	105,949,666	--	1,472,077	(510,246)	106,911,497
Accumulated Depreciation	(48,499,897)	--	(2,607,128)	510,246	(50,596,779)
Total Carrying Value of Fixed Assets	<u>\$ 57,449,769</u>	<u>\$ --</u>	<u>\$ (1,135,051)</u>	<u>\$ --</u>	<u>\$ 56,314,718</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	\$ 19,645
Unallocated	2,587,483
Total	<u>\$ 2,607,128</u>

**NOTE 5: FUND BALANCE CLASSIFICATIONS**

Fund:	Nonspendable	Restricted	Committed	Assigned
General				
Prepaid expenses	\$ 42,975	\$ --	\$ --	\$ --
Debt Retirement				
Debt retirement	--	629,110	--	--
Sinking Fund				
Sinking fund projects	--	527,240	--	--
Latchkey				
Latchkey operations	--	--	216,563	--
Cafeteria Fund				
Cafeteria operations	--	402,057	--	--
2017 Capital Projects				
Capital projects	--	310,473	--	--
2015 Capital Projects				
Capital projects	--	224,989	--	--
Total	<u>\$ 42,975</u>	<u>\$ 2,093,869</u>	<u>\$ 216,563</u>	<u>\$ --</u>

**EAST CHINA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 5: FUND BALANCE CLASSIFICATIONS (Continued)**

The District has a minimum fund balance policy equal to 10% of budgeted expenditures adopted by the Board of Education. Of the \$4,122,262 unassigned fund balance reported in the governmental funds balance sheet, \$4,029,550 is the minimum required fund balance under this policy, leaving an excess over this amount of \$92,712.

**NOTE 6: 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:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ 12	Sinking Fund	\$ 12
Internal Service	\$ 760	General	\$ 760
General	\$ 120,149	Cafeteria	\$ 120,149
General	\$ 17,066	Latchkey	\$ 17,066
General	\$ 88	Debt	\$ 88
2009 Capital Projects *	\$ 6,842	Sinking Fund *	\$ 6,842
General	\$ 6,842	2009 Capital Projects	\$ 6,842
2015 Capital Projects *	\$ 1	Sinking Fund *	\$ 1
2017 Capital Projects *	\$ 142	Sinking Fund *	\$ 142
Sinking Fund	\$ 16,880	2017 Capital Projects	\$ 16,880
General Fund *	\$ 43,812	Internal Activities	\$ 43,812
Cafeteria	\$ 1,142	Latchkey	\$ 1,142

\* Amounts treated as cash

Interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
		Cafeteria	\$ 28,261
		Latchkey	80,000
General	\$ 108,261		\$ 108,261
Cafeteria	\$ 1,217	General	\$ 1,217

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

**EAST CHINA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**

**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 TYPE**

	Payable at 07/01/16	Increase	Decrease	Payable at 06/30/17	Due Within One Year
General Obligation:					
General obligation bonds	\$ 20,085,000	\$ --	\$ 4,450,000	\$ 15,635,000	\$ 4,575,000
Unamortized bond premium	561,281	--	95,833	465,448	95,215
Compensated absences	459,002	--	16,196	442,806	--
Pension liability	65,332,074	489,726	--	65,821,800	--
Voluntary severance payments	--	200,000	--	200,000	100,000
Total General Obligation	<u>\$ 86,437,357</u>	<u>\$ 689,726</u>	<u>\$ 4,562,029</u>	<u>\$ 82,565,054</u>	<u>\$ 4,770,215</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:				
Compensated absences	N/A	N/A	N/A	\$ 442,806
2009 School Building And Improvement Bonds	1	3.0-4.0%	2021	5,505,000
2009 Bond Premium	N/A	N/A	2021	14,016
2015 School Bus, Series I And Refunding Bonds	1	2.5-3.0%	2022	10,130,000
2015 Bond Premium	N/A	N/A	2022	451,432
Pension liability	N/A	N/A	N/A	65,821,800
Voluntary severance payments	N/A	N/A	2019	200,000
Total General Obligations				<u>\$ 82,565,054</u>

**SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS**

	2018	2019	2020	2021	2022
General Obligations Principal	\$ 4,575,000	\$ 4,565,000	\$ 2,935,000	\$ 3,115,000	\$ 445,000
General Obligations Interest	505,050	379,200	233,050	125,900	13,350
Total Principal and Interest Requirements	<u>\$ 5,080,050</u>	<u>\$ 4,944,200</u>	<u>\$ 3,168,050</u>	<u>\$ 3,240,900</u>	<u>\$ 458,350</u>
	<u>Total</u>				
General Obligations Principal	\$15,635,000				
General Obligations Interest	1,256,550				
Total Principal and Interest Requirements	<u>\$16,891,550</u>				

Total interest expense for the District for the year was \$510,828. This has been included in the functional expenses in the Statement of Activities.



**EAST CHINA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**

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**NOTE 8: DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**

**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 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/mpsers-cafr](http://www.michigan.gov/mpsers-cafr).

**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.

Each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis. Basic plan members make no contribution to the System, but investment plan members contribute at rates ranging from 3.00% to 7.00% of gross wages.

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, 2017**

**NOTE 8: DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (Continued)**

Additionally, the State of Michigan provides section 147(c) money from the State Aid fund which is required to be remitted to MPSERS 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, 2016 plan year, 69.45% of the 147(c) funds received by the District have been allocated to pension. For the September 30, 2017 plan year, the percentage allocated to pension was increased to 72.88%. Accordingly, 72.88% of the amounts received after September 30, 2016 have been included as deferred inflows and outflows of resources.

For the period July 1, 2016 through September 30, 2016, the District paid contributions into the plan based on the following offerings and the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF	Pension Plus to DC with PHF	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension benefit	18.95%	17.73%	17.73%	14.56%	14.56%	14.56%	18.95%
Healthcare benefit	6.83	6.83	6.40	6.40	6.83	6.40	6.40
DC contributions - Plan Employer Contributions	0.00	1.00	1.00	3.00	4.00	4.00	0.00
Personal Healthcare Fund	0.00	0.00	2.00	2.00	0.00	2.00	2.00
Total	<u>25.78%</u>	<u>25.56%</u>	<u>27.13%</u>	<u>25.96%</u>	<u>25.39%</u>	<u>26.96%</u>	<u>27.35%</u>

For the period October 1, 2016 through June 30, 2017, the District paid contributions into the plan based on the following offerings and the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF	Pension Plus to DC with PHF	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension benefit	19.03%	18.40%	18.40%	15.27%	15.27%	15.27%	19.03%
Healthcare benefit	5.91	5.91	5.69	5.69	5.91	5.69	5.69
DC contributions - Plan Employer Contributions	0.00	1.00	1.00	3.00	4.00	4.00	0.00
Personal Healthcare Fund	0.00	0.00	2.00	2.00	0.00	2.00	2.00
Total	<u>24.94%</u>	<u>25.31%</u>	<u>27.09%</u>	<u>25.96%</u>	<u>25.18%</u>	<u>26.96%</u>	<u>26.72%</u>

Required contributions to the pension plan from East China School District were \$5,924,293 for the year ended September 30, 2016.

**MEASUREMENT OF THE MPSERS 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).

**EAST CHINA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 8: DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (Continued)**

**MPSERS (PLAN) NET PENSION LIABILITY - NON-UNIVERSITY AS OF SEPTEMBER 30, 2016**

Total Pension Liability	\$ 67,917,445,078
Plan Fiduciary Net Position	(42,968,263,308)
Net Pension Liability	<u>\$ 24,949,181,770</u>

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.27%
Net Pension Liability as Percentage of Covered- Employee Payroll	295.81%

**PROPORTIONATE SHARE OF REPORTING UNIT'S NET PENSION LIABILITY**

At June 30, 2017, the District reported a liability of \$65,821,800 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2015. 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, 2016, the District's proportion was 0.26382348 percent, which was a decrease of 0.00365657 percent from its proportion measured as of September 30, 2015.

**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, 2016, 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%	5.9%
% Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
Total	<u>100%</u>	

\*Long term rate of return does not include 2.1% inflation.

**RATE OF RETURN**

For the fiscal year ended September 30, 2016, the annual money weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.91%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**EAST CHINA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**

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**NOTE 8: DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (Continued)**

**DISCOUNT RATE**

A discount rate of 8.0% 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 8.0% (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 8.0% (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:

	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)*	
1% Decrease (Non-Hybrid/Hybrid)*		1% Increase (Non-Hybrid/Hybrid)*
<u>7.0% / 6.0%</u>	<u>8.0% / 7.0%</u>	<u>9.0% / 8.0%</u>
\$84,761,910	\$65,821,800	\$49,853,465

\* 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.

**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, 2016, is based on the results of an actuarial valuation date of September 30, 2015, 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.

**EAST CHINA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**

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**NOTE 8: DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (Continued)**

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- 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
Healthcare Cost Trend Rate:	8.5% 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 table rates were used for females.

NOTES:	<ul style="list-style-type: none"> <li>- 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, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study.</li> <li>- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.6273.</li> <li>- Recognition period for assets in years is 5.0000.</li> <li>- Full actuarial assumptions are available in the 2016 MPERS Comprehensive Annual Financial Report. (<a href="http://www.michigan.gov/mpsers-cafr">www.michigan.gov/mpsers-cafr</a>)</li> </ul>
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**PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

For the year ended June 30, 2017, the District recognized total pension expense of \$5,816,448. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**EAST CHINA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 8: DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 820,313	\$ 155,999
Changes of assumptions	1,029,072	--
Net difference between projected and actual earnings on pension plan investments	1,093,958	--
Changes in proportion and differences between employer contributions and proportionate share of contributions	96,232	1,519,637
Employer contributions subsequent to the measurement date	4,212,411	--
Section 147(c) of State Aid payments received subsequent to the measurement date	2,013,908	2,013,908
Total	<u>\$ 9,265,894</u>	<u>\$ 3,689,544</u>

\$4,212,411 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, 2018. Section 147(c) deferred inflow and outflow of \$2,013,908 will also be recognized in the year ended June 30, 2018. 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) and Outflows of Resources
2017	\$ 61,151
2018	(24,876)
2019	1,199,329
2020	128,335

**MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPERS) FIDUCIARY NET POSITION**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR available at [www.michigan.gov/mpers-cafr](http://www.michigan.gov/mpers-cafr).

**PAYABLES TO THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPERS)**

As of June 30, 2017, there were no amounts due to MPERS for employee or employer contributions.

**EAST CHINA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**

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**NOTE 8: DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (Continued)**

**POSTEMPLOYMENT BENEFITS**

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS Board of Trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403(b) account.

The School District's required and actual contributions to the plan for pension and retiree healthcare benefits for the years ended June 30, 2017, 2016, and 2015 were \$5,610,210, \$5,666,883, and \$5,035,372, respectively.

**NOTE 9: BONDED CONSTRUCTION AND SINKING FUNDS**

The 2009 Capital Projects Fund and 2015 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.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2009 Capital Projects Fund. The projects which the 2009 Capital Projects Bonds were issued were considered complete on June 30, 2017 and the cumulative expenditures recognized for the construction period were \$9,882,205.

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 10: 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.

**EAST CHINA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**

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**NOTE 11: 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, 2017, 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.

For the year ended June 30, 2017, the District's property taxes were reduced by the State of Michigan \$2,286,414 under this program from the following municipalities:

<u>City/Township</u>	<u>Amount of Abatement</u>
China Township	\$ 1,370,131
East China Township	866,382
City of St. Clair	49,901
Total taxes abated under Water Pollution Program	<u>\$ 2,286,414</u>

**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, 2017, the District's property taxes were reduced by the State of Michigan \$17,431,519 under this program from the following municipalities:

<u>City/Township</u>	<u>Amount of Abatement</u>
China Township	\$ 7,805,586
East China Township	9,563,986
City of St. Clair	61,947
Total taxes abated under Air Pollution Program	<u>\$ 17,431,519</u>

**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%.



**EAST CHINA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**

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**NOTE 11: TAX ABATEMENTS (Continued)**

For the year ended June 30, 2017, the District's property taxes were reduced by \$202,075 from the following municipalities:

<u>City/Township</u>	<u>Amount of Abatement</u>
Cottrellville Township	\$ 16,539
City of St. Clair	2,734
China Township	16,688
City of Marysville	158,532
City of Marine City	7,582
Total taxes abated under IFT program	<u>\$ 202,075</u>

**NOTE 12: CHANGE IN ACCOUNTING PRINCIPLE**

During the fiscal year, the District adopted Governmental Accounting Standards Board (GASB) *GASB Statement No. 77, Tax Abatement Disclosures*. The new standard improves financial reporting by giving users of financial statements information about the nature and magnitude of tax abatements. This information allows users to better understand how tax abatements affect the District's future ability to raise resources, meet its financial obligations and the impact those abatements have on the District's financial position and economic condition. These disclosures have been included in Note 11. This standard does not change the District's net assets of the current or prior period financial statements.

**NOTE 13: UPCOMING REPORTING CHANGE**

In 2015, the Governmental Accounting Standards Board (GASB) issued *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 increased note disclosures and required supplementary information (RSI) to provide financial statement users with a better understanding of the impact of this liability on the District. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the 2017-2018 fiscal year.

In 2017, the 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.

**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)**

	2016	2015	2014
East China School District's proportion of net pension liability (%)	0.26382%	0.26748%	0.27333%
East China School District's proportionate share of net pension liability	\$ 65,821,800	\$ 65,332,074	\$ 60,205,499
East China School District's covered-employee payroll	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 (%)	298.04%	293.93%	259.11%
Plan fiduciary net position as a percentage of total pension liability (%)	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 Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (amounts determined as of 9/30 each year)**

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

**Notes to Schedule:**

*Changes of benefit terms:* There were no changes of benefit terms in 2016.

*Changes of assumptions:* There were no changes of benefit assumptions in 2016.

*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.

## **SUPPLEMENTAL INFORMATION**

**EAST CHINA SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	<b>Special Revenue</b>		<b>Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Latchkey</b>	<b>Cafeteria</b>	<b>2017 Capital Projects</b>	
<b>ASSETS</b>				
Cash and demand accounts	\$ 286,534	\$ 545,290	\$ 452,489	\$ 1,284,313
Due from other governmental units	--	40,783	--	40,783
Miscellaneous receivables	3,656	--	--	3,656
Due from other funds	--	1,142	--	1,142
<b>Total Assets</b>	<b>290,190</b>	<b>587,215</b>	<b>452,489</b>	<b>1,329,894</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Aggregated deferred outflows	--	--	--	--
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 290,190</b>	<b>\$ 587,215</b>	<b>\$ 452,489</b>	<b>\$ 1,329,894</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 34,630	\$ 47,227	\$ 125,136	\$ 206,993
Accrued payroll	20,689	--	--	20,689
Unearned revenue	100	17,782	--	17,882
Due to other funds	18,208	120,149	16,880	155,237
<b>Total Liabilities</b>	<b>73,627</b>	<b>185,158</b>	<b>142,016</b>	<b>400,801</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Aggregated deferred inflows	--	--	--	--
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>73,627</b>	<b>185,158</b>	<b>142,016</b>	<b>400,801</b>
<b>FUND BALANCE</b>				
Restricted	--	402,057	310,473	712,530
Committed	216,563	--	--	216,563
Unassigned	--	--	--	--
<b>Total Fund Balance</b>	<b>216,563</b>	<b>402,057</b>	<b>310,473</b>	<b>929,093</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 290,190</b>	<b>\$ 587,215</b>	<b>\$ 452,489</b>	<b>\$ 1,329,894</b>

**EAST CHINA SCHOOL DISTRICT****Combining Statement of Revenues, Expenditures, and Changes in Fund Balance****Nonmajor Governmental Funds****For the Year Ended June 30, 2017**

	<b>Special Revenue</b>		<b>Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Latchkey</b>	<b>Cafeteria</b>	<b>2017 Capital Projects</b>	
<b>Revenues</b>				
Local sources	\$ 536,170	\$ 600,748	\$ 540,000	\$ 1,676,918
State sources	--	59,152	--	59,152
Federal sources	--	707,477	--	707,477
Interest and dividend revenue	--	1,142	211	1,353
<b>Total Revenues</b>	<b>536,170</b>	<b>1,368,519</b>	<b>540,211</b>	<b>2,444,900</b>
<b>Expenditures</b>				
<i>Current</i>				
Food services	--	1,257,169	--	1,257,169
Latchkey	408,091	--	--	408,091
<i>Capital Outlay</i>	37,925	79,624	229,738	347,287
<b>Total Expenditures</b>	<b>446,016</b>	<b>1,336,793</b>	<b>229,738</b>	<b>2,012,547</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>90,154</b>	<b>31,726</b>	<b>310,473</b>	<b>432,353</b>
<b>Other Financing Sources (Uses)</b>				
Gains (losses) on sales of fixed assets	--	3,780	--	3,780
Transfers from other funds	--	1,217	--	1,217
Transfers to other funds	(80,000)	(28,261)	--	(108,261)
<b>Net Other Financing Sources (Uses)</b>	<b>(80,000)</b>	<b>(23,264)</b>	<b>--</b>	<b>(103,264)</b>
<b>Net Change in Fund Balance</b>	<b>10,154</b>	<b>8,462</b>	<b>310,473</b>	<b>329,089</b>
<i>Fund Balance at Beginning of Period</i>	<i>206,409</i>	<i>393,595</i>	<i>--</i>	<i>600,004</i>
<b>Fund Balance at End of Period</b>	<b>\$ 216,563</b>	<b>\$ 402,057</b>	<b>\$ 310,473</b>	<b>\$ 929,093</b>

**EAST CHINA SCHOOL DISTRICT****Schedule of Revenues and Other Financing Sources - Budget and Actual****General Fund****For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local sources:				
Property taxes	\$ 13,855,181	\$ 14,558,898	\$ 14,572,212	\$ 13,314
Other local revenue	503,500	482,375	508,326	25,951
<i>Total Local Sources</i>	<u>14,358,681</u>	<u>15,041,273</u>	<u>15,080,538</u>	<u>39,265</u>
State sources:				
Foundation Allowance - Net of taxes	18,749,269	18,575,150	18,574,218	(932)
Other state grants & aid	3,974,849	4,229,047	4,235,663	6,616
<i>Total State Sources</i>	<u>22,724,118</u>	<u>22,804,197</u>	<u>22,809,881</u>	<u>5,684</u>
Federal sources:				
Title I/II	634,432	579,719	601,168	21,449
Other federal programs	918,599	945,795	920,534	(25,261)
<i>Total Federal Sources</i>	<u>1,553,031</u>	<u>1,525,514</u>	<u>1,521,702</u>	<u>(3,812)</u>
Interdistrict sources:				
St. Clair County RESA &				
Other Interdistrict sources	695,889	745,086	797,066	51,980
<i>Total Interdistrict Sources</i>	<u>695,889</u>	<u>745,086</u>	<u>797,066</u>	<u>51,980</u>
<b>Other Financing Sources</b>				
Gain on sale of fixed assets	10,000	11,500	11,484	(16)
Interfund transfers	105,000	105,000	108,261	3,261
<i>Total Revenues and Other         Financing Sources</i>	<u>\$ 39,446,719</u>	<u>\$ 40,232,570</u>	<u>\$ 40,328,932</u>	<u>\$ 96,362</u>



**EAST CHINA SCHOOL DISTRICT**
**Schedule of Instructional Expenditures - Budget and Actual**
**General Fund**
**For the Year Ended June 30, 2017**

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
<b>Basic Programs</b>				
Elementary school:				
Salaries and wages	\$ 5,341,871	\$ 5,311,660	\$ 5,275,031	\$ 36,629
Employee benefits	3,285,517	3,292,429	3,236,168	56,261
Purchased services	132,424	116,165	87,215	28,950
Supplies and materials	126,582	124,724	140,786	(16,062)
Capital outlay	--	--	20,603	(20,603)
Other	660	660	573	87
<i>Total Elementary School</i>	<u>8,887,054</u>	<u>8,845,638</u>	<u>8,760,376</u>	<u>85,262</u>
Middle school:				
Salaries and wages	3,235,865	3,326,926	3,333,026	(6,100)
Employee benefits	1,979,644	1,960,019	2,014,695	(54,676)
Purchased services	53,200	60,200	51,253	8,947
Supplies and materials	100,036	88,846	113,215	(24,369)
Other	450	450	657	(207)
<i>Total Middle School</i>	<u>5,369,195</u>	<u>5,436,441</u>	<u>5,512,846</u>	<u>(76,405)</u>
High school:				
Salaries and wages	4,350,102	4,336,829	4,379,355	(42,526)
Employee benefits	2,669,541	2,636,732	2,689,698	(52,966)
Purchased services	252,857	278,055	272,443	5,612
Supplies and materials	89,810	96,728	155,212	(58,484)
Capital outlay	--	--	57,372	(57,372)
Other	1,710	710	1,382	(672)
<i>Total High School</i>	<u>7,364,020</u>	<u>7,349,054</u>	<u>7,555,462</u>	<u>(206,408)</u>
<b>Total Basic Programs</b>	<u><b>21,620,269</b></u>	<u><b>21,631,133</b></u>	<u><b>21,828,684</b></u>	<u><b>(197,551)</b></u>
<b>Added Needs</b>				
Special education:				
Salaries and wages	1,824,299	1,739,721	1,743,138	(3,417)
Employee benefits	1,057,605	1,102,666	1,065,543	37,123
Purchased services	18,100	12,500	45,984	(33,484)
Supplies and materials	13,350	7,350	2,424	4,926
Other	185	185	197	(12)
<i>Total Special Education</i>	<u>2,913,539</u>	<u>2,862,422</u>	<u>2,857,286</u>	<u>5,136</u>
Compensatory:				
Salaries and wages	599,272	703,180	629,134	74,046
Employee benefits	348,165	423,261	385,503	37,758
Purchased services	29,800	10,000	15,549	(5,549)
Supplies and materials	10,500	4,000	29,727	(25,727)
Other	--	--	98	(98)
<i>Total Compensatory</i>	<u>987,737</u>	<u>1,140,441</u>	<u>1,060,011</u>	<u>80,430</u>

**EAST CHINA SCHOOL DISTRICT**
**Schedule of Instructional Expenditures - Budget and Actual (continued)**
**General Fund**
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b><i>Added Needs (Continued)</i></b>				
Vocational education:				
Purchased services	\$ --	\$ --	\$ 671	\$ (671)
Supplies and materials	16,000	12,000	955	11,045
Capital outlay	24,000	28,000	35,658	(7,658)
<i>Total Vocational Education</i>	<u>40,000</u>	<u>40,000</u>	<u>37,284</u>	<u>2,716</u>
Other instruction:				
Salaries and wages	151,732	184,193	173,627	10,566
Employee benefits	69,442	92,553	91,497	1,056
Purchased services	2,525	2,560	1,217	1,343
Supplies and materials	31,647	17,252	25,463	(8,211)
Other	5,500	8,000	(3,196)	11,196
<i>Total Other Instruction</i>	<u>260,846</u>	<u>304,558</u>	<u>288,608</u>	<u>15,950</u>
<b><i>Total Added Needs</i></b>	<b><u>4,202,122</u></b>	<b><u>4,347,421</u></b>	<b><u>4,243,189</u></b>	<b><u>104,232</u></b>
<b><i>Total Instruction</i></b>	<b><u>\$ 25,822,391</u></b>	<b><u>\$ 25,978,554</u></b>	<b><u>\$ 26,071,873</u></b>	<b><u>\$ (93,319)</u></b>

**EAST CHINA SCHOOL DISTRICT**
**Schedule of Support Services Expenditures - Budget and Actual**
**General Fund**
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b><i>Pupil Support Services</i></b>				
Counseling services:				
Salaries and wages	\$ 446,790	\$ 459,495	\$ 476,278	\$ (16,783)
Employee benefits	286,532	293,766	307,956	(14,190)
Purchased services	10,000	10,000	14,966	(4,966)
Supplies and materials	5,400	5,550	420	5,130
Other expenses	20	20	8	12
<i>Total Counseling Services</i>	<u>748,742</u>	<u>768,831</u>	<u>799,628</u>	<u>(30,797)</u>
Health services:				
Salaries and wages	96,447	98,070	103,372	(5,302)
Employee benefits	45,750	49,130	50,182	(1,052)
Purchased services	1,700	1,700	742	958
Supplies and materials	2,370	2,500	1,787	713
<i>Total Health Services</i>	<u>146,267</u>	<u>151,400</u>	<u>156,083</u>	<u>(4,683)</u>
Psychological services:				
Purchased services	28,000	28,000	21,447	6,553
<i>Total Psychological Services</i>	<u>28,000</u>	<u>28,000</u>	<u>21,447</u>	<u>6,553</u>
Social work services:				
Salaries and wages	158,903	158,641	160,167	(1,526)
Employee benefits	104,311	102,041	102,069	(28)
Purchased services	600	600	138	462
Other expenses	70	70	98	(28)
<i>Total Social Work Services</i>	<u>263,884</u>	<u>261,352</u>	<u>262,472</u>	<u>(1,120)</u>
Teacher consultant services:				
Salaries and wages	601,417	576,266	573,582	2,684
Employee benefits	395,312	360,844	364,145	(3,301)
Purchased services	1,500	2,000	1,307	693
Supplies and materials	500	--	25	(25)
Other expenses	23	23	--	23
<i>Total Teacher Consultant Services</i>	<u>998,752</u>	<u>939,133</u>	<u>939,059</u>	<u>74</u>
Other pupil services:				
Salaries and wages	13,325	81,989	80,720	1,269
Employee benefits	18,992	66,441	66,346	95
Purchased services	1,025	1,025	3,352	(2,327)
Supplies and materials	3,500	3,500	2,296	1,204
Capital outlay	--	--	670	(670)
<i>Total Other Pupil Services</i>	<u>36,842</u>	<u>152,955</u>	<u>153,384</u>	<u>(429)</u>
<b><i>Total Pupil Support Services</i></b>	<b><u>2,222,487</u></b>	<b><u>2,301,671</u></b>	<b><u>2,332,073</u></b>	<b><u>(30,402)</u></b>

**EAST CHINA SCHOOL DISTRICT**

**Schedule of Support Services Expenditures - Budget and Actual (continued)**

**General Fund**

**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Instructional Staff Support Services</b>				
Improvement of instruction:				
Salaries and wages	\$ 83,917	\$ 85,034	\$ 71,866	\$ 13,168
Employee benefits	33,240	38,820	32,126	6,694
Purchased services	273,228	281,557	271,715	9,842
Supplies and materials	6,040	6,040	13,890	(7,850)
Other	400	400	220	180
<i>Total Improvement of Instruction</i>	<u>396,825</u>	<u>411,851</u>	<u>389,817</u>	<u>22,034</u>
Library / Media:				
Salaries and wages	379,942	368,989	355,965	13,024
Employee benefits	226,797	221,055	216,164	4,891
Purchased services	--	--	1,383	(1,383)
Supplies and materials	29,003	24,903	24,958	(55)
Other	60	60	49	11
<i>Total Library / Media</i>	<u>635,802</u>	<u>615,007</u>	<u>598,519</u>	<u>16,488</u>
Supervision of instruction:				
Salaries and wages	227,102	216,694	208,935	7,759
Employee benefits	146,461	150,109	141,982	8,127
Purchased services	4,758	4,758	2,141	2,617
Supplies and materials	4,300	3,500	1,505	1,995
Other	1,400	1,400	179	1,221
<i>Total Supervision of Instruction</i>	<u>384,021</u>	<u>376,461</u>	<u>354,742</u>	<u>21,719</u>
<b>Total Instructional Staff</b>				
<b>Support Services</b>	<u><b>1,416,648</b></u>	<u><b>1,403,319</b></u>	<u><b>1,343,078</b></u>	<u><b>60,241</b></u>

**EAST CHINA SCHOOL DISTRICT**
**Schedule of Support Services Expenditures - Budget and Actual (continued)**
**General Fund**
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>General Administration</b>				
Board of Education:				
Purchased services	\$ 88,000	\$ 73,000	\$ 48,957	\$ 24,043
Other	8,350	8,500	7,924	576
<i>Total Board of Education</i>	<u>96,350</u>	<u>81,500</u>	<u>56,881</u>	<u>24,619</u>
Executive administration:				
Salaries and wages	160,840	157,960	161,076	(3,116)
Employee benefits	102,726	103,085	105,521	(2,436)
Purchased services	7,485	7,485	6,972	513
Supplies and materials	1,500	1,000	1,061	(61)
Other	3,700	2,800	2,972	(172)
<i>Total Executive Administration</i>	<u>276,251</u>	<u>272,330</u>	<u>277,602</u>	<u>(5,272)</u>
<b>Total General Administration</b>	<u><b>372,601</b></u>	<u><b>353,830</b></u>	<u><b>334,483</b></u>	<u><b>19,347</b></u>
<b>School Administration</b>				
Salaries and wages	1,623,718	1,634,022	1,636,271	(2,249)
Employee benefits	984,385	1,010,819	1,023,244	(12,425)
Purchased services	196,725	185,355	176,594	8,761
Supplies and materials	20,950	17,930	23,122	(5,192)
Capital outlay	4,500	4,500	--	4,500
Other	9,933	8,909	12,284	(3,375)
<b>Total School Administration</b>	<u><b>2,840,211</b></u>	<u><b>2,861,535</b></u>	<u><b>2,871,515</b></u>	<u><b>(9,980)</b></u>
<b>Fiscal Services</b>				
Salaries and wages	211,892	210,551	210,096	455
Employee benefits	137,273	140,079	139,708	371
Purchased services	86,688	84,560	81,484	3,076
Supplies and materials	3,600	2,100	1,724	376
Other	1,185	1,185	812	373
<b>Total Fiscal Services</b>	<u><b>440,638</b></u>	<u><b>438,475</b></u>	<u><b>433,824</b></u>	<u><b>4,651</b></u>
<b>Internal Services</b>				
Purchased services	21,000	21,000	23,665	(2,665)
Supplies and materials	6,950	6,950	2,341	4,609
Capital outlay	--	--	99	(99)
<b>Total Internal Services</b>	<u><b>27,950</b></u>	<u><b>27,950</b></u>	<u><b>26,105</b></u>	<u><b>1,845</b></u>

**EAST CHINA SCHOOL DISTRICT**
**Schedule of Support Services Expenditures - Budget and Actual (continued)**
**General Fund**
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Operations and Maintenance</b>				
Salaries and wages	\$ 627,810	\$ 605,416	\$ 611,069	\$ (5,653)
Employee benefits	489,805	454,579	450,275	4,304
Purchased services	1,157,366	1,329,728	1,318,867	10,861
Supplies and materials	1,200,948	1,095,835	1,102,810	(6,975)
Capital outlay	--	--	1,562	(1,562)
Other	1,235	1,235	897	338
<b>Total Operations and Maintenance</b>	<b>3,477,164</b>	<b>3,486,793</b>	<b>3,485,480</b>	<b>1,313</b>
<b>Pupil Transportation</b>				
Salaries and wages	389,388	434,490	421,911	12,579
Employee benefits	264,235	287,936	287,376	560
Purchased services	716,153	673,848	688,543	(14,695)
Supplies and materials	489,057	292,107	269,013	23,094
Other	(130,340)	(130,340)	(104,872)	(25,468)
<b>Total Pupil Transportation</b>	<b>1,728,493</b>	<b>1,558,041</b>	<b>1,561,971</b>	<b>(3,930)</b>
<b>Central Services</b>				
Personnel services:				
Salaries and wages	168,290	166,795	160,858	5,937
Employee benefits	110,466	115,671	112,896	2,775
Purchased services	25,011	33,881	31,276	2,605
Supplies and materials	2,500	1,000	646	354
Other	9,030	6,930	6,302	628
<b>Total Personnel Services</b>	<b>315,297</b>	<b>324,277</b>	<b>311,978</b>	<b>12,299</b>
Technology support services:				
Salaries and wages	157,615	184,287	182,259	2,028
Employee benefits	90,422	106,533	107,404	(871)
Purchased services	296,147	286,553	264,304	22,249
Supplies and materials	61,000	51,000	55,463	(4,463)
Capital outlay	5,000	39,000	40,193	(1,193)
Other	240	240	49	191
<b>Total Technology Support Services</b>	<b>610,424</b>	<b>667,613</b>	<b>649,672</b>	<b>17,941</b>
<b>Total Central Services</b>	<b>925,721</b>	<b>991,890</b>	<b>961,650</b>	<b>30,240</b>
<b>Total Support Services</b>	<b>\$ 13,451,913</b>	<b>\$ 13,423,504</b>	<b>\$ 13,350,179</b>	<b>\$ 73,325</b>

**EAST CHINA SCHOOL DISTRICT**
**Schedule of Community Services Expenditures and Other Transactions - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Favorable (Unfavorable) Final to Actual</b>
<b><i>Athletic Activities</i></b>				
Salaries and wages	\$ 491,185	\$ 476,770	\$ 457,338	\$ 19,432
Employee benefits	221,989	228,719	215,443	13,276
Purchased services	49,707	49,708	59,836	(10,128)
Supplies and materials	51,865	51,865	48,673	3,192
Capital outlay	9,300	9,300	22,593	(13,293)
Other	19,845	19,845	22,769	(2,924)
<b>Total Athletic Activities</b>	<b>\$ 843,891</b>	<b>\$ 836,207</b>	<b>\$ 826,652</b>	<b>\$ 9,555</b>
<b><i>Community Services</i></b>				
Salaries and wages	\$ 3,760	\$ 22,487	\$ 21,717	\$ 770
Employee benefits	1,626	11,332	11,133	199
Purchased services	28,056	15,190	21,084	(5,894)
Supplies and materials	28,224	8,224	287	7,937
<b>Total Community Services</b>	<b>\$ 61,666</b>	<b>\$ 57,233</b>	<b>\$ 54,221</b>	<b>\$ 3,012</b>
<b><i>Interfund Transfers</i></b>				
Cafeteria	\$ --	\$ --	\$ 1,217	\$ (1,217)
<b>Total Interfund Transfers</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 1,217</b>	<b>\$ (1,217)</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 40,179,861</b>	<b>\$ 40,295,498</b>	<b>\$ 40,304,142</b>	<b>\$ (8,644)</b>

**EAST CHINA SCHOOL DISTRICT**
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**
**Cafeteria**
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local sources	\$ 582,763	\$ 582,763	\$ 601,890	\$ 19,127
State sources	46,000	46,000	59,152	13,152
Federal sources	680,000	700,000	707,477	7,477
<b>Total Revenues</b>	<b>1,308,763</b>	<b>1,328,763</b>	<b>1,368,519</b>	<b>39,756</b>
<b>Other Financing Sources</b>				
Gain on sales of fixed assets	--	--	3,780	3,780
Transfers from other funds	--	--	1,217	1,217
<b>Total Revenues and Other Financing Sources</b>	<b>1,308,763</b>	<b>1,328,763</b>	<b>1,373,516</b>	<b>44,753</b>
<b>Expenditures</b>				
Salaries and fringes	142,000	142,000	152,654	(10,654)
Purchased services	985,000	965,000	978,513	(13,513)
Supplies, materials and other	55,000	64,000	26,951	37,049
Capital outlay	30,000	100,000	79,624	20,376
Commodities	80,000	90,000	99,051	(9,051)
<b>Total Expenditures</b>	<b>1,292,000</b>	<b>1,361,000</b>	<b>1,336,793</b>	<b>24,207</b>
<b>Other Financing Uses</b>				
Transfers to other funds	--	--	28,261	(28,261)
<b>Total Expenditures and Other Financing Uses</b>	<b>1,292,000</b>	<b>1,361,000</b>	<b>1,365,054</b>	<b>(4,054)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>16,763</b>	<b>(32,237)</b>	<b>8,462</b>	<b>40,699</b>
<b>Net Change in Fund Balance</b>	<b>16,763</b>	<b>(32,237)</b>	<b>8,462</b>	<b>40,699</b>
<i>Fund Balance at Beginning of Period</i>	<i>393,595</i>	<i>393,595</i>	<i>393,595</i>	<i>--</i>
<b>Fund Balance at End of Period</b>	<b>\$ 410,358</b>	<b>\$ 361,358</b>	<b>\$ 402,057</b>	<b>\$ 40,699</b>



**EAST CHINA SCHOOL DISTRICT**
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**
**Latchkey**
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local sources	\$ 525,000	\$ 575,000	\$ 536,170	\$ (38,830)
<b>Total Revenues</b>	525,000	575,000	536,170	(38,830)
<b>Other Financing Sources</b>	--	--	--	--
<b>Total Revenues and Other Financing Sources</b>	525,000	575,000	536,170	(38,830)
<b>Expenditures</b>				
Salaries and fringes	411,200	420,000	391,435	28,565
Purchased services	6,500	7,000	4,776	2,224
Supplies, materials and other	93,000	93,000	11,880	81,120
Capital outlay	--	30,000	37,925	(7,925)
<b>Total Expenditures</b>	510,700	550,000	446,016	103,984
<b>Other Financing Uses</b>				
Transfers to other funds	--	--	80,000	(80,000)
<b>Total Expenditures and Other Financing Uses</b>	510,700	550,000	526,016	23,984
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	14,300	25,000	10,154	(14,846)
<b>Net Change in Fund Balance</b>	<b>14,300</b>	<b>25,000</b>	<b>10,154</b>	<b>(14,846)</b>
<i>Fund Balance at Beginning of Period</i>	206,409	206,409	206,409	--
<b>Fund Balance at End of Period</b>	<b>\$ 220,709</b>	<b>\$ 231,409</b>	<b>\$ 216,563</b>	<b>\$ (14,846)</b>

**EAST CHINA SCHOOL DISTRICT**  
**Schedule of Bonded Indebtedness**  
**For the Year Ended June 30, 2017**

***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%	2018	\$ 765,000	\$ 220,200	\$ 985,200
			2019	920,000	189,600	1,109,600
Principal due May 1			2020	1,910,000	152,800	2,062,800
Interest due May 1 and November 1			2021	1,910,000	76,400	1,986,400
<b>Total 2009 Capital Projects Bonds</b>				<b>5,505,000</b>	<b>639,000</b>	<b>6,144,000</b>

***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%	2018	\$ 3,810,000	\$ 284,850	\$ 4,094,850
			2019	3,645,000	189,600	3,834,600
Principal due May 1			2020	1,025,000	80,250	1,105,250
Interest due May 1 and November 1			2021	1,205,000	49,500	1,254,500
			2022	445,000	13,350	458,350
<b>Total 2015 Capital Projects and Refunding Bonds</b>				<b>10,130,000</b>	<b>617,550</b>	<b>10,747,550</b>
<b>Total Bonded Indebtedness</b>				<b>\$ 15,635,000</b>	<b>\$ 1,256,550</b>	<b>\$ 16,891,550</b>