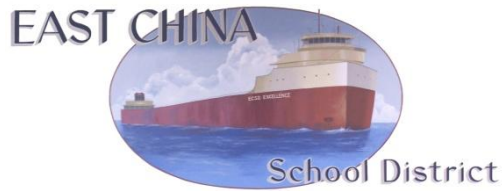


EAST CHINA SCHOOL DISTRICT
St. Clair County Michigan
AUDITED FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

EAST CHINA SCHOOL DISTRICT

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of the East China School District (“the District”) presents our discussion and analysis of the District’s financial performance during the fiscal year that ended June 30, 2013. 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, 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, and the 2009 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 non-major funds include the Special Revenue Fund and the Proprietary 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. 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 position as of June 30, 2013.

Table 1
CONDENSED NET POSITION
(stated in thousands)

	2010-11	2011-12	2012-13
ASSETS			
Current and other assets	\$20,135	\$17,495	\$13,175
Capital assets/bond issuance costs	62,273	61,622	61,648
<i>TOTAL ASSETS</i>	<u>\$82,408</u>	<u>\$79,117</u>	<u>\$74,823</u>
LIABILITIES			
Current liabilities	\$9,638	\$10,441	\$9,544
Long-Term liabilities	36,369	32,182	28,169
<i>TOTAL LIABILITIES</i>	<u>\$46,007</u>	<u>\$42,623</u>	<u>\$37,713</u>
NET POSITION			
Invested in capital assets - net of related debt	\$22,302	\$25,727	\$30,161
Restricted for capital projects, food service/debt service	7,974	4,952	2,579
Unrestricted	6,125	5,815	4,370
<i>TOTAL NET POSITION</i>	<u>\$36,401</u>	<u>\$36,494</u>	<u>\$37,110</u>

The District's total net position was \$37,109,637 at June 30, 2013. Net position can be separated into three categories: net capital assets, restricted, and unrestricted.

Net investment in capital assets is a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The District's Net Investment in Capital Assets was \$30,161,436 at June 30, 2013. 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 \$2,577,709.

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. Unrestricted net position of \$4,370,492 for fiscal year 2012-13 decreased by 25% 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 three year statement has been prepared to show a comparison of revenues and expenses to identify trends.

Table 2
CONDENSED CHANGE IN NET POSITION
(in thousands)

REVENUE	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Program Revenue:			
Grants and Contributions	\$4,641	\$5,169	\$4,424
Charges for Services	1,575	1,589	1,381
General Revenue			
Property Taxes	19,435	19,058	18,293
State Foundation Allowance	24,375	22,461	22,633
Federal Sources	1,510	471	71
Other	237	263	238
<i>TOTAL REVENUE</i>	<u>\$51,773</u>	<u>\$49,011</u>	<u>\$47,040</u>
PROGRAM EXPENSES			
Instruction	\$29,813	\$27,613	\$26,000
Support Services	14,908	14,439	13,607
Community Services	35	28	20
Food Services	1,449	1,441	1,386
Athletics	776	754	759
Latchkey	537	536	431
Interest on Long-Term Debt	1,892	1,711	1,522
Other Bond Expenditures	43	43	249
Depreciation (Unallocated)	2,334	2,353	2,450
Capital Lease Payments	33	-	-
<i>TOTAL EXPENSES</i>	<u>\$51,820</u>	<u>\$48,918</u>	<u>\$46,424</u>
INCR/(DECR) IN NET POSITION	<u>(\$47)</u>	<u>\$93</u>	<u>\$616</u>

As reported in the Statement of Activities, one of the *District-wide* financial statements, the cost of all governmental activities this year was \$46,424,409. Certain activities were partially funded in the amount of \$1,381,145 from those who benefited from the program. Other programs were subsidized by State and Federal grants and contributions in the amount of \$4,423,950. The District paid for the remaining "public benefit" portion of the governmental activities with \$18,293,182 in taxes, \$22,632,761 in State Foundation Allowance, and with other miscellaneous revenue, such as interest and general entitlements. The District experienced an increase in net position of \$615,621.

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

General Operations

In 2012-13, the District experienced a net loss in the governmental funds of \$3,696,238. This deficit was due to expenditures exceeding revenues in the following funds:

General Fund	(\$ 817,329)
Debt Retirement Fund	(717,422)
Sinking Fund	(343,003)
2009 Capital Projects Fund	(1,857,359)
Other	<u>38,875</u>
	<u>(\$3,696,238)</u>

Capital Outlay Acquisitions

Actual capital outlay acquisitions for the fiscal year ended June 30, 2013, were \$2,751,958.

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 in capital assets increased by \$274,018.

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, 2013, the depreciation expense was \$2.5 million.

Bond Principal and Interest Repayment

Repayment of bond principal reduces long-term liabilities. For the fiscal year ended June 30, 2013, the District paid bond principal in the amount of \$4,070,000. In addition, the District paid \$1,638,688 in interest on long-term debt.

The increase in overall net position of the District was due both to activities related and unrelated to the ordinary operations of the District.

The District's Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of \$7,337,245, which is a decrease of \$3,696,238 from last year. This decrease is primarily attributable to the reduction in the fund balance in the District's 2009 Capital Projects Fund.

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

General Operating Fund

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
REVENUE:			
Property Taxes	\$ 13,882,207	\$ 13,686,262	\$ 13,057,462
State sources	25,306,916	23,902,011	23,766,386
Other sources	5,211,375	4,237,789	3,179,313
<i>Total Revenue</i>	<u>\$44,400,498</u>	<u>\$41,826,062</u>	<u>\$40,003,161</u>

The General Fund had total revenue and other sources of \$40,003,161, which included \$13,057,462 from property taxes and \$23,766,386 from State sources. Combined, these two sources account for approximately 92% of General Fund revenues. Total revenue and other financing sources decreased by 4.36%, or \$1,822,901 from 2011-12. In addition, State revenue sources experienced a slight decrease of 0.57%, or \$135,625 and the three year analysis identifies a decline.

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
EXPENDITURES:			
Instruction	\$ 27,844,565	\$ 26,800,268	\$ 26,631,539
Support services	14,834,761	14,601,568	13,359,386
Athletic activities	776,120	754,295	759,224
Interfund transfers	441,345	-	50,328
Community services	35,120	27,531	20,013
Other	33,009	-	-
<i>Total Expenditures</i>	<u>\$43,964,920</u>	<u>\$42,183,662</u>	<u>\$40,820,490</u>

Total General Fund expenditures of \$40,820,490 consist of \$26,631,539 for ‘Instruction’ purposes, which includes teacher salaries, fringe benefits, and instructional supplies; \$13,359,386 for ‘Support Services’ which includes all other District personnel, plus transportation services and maintenance and operations; \$759,224 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 0.6% while expenditures for ‘Support Services’ decreased by approximately 8.51%. The change in General Fund expenditures for these categories was due to overall budget reductions. Total General Fund expenditures decreased by \$1,363,172 or 3.23% from 2011-12. The three year analysis of both revenues and expenditures marks a continued decrease of expenditures necessitated by falling revenue levels.

The General Fund experienced a deficit of \$817,329, for the fiscal year 2012-13. Below is a three year illustration of performance levels:

	<u>GF</u>	<u>GF</u>	<u>NET</u>
	<u>REVENUES</u>	<u>EXPEND</u>	<u>REV/EXP</u>
2010-11	\$44,400,498	\$43,964,920	\$ 435,578
2011-12	41,826,062	42,183,662	(357,600)
2012-13	40,003,161	40,820,490	(817,329)

Other Governmental Funds

Cafeteria Fund

Revenues and other sources of \$1,411,118 include food sales of \$580,931, which account for approximately 41% of the total. The remaining income is primarily comprised of State and Federal reimbursements to the food service program. Total expenses and transfers of \$1,358,716 include \$1,108,000 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. In addition, the Cafeteria Fund experienced a return of indirect costs for limits exceeded in prior fiscal years that resulted in a positive change to net assets for 2012-13. Indirect costs for 2012-13 were budgeted at \$35,000.

The Cafeteria Fund ended the year with a \$52,402 net operating surplus, compared to a \$95,736 deficit in the prior year. For 2012-13 school lunch prices were increased by \$.05.

Latchkey Fund

The sole source of revenue for the Latchkey Fund is the fee charged for the daycare and latchkey services it provides. Approximately 80% 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 2012-13, the Latchkey Fund had total revenues of \$497,176, a decrease of 20%, or \$125,925 from the prior fiscal year. The Fund incurred expenditures and transfers of \$510,703 during the current fiscal year, a decrease of \$89,882 from the prior fiscal year. The current year deficit decreased the existing fund balance by \$13,527. The District performs an annual review of the daycare and latchkey activities in an effort to maintain this as a self-sustaining program.

Debt Retirement Fund

The Debt Retirement Fund generated a total of \$4,550,456 in revenues in fiscal year 2012-13. Of the total revenue, \$4,538,691 was generated by a millage levy of 2.6 mills on taxable value of \$1.57 billion dollars. In addition, \$441,650 was transferred in to the Debt Retirement Fund from the Sinking Fund for payment of the District's Energy Conservation Bonds. The District made \$4,070,000 in principal payments on the 2001 School Building and Site, the 2002 Energy Conservation, the 2005 Refunding Bond and the 2009 Capital Projects Bond debt issues. The District made \$1,638,688 in interest payments on these Bonds. Total principal and interest payments exceeded revenues and transfers in by \$717,422. The existing Fund Equity will be used to make the bond interest payments due in November 2013.

The levy for debt retirement remained the same as the prior year, 2.6 mills. In August 2009, the District passed a bond issue for \$9.875 million. This issue will not extend the life of the current long term debt nor is it expected to increase the existing millage rate.

Sinking Fund

In 2012, the voters in the East China School District renewed the District's sinking fund levy of .4 mills. The renewal was for a period of ten years.

The Sinking Fund generated a total of \$697,029 in property tax revenues and \$869 in interest revenue. Sinking Fund expenditures and other fund uses for District projects were \$1,042,373. The remaining balance in the Sinking Fund, \$124,591, 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)

	2010-11	2011-12	2012-13
State sources	\$ 25,385	\$ 23,968	\$ 23,828
Property taxes	19,435	19,058	18,293
Other local sources	1,776	1,778	1,578
Federal sources	3,720	2,904	2,305
Other sources	132	70	39
Interdistrict sources	1,421	1,230	995
<i>Total</i>	\$ 51,869	\$ 49,008	\$ 47,038

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 prior year winter count; and
3. Non-homestead tax levy of the District.

The District's base foundation allowance for 2012-13 was \$7,494 per pupil.

The student enrollment for the Fall count of 2012-13 was 4,554 students. Over the past 6 years, the District's Fall enrollment has decreased 946 students. The following information summarizes our Fall student enrollment over the previous 6 years.

<u>FISCAL YEAR</u>	<u>FALL COUNT STUDENT FTE</u>	<u>FTE CHANGE FROM PRIOR YEAR</u>
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 2012-13 fiscal year was \$13.1 million. The non-homestead tax levy decreased by approximately 4% 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 2012-13, the District's debt millage levy was 2.6 mills, which generated a levy of \$4.5 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 2012-13, the District's Sinking Fund millage levy was .4 mills, which generated a levy of \$697,029.

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 \$1.36 million. A total of 464,451 equivalent meals were served in the 2012-13 fiscal year; 375,906 lunches, 1,518 snacks, and 87,027 breakfast meals.

Total Cost of Governmental Activities

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

(stated in thousands)

	2010-11		2011-12		2012-13	
Instruction and instructional support	\$ 30,731	56%	\$ 28,707	55%	\$ 26,515	52%
Support services	14,835	27%	14,602	28%	13,359	26%
Food services	1,421	3%	1,412	3%	1,359	3%
Athletics	776	1%	754	1%	759	1%
Latchkey	538	1%	536	1%	431	1%
Debt service	5,856	11%	5,770	11%	5,710	11%
Capital outlay	672	1%	695	1%	2,593	5%
Community services	35	0%	28	0%	20	0%
<i>Total</i>	<u>\$ 54,864</u>	<u>100%</u>	<u>\$ 52,504</u>	<u>100%</u>	<u>\$ 50,746</u>	<u>100%</u>

Capital Assets

At June 30, 2013, the District had \$61.6 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, disposals, and adjustments) of approximately \$274,000, or 0.5%, from last year.

	<i>(stated in millions)</i>		
	2010-11	2011-12	2012-13
Land and improvements	\$4.8	\$4.9	\$5.3
Buildings	86.3	87.8	87.8
CIP	0.0	0.0	1.8
Buses and other vehicles	3.9	3.9	4.0
Furniture and equipment	4.2	4.3	4.5
<i>Total Capital Assets</i>	\$99.2	\$100.9	\$103.4
Less: Accumulated depreciation	(37.2)	(39.6)	(41.8)
NET CAPITAL ASSETS	\$62.0	\$61.3	\$61.6

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 \$31.1 million in bonds outstanding versus \$35.1 million in the previous year. Principal payments totaling \$4.07 million were made on 2001, 2002, 2005 and 2009 Debt Issues.

	2010-11	2011-12	2012-13
2001 Building and Site Bonds	\$ 1,225,000	\$ 625,000	\$ -
2002 Energy Conservation Imp Bonds	835,000	425,000	-
2005 Refund Bonds	27,815,000	25,480,000	23,070,000
2009 Capital Projects Bond	9,265,000	8,655,000	8,045,000
<i>Total</i>	\$ 39,140,000	\$ 35,185,000	\$ 31,115,000

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 \$31.1 million is significantly below the statutorily imposed limit.

Other obligations of the District at June 30, 2013, include employee-compensated absences and the unamortized bond premium, totaling approximately \$850 thousand. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Changes from Original to Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget prior to July 1, the start of the fiscal year before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets as actual enrollments and resultant staffing requirements are known. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. There was no significant variance between the Original and the Final Budget for the District for fiscal year 2012-13. The final General Fund budget amendment was approved by the Board of Education in June 2013.

	Original Budget	Final Budget	% Variance
Revenues	\$39,844,526	\$39,642,150	-0.5%
Expenditures	\$40,576,408	\$40,452,522	-0.3%

General Fund Budgetary Highlights

General Fund Revenues

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

- 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.

General Fund Expenditures

Actual expenditures were approximately \$317,640 more than the final budget. This variance was primarily due to the following:

- In June 2013, the State of Michigan announced the funding and accounting requirements for the MPSERS UAAL Rate Stabilization Payment. East China School District received \$433,613 that was required to be recorded to reflect associated retirement revenues and expenditures. This event was not reflective in the final fiscal year 2012-13 budget. Thus, expenditures would have been within budget parameters apart from this event.

Economic Factors and Next Year's Budgets and Rates

Our elected Board members and the Administration considered many factors when setting the District's 2013 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 2014 fiscal year will be 10 percent and 90 percent of the February 2013 and October 2013 student counts, respectively. The 2014 fiscal year budget was adopted in June 2013, based on an estimate of student enrollment in October 2013. Approximately 53% 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 2013-14 year, we anticipate that the fall student count will be close to the estimates used in creating the 2014 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the District to amend the budget if actual District resources are not sufficient to fund original appropriations.

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

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

Contacting the District's Financial Management

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



INDEPENDENT AUDITOR'S REPORT

October 8, 2013

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

Board Members:

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, 2013, 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages i-xii 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 nonmajor fund financial statements, and supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013, 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, 2013

	Primary Government	
	Governmental Activities	Total
ASSETS		
<i>Current Assets</i>		
Cash and demand accounts	\$ 3,515,953	\$ 3,515,953
Cash equivalent investments	3,391,914	3,391,914
Restricted cash	477,021	477,021
Due from other governmental units	5,232,661	5,232,661
Miscellaneous receivables	30,345	30,345
Prepaid expenses	526,888	526,888
Total Current Assets	13,174,782	13,174,782
<i>Noncurrent Assets</i>		
Fixed assets net of accumulated depreciation	61,648,173	61,648,173
Total Assets	74,822,955	74,822,955
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated deferred outflows	--	--
Total Deferred Outflows of Resources	--	--
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	549,443	549,443
Accrued payroll	3,027,936	3,027,936
Accrued expenditures and other	1,908,314	1,908,314
Unearned revenue	34,835	34,835
Accrued interest	201,935	201,935
Current portion of long-term debt	3,795,000	3,795,000
Accrued vacation pay	26,351	26,351
Total Current Liabilities	9,543,814	9,543,814
<i>Noncurrent Liabilities</i>		
Bonds and loans payable	27,320,000	27,320,000
Unamortized bond premium	371,737	371,737
Accrued sick pay	477,767	477,767
Total Liabilities	37,713,318	37,713,318
DEFERRED INFLOWS OF RESOURCES		
Aggregated deferred inflows	--	--
Total Deferred Inflows of Resources	--	--
NET POSITION		
Invested in fixed assets net of related debt	30,161,436	30,161,436
<i>Restricted for:</i>		
Debt retirement	1,267,030	1,267,030
Food service	185,733	185,733
Sinking fund projects	124,591	124,591
Capital projects	523,334	523,334
Pension stabilization	477,021	477,021
<i>Unrestricted</i>	4,370,492	4,370,492
Total Net Position	\$ 37,109,637	\$ 37,109,637

EAST CHINA SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 26,000,202	\$ 52,790	\$ 3,458,136	\$ --
Support services	13,607,154	42,580	188,344	--
Food services	1,386,129	580,931	777,470	--
Athletics	759,224	205,042	--	--
Latchkey	430,703	499,802	--	--
Bond interest	1,521,595	--	--	--
Other bond expenditures	248,862	--	--	--
Community services	20,013	--	--	--
Unallocated portion of depreciation	2,450,527	--	--	--
Total Governmental Activities	46,424,409	1,381,145	4,423,950	--

General Purpose Revenues and Transfers:

Revenues

Property taxes

Interest and dividend revenue

Local sources

Federal sources

State sources

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

Net (Expense) Revenue	
Primary Government	
Governmental Activities	Total
\$ (22,489,276)	\$ (22,489,276)
(13,376,230)	(13,376,230)
(27,728)	(27,728)
(554,182)	(554,182)
69,099	69,099
(1,521,595)	(1,521,595)
(248,862)	(248,862)
(20,013)	(20,013)
(2,450,527)	(2,450,527)
<u>(40,619,314)</u>	<u>(40,619,314)</u>
18,293,182	18,293,182
27,412	27,412
199,125	199,125
70,743	70,743
22,632,761	22,632,761
11,712	11,712
<u>41,234,935</u>	<u>41,234,935</u>
615,621	615,621
<u>36,494,016</u>	<u>36,494,016</u>
\$ 37,109,637	\$ 37,109,637

EAST CHINA SCHOOL DISTRICT

**Balance Sheet
Governmental Funds
June 30, 2013**

	Debt Service		Capital Projects	
	General	Debt Retirement	Sinking	2009 Capital Projects
ASSETS				
Cash and demand accounts	\$ 2,180,036	\$ 286,986	\$ 105,184	\$ 545,439
Cash equivalent investments	2,148,570	1,192,218	51,126	--
Restricted cash	477,021	--	--	--
Due from other governmental units	5,206,153	--	--	--
Miscellaneous receivables	23,327	--	--	--
Prepaid expenses	360,292	--	--	--
Due from other funds	19,478	250	--	--
Total Assets	10,414,877	1,479,454	156,310	545,439
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 10,414,877	\$ 1,479,454	\$ 156,310	\$ 545,439
LIABILITIES				
Accounts payable	\$ 427,143	\$ 3,374	\$ 30,413	\$ 19,378
Accrued payroll	3,027,936	--	--	--
Accrued expenditures and other	1,908,314	--	--	--
Unearned revenue	18,180	--	--	--
Due to other funds	104,792	7,115	1,306	2,727
Total Liabilities	5,486,365	10,489	31,719	22,105
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	5,486,365	10,489	31,719	22,105
FUND BALANCE				
Nonspendable	360,292	--	--	--
Restricted	477,021	1,468,965	124,591	523,334
Committed	--	--	--	--
Unassigned	4,091,199	--	--	--
Total Fund Balance	4,928,512	1,468,965	124,591	523,334
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 10,414,877	\$ 1,479,454	\$ 156,310	\$ 545,439

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 79,238	\$ 3,196,883
--	3,391,914
--	477,021
26,508	5,232,661
7,018	30,345
155,000	515,292
106,344	126,072
<u>374,108</u>	<u>12,970,188</u>
--	--
<u>\$ 374,108</u>	<u>\$ 12,970,188</u>
\$ 52,852	\$ 533,160
--	3,027,936
--	1,908,314
16,655	34,835
10,132	126,072
<u>79,639</u>	<u>5,630,317</u>
2,626	2,626
<u>82,265</u>	<u>5,632,943</u>
155,000	515,292
30,733	2,624,644
106,110	106,110
--	4,091,199
<u>291,843</u>	<u>7,337,245</u>
<u>\$ 374,108</u>	<u>\$ 12,970,188</u>

EAST CHINA SCHOOL DISTRICT

**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013**

Total Fund Balance - Governmental Funds	\$	7,337,245
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		314,383
Receivables not available to pay current liabilities are deferred in the governmental funds		2,626
Capital assets are reported as expenditures in the governmental funds; however, these costs are capitalized and depreciated on the Statement of Net Position		61,648,173
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 earned in the Statement of Activities		(504,118)
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		(201,935)
Long-term liabilities are reflected in Statement of Net Position but are omitted from the fund level Balance Sheets		(31,486,737)
Total Net Position-Governmental Funds	\$	37,109,637

EAST CHINA SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended June 30, 2013

	Debt Service		Capital Projects	
	General	Debt Retirement	Sinking	2009 Capital Projects
Revenues				
Property taxes	\$ 13,057,462	\$ 4,538,691	\$ 697,029	\$ --
Local sources	486,491	10,615	1,472	--
State sources	23,766,386	--	--	--
Federal sources	1,589,036	--	--	--
Interdistrict sources	994,562	--	--	--
Interest and dividend revenue	17,512	1,150	869	18,547
Total Revenues	39,911,449	4,550,456	699,370	18,547
Expenditures				
Instruction	26,631,539	--	--	291,663
Support services	13,359,386	--	--	--
Food services	--	--	--	--
Athletics	759,224	--	--	--
Latchkey	--	--	--	--
Bond principal	--	4,070,000	--	--
Bond interest	--	1,638,688	--	--
Other bond expenditures	--	840	--	--
Capital outlay	--	--	600,723	1,584,243
Community services	20,013	--	--	--
Total Expenditures	40,770,162	5,709,528	600,723	1,875,906
Excess of Revenues Over				
(Under) Expenditures	(858,713)	(1,159,072)	98,647	(1,857,359)
Other Financing Sources (Uses)				
Gains (losses) on sales of fixed assets	11,712	--	--	--
Transfers from other funds	80,000	441,650	--	--
Transfers to other funds	(50,328)	--	(441,650)	--
Net Other Financing Sources (Uses)	41,384	441,650	(441,650)	--
Net Change in Fund Balance	(817,329)	(717,422)	(343,003)	(1,857,359)
<i>Fund Balance at Beginning of Period</i>	5,745,841	2,186,387	467,594	2,380,693
Fund Balance at End of Period	\$ 4,928,512	\$ 1,468,965	\$ 124,591	\$ 523,334

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ --	\$ 18,293,182
1,079,066	1,577,644
61,902	23,828,288
715,568	2,304,604
--	994,562
1,430	39,508
<u>1,857,966</u>	<u>47,037,788</u>
--	26,923,202
--	13,359,386
1,358,716	1,358,716
--	759,224
430,703	430,703
--	4,070,000
--	1,638,688
--	840
--	2,184,966
--	20,013
<u>1,789,419</u>	<u>50,745,738</u>
<u>68,547</u>	<u>(3,707,950)</u>
--	11,712
50,328	571,978
(80,000)	(571,978)
<u>(29,672)</u>	<u>11,712</u>
38,875	(3,696,238)
<u>252,968</u>	<u>11,033,483</u>
\$ 291,843	\$ 7,337,245

EAST CHINA SCHOOL DISTRICT

**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2013**

Total Net Change in Fund Balances - Governmental Funds	\$	(3,696,238)
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		(14,729)
Receivables not available to pay current liabilities are deferred in the governmental funds		(9,470)
Capital assets are reported as expenditures in the governmental funds; however, these costs are capitalized and depreciated on the Statement of Net Position		2,751,958
Loan principal payments are an expenditure in the governmental funds; however, these payments decrease the related liability on the Statement of Net Position		4,160,857
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 earned in the Statement of Activities		122,969
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		26,236
Depreciation expense reflected in Statement of Activities is not reflected in the fund level statements		(2,477,940)
Bond issuance costs are expensed at the time of issuance in the governmental funds and will no longer be amortized over the term of the debt in the Statement of Net Position		(248,022)
Changes in Net Position-Governmental Funds	\$	615,621

EAST CHINA SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2013

	Governmental Activities Internal Service Funds
ASSETS	
<i>Current Assets</i>	
Cash and demand accounts	\$ 319,070
Prepaid expenses	11,596
Total Assets	<u>330,666</u>
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Deferred Outflows of Resources	<u>--</u>
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	16,283
Total Liabilities	<u>16,283</u>
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	<u>--</u>
NET POSITION	
<i>Unrestricted</i>	<u>314,383</u>
Total Net Position	<u><u>\$ 314,383</u></u>

EAST CHINA SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2013

	Governmental Activities Internal Service Funds
Operating Revenues	
Premiums charged to other funds	\$ 360,054
<i>Total Operating Revenues</i>	<u>360,054</u>
Operating Expenses	
Instruction	374,783
<i>Total Operating Expenses</i>	<u>374,783</u>
<i>Operating Income (Loss)</i>	<u>(14,729)</u>
<i>Change In Net Position</i>	(14,729)
<i>Net Position at Beginning of Period</i>	<u>329,112</u>
<i>Net Position at End of Period</i>	<u>\$ 314,383</u>

EAST CHINA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	<u>Governmental Activities Internal Service Funds</u>
Cash Flows From Operating Activities:	
Premiums charged to other funds	\$ 360,054
Payments for claims	<u>(370,096)</u>
Net Cash Provided By (Used In) Operating Activities	<u>(10,042)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(10,042)
<i>Cash and Cash Equivalents at Beginning of Period</i>	<u>329,112</u>
Cash and Cash Equivalents at End of Period	<u>319,070</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Operating income (loss)	(14,729)
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</i>	
<i>Change in assets and liabilities:</i>	
Prepaid expenses	(11,596)
Accounts payable	<u>16,283</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (10,042)</u>

In previous years, the General Fund paid the actual claims on behalf of the Internal Service Fund through a centralized accounts payable process. During the current year, the transactions were recorded in the Internal Service Fund. The beginning Due from General Fund account was the actual cash that was held in the General Fund and is shown as the beginning cash and cash equivalents on this statement.

EAST CHINA SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	<u>Agency</u>
	<u>Internal Activities</u>
ASSETS	
Cash and demand accounts	\$ 641,966
Total Assets	<u>641,966</u>
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Deferred Outflows of Resources	<u>--</u>
LIABILITIES	
Accounts payable	12,357
Due to other funds	65,575
Total Liabilities	<u>77,932</u>
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	<u>--</u>
NET POSITION	
Held in Trust	<u>\$ 564,034</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, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local sources	\$ 13,732,478	\$ 13,753,362	\$ 13,573,177	\$ (180,185)
State sources	23,286,314	23,041,935	23,766,386	724,451
Federal sources	1,541,639	1,695,021	1,589,036	(105,985)
Interdistrict sources	1,084,095	1,036,832	994,562	(42,270)
Total Revenues	39,644,526	39,527,150	39,923,161	396,011
Other Financing Sources				
Transfers from other funds	200,000	115,000	29,672	(85,328)
Total Revenues and Other Financing Sources	39,844,526	39,642,150	39,952,833	310,683
Expenditures				
Elementary instruction	9,756,412	9,696,324	9,820,707	(124,383)
Middle school instruction	5,374,262	5,431,535	5,472,697	(41,162)
Senior high instruction	7,467,631	7,299,015	7,389,815	(90,800)
Special education instruction	2,683,542	2,597,381	2,654,042	(56,661)
Compensatory education instruction	1,146,306	1,135,399	1,076,705	58,694
Vocational education instruction	35,519	89,964	75,926	14,038
Other added needs instruction	119,012	156,318	141,647	14,671
Pupil services	2,090,361	2,029,308	2,129,553	(100,245)
Instructional staff services	1,368,532	1,399,135	1,389,224	9,911
General administration	348,732	386,354	399,610	(13,256)
School administration	2,708,144	2,718,734	2,744,362	(25,628)
Fiscal services	450,576	456,167	477,131	(20,964)
Internal services	46,883	35,250	38,295	(3,045)
Operations and maintenance	3,282,226	3,452,504	3,488,061	(35,557)
Pupil transportation	1,794,680	1,729,329	1,702,107	27,222
Central services	1,078,773	1,022,086	991,043	31,043
Community services	44,513	44,513	20,013	24,500
Athletics	780,304	773,206	759,224	13,982
Total Expenditures	40,576,408	40,452,522	40,770,162	(317,640)
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	40,576,408	40,452,522	40,770,162	(317,640)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(731,882)	(810,372)	(817,329)	(6,957)
Net Change in Fund Balance	(731,882)	(810,372)	(817,329)	(6,957)
<i>Fund Balance at Beginning of Period</i>	5,745,841	5,745,841	5,745,841	--
Fund Balance at End of Period	\$ 5,013,959	\$ 4,935,469	\$ 4,928,512	\$ (6,957)

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

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 Entity operates under an elected seven-member board and provides K-12 educational services to its students, approximately 5,000.

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 discretely presented 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 nonfiduciary 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 type fund that is consolidated as part of the governmental activities in government-wide statements.

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.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 government 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 government 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 unit. 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 - This fund is used to record bond proceeds and interest revenue and the payment of capital outlay expenditures incurred by the District. There is only one fund of this type; therefore, combining statements are not presented.

Sinking Fund - This fund is used to record tax and interest revenue and the payment of 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 government 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.

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 government 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."

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, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

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 insurance premiums. 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.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private-sector standards of accounting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

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, AND EQUITY

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. Investments are stated at fair value.

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, plant, 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 assets' 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

COMPENSATED ABSENCES

The Entity 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.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	\$ --	\$ 18,180
Non-Major Funds - Other	--	16,655
Total	<u>\$ --</u>	<u>\$ 34,835</u>

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the 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 so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any amounts that qualify to be reported as deferred outflows of resources.

In addition to liabilities, the 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 so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and state revenue sharing. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

FUND 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 expenditure is incurred for purposes for which both restricted and unrestricted net assets 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.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Entity'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 Entity 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>	
Elementary instruction	\$ 124,383
Middle school instruction	41,162
Senior high instruction	90,800
Special education instruction	56,661
Pupil services	100,245
General administration	13,256
School administration	25,628
Fiscal services	20,964
Internal services	3,045
Operations and maintenance	35,557
 <u>Cafeteria Fund:</u>	
Purchased services	9,629
Commodities	7,701
 <u>Latchkey Fund:</u>	
Salaries and fringes	35,743
Supplies, materials, and other	8,310

NOTE 3: CASH AND INVESTMENTS

DEPOSITS

Governing statutes allow the Entity 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 located in Michigan.
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."

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 3: CASH AND INVESTMENTS (Continued)

The Entity's cash deposits are as follows:

Deposits are reflected on the individual fund balance sheet as follows:

Total governmental funds	\$ 7,384,888
Less cash on hand	(3,711)
Total Deposits	<u>\$ 7,381,177</u>

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

<u>Deposits</u>	<u>Insured (FDIC)</u>	<u>Uninsured and Uncollateralized</u>	<u>Carrying Amount</u>	<u>Bank Balance/ Market Value</u>
Demand deposits	\$ 1,002,498	\$ 3,632,212	\$ 3,989,263	\$ 4,634,710
Savings and CD's	551,126	1,648,570	2,199,696	2,199,696
Total Cash	<u>\$ 1,553,624</u>	<u>\$ 5,280,782</u>	6,188,959	<u>\$ 6,834,406</u>
 <u>Investments - Nonrisk Categorized</u>				
Mutual funds			1,192,218	1,192,217
Total Investments			<u>1,192,218</u>	<u>\$ 1,192,217</u>
Total Cash and Investments			<u>\$ 7,381,177</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 Entity'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 government's deposits may not be returned to it. The government does have a deposit policy for custodial credit risk. As of year end, \$5,280,782 of the government's bank balance of \$6,834,406 was exposed to custodial credit risk because it was uninsured or uncollateralized.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Entity does not have exposure to this type of risk.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 4: CAPITAL ASSETS

A summary of changes in governmental fixed assets follows:

	Balance 07/01/12	Additions	Disposals	Balance 06/30/13
Land	\$ 608,520	\$ --	\$ --	\$ 608,520
Buildings	87,786,646	--	--	87,786,646
Improvements	4,289,565	412,210	--	4,701,775
Construction in progress	40,328	1,719,876	--	1,760,204
Furniture and equipment	4,317,124	161,814	--	4,478,938
Licensed vehicles	3,915,870	458,058	(334,953)	4,038,975
Total Capital Assets	<u>100,958,053</u>	<u>2,751,958</u>	<u>(334,953)</u>	<u>103,375,058</u>
Accumulated Depreciation	<u>(39,583,898)</u>	<u>(2,477,940)</u>	<u>334,953</u>	<u>(41,726,885)</u>
Total Carrying Value of Fixed Assets	<u>\$ 61,374,155</u>	<u>\$ 274,018</u>	<u>\$ --</u>	<u>\$ 61,648,173</u>

Governmental Activities Fixed Assets:

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	\$ 27,413
Unallocated	2,450,527
Total	<u>\$ 2,477,940</u>

NOTE 5: FUND BALANCE RESTRICTIONS

Governmental fund balance is restricted for the following purposes:

	<u>Debt Service</u>		<u>Capital Projects</u>			Total Governmental Funds
	<u>General</u>	<u>Debt Retirement</u>	<u>Sinking</u>	<u>2009 Capital Projects</u>	<u>Other Governmental Funds</u>	
FUND BALANCE						
Nonspendable						
Prepaid expenses	\$ 360,292	\$ --	\$ --	\$ --	\$ 155,000	\$ 515,292
Restricted						
Debt retirement	--	1,468,965	--	--	--	1,468,965
Sinking fund projects	--	--	124,591	--	--	124,591
Capital projects	--	--	--	523,334	--	523,334
Food service	--	--	--	--	30,733	30,733
Pension stabilization	477,021	--	--	--	--	477,021
Committed						
Latchkey	--	--	--	--	106,110	106,110
Unassigned	4,091,199	--	--	--	--	4,091,199
Total Fund Balance	<u>\$ 4,928,512</u>	<u>\$ 1,468,965</u>	<u>\$ 124,591</u>	<u>\$ 523,334</u>	<u>\$ 291,843</u>	<u>\$ 7,337,245</u>

The District has a minimum fund balance policy equal to 10% of budgeted expenditures adopted by the Board of Education. Of the \$4,091,199 unassigned fund balance reported above, \$4,045,252 is the minimum required fund balance under this policy, leaving an excess over this amount of \$45,947.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 6: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds and component units 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>
		Sinking	\$ 1,056
		Cafeteria	8,580
		Capital Projects	2,727
		Debt Retirement	7,115
General	<u>\$ 19,478</u>		<u>\$ 19,478</u>
Cafeteria	<u>\$ 1,552</u>	Latchkey	<u>\$ 1,552</u>
Latchkey	<u>\$ 104,792</u>	General	<u>\$ 104,792</u>
Debt Retirement	<u>\$ 250</u>	Sinking	<u>\$ 250</u>

Interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	<u>\$ 80,000</u>	Latchkey	<u>\$ 80,000</u>
Debt Retirement	<u>\$ 441,650</u>	Sinking	<u>\$ 441,650</u>
Cafeteria	<u>\$ 50,328</u>	General	<u>\$ 50,328</u>

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

NOTE 7: LONG-TERM DEBT

The government 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 government. Certain contractual agreements and installment purchase agreements are also general obligations of the government.

CHANGES IN INDEBTEDNESS BY TYPE

	<u>Payable at</u> <u>07/01/12</u>	<u>Increase</u>	<u>Decrease</u>	<u>Payable at</u> <u>06/30/13</u>
General Obligation:				
General obligation bonds	\$ 34,760,000	\$ --	\$ 3,645,000	\$ 31,115,000
Energy conservation bonds	425,000	--	425,000	--
Unamortized bond premium	462,594	--	90,857	371,737
Compensated absences	604,213	--	126,446	477,767
Total General Obligation	<u>\$ 36,251,807</u>	<u>\$ --</u>	<u>\$ 4,287,303</u>	<u>\$ 31,964,504</u>

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 7: LONG-TERM DEBT (Continued)

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

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Obligations Principal	\$ 3,795,000	\$ 3,935,000	\$ 4,125,000	\$ 4,330,000	\$ 4,545,000
General Obligations Interest	<u>1,457,175</u>	<u>1,276,575</u>	<u>1,085,925</u>	<u>885,975</u>	<u>676,375</u>
Total Principal and Interest Requirements	<u>\$ 5,252,175</u>	<u>\$ 5,211,575</u>	<u>\$ 5,210,925</u>	<u>\$ 5,215,975</u>	<u>\$ 5,221,375</u>
	<u>2019-2021</u>	<u>Total</u>			
General Obligations Principal	\$ 10,385,000	\$ 31,115,000			
General Obligations Interest	<u>798,700</u>	<u>6,180,725</u>			
Total Principal and Interest Requirements	<u>\$ 11,183,700</u>	<u>\$ 37,295,725</u>			

Total interest expense for the Entity for the year was \$1,521,595. This has been included in the functional expenses in the Statement of Activities.

Michigan school districts may not issue bonds for an amount greater than 15% of the total assessed valuation of the district, approximately \$1.57 billion as of June 30, 2013.

NOTE 8: DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Substantially all of the District's employees are covered by the Michigan Public School Employees' Retirement System ("System"), a cost-sharing, multiple-employer, defined benefit public employee system governed by the State of Michigan. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Michigan Public School Employees' Retirement System at P.O. Box 30171, Lansing, MI 48909-7671.

Employer contributions to the System are governed by Michigan statute, as amended. Each participating employer 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. The pension benefits rates applied to covered payroll to determine the District's contribution amount were 24.32% and 24.46% for the years ending June 30, 2013, and June 30, 2012, respectively. Basic plan members make no contribution to the System, but investment plan members contribute at rates ranging from 3.00% to 6.40% of gross wages.

The approximate contributions to the System by the District for the past three years is as follows:

<u>Year Ended</u>	<u>Required Contribution</u>	<u>Member Investment Plan Contribution</u>	<u>Percentage of Contribution Paid</u>
June 30, 2013	\$5,514,000	\$1,952,000	100%
June 30, 2012	6,154,000	1,637,000	100
June 30, 2011	5,182,000	1,486,000	100

All retirees participating in the System have the option of continuing health, dental, and vision coverages. Retirees opting for coverage contribute an amount equivalent to the monthly cost for Medicare Part B, plus 10% of the monthly premium amount for the health, dental, and vision coverages. Required District contributions for post-employment benefits are included in pension benefit rate calculation described above.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 9: BONDED CONSTRUCTION AND SINKING FUNDS

The 2009 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of Section 1351a of the Revised School Code.

The Sinking 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(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

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. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended <u>June 30, 2012</u>	Year Ended <u>June 30, 2013</u>
Unpaid claims, beginning of fiscal year	\$ 62,670	\$ 79,083
Incurred claims (including IBNRs)	490,911	312,047
Claim payments	<u>(474,498)</u>	<u>(349,211)</u>
Unpaid claims, end of fiscal year	<u>\$ 79,083</u>	<u>\$ 41,919</u>

SUPPLEMENTAL INFORMATION

EAST CHINA SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	<u>Special Revenue</u>		Total Nonmajor Governmental Funds
	<u>Latchkey</u>	<u>Cafeteria</u>	
ASSETS			
Cash and demand accounts	\$ --	\$ 79,238	\$ 79,238
Due from other governmental units	--	26,508	26,508
Miscellaneous receivables	7,018	--	7,018
Prepaid expenses	--	155,000	155,000
Due from other funds	104,792	1,552	106,344
Total Assets	<u>111,810</u>	<u>262,298</u>	<u>374,108</u>
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	<u>\$ 111,810</u>	<u>\$ 262,298</u>	<u>\$ 374,108</u>
LIABILITIES			
Accounts payable	\$ 1,522	\$ 51,330	\$ 52,852
Unearned revenue	--	16,655	16,655
Due to other funds	1,552	8,580	10,132
Total Liabilities	<u>3,074</u>	<u>76,565</u>	<u>79,639</u>
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	2,626	--	2,626
Total Liabilities and Deferred Inflows of Resources	<u>5,700</u>	<u>76,565</u>	<u>82,265</u>
FUND BALANCE			
Nonspendable	--	155,000	155,000
Restricted	--	30,733	30,733
Committed	106,110	--	106,110
Unassigned	--	--	--
Total Fund Balance	<u>106,110</u>	<u>185,733</u>	<u>291,843</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 111,810</u>	<u>\$ 262,298</u>	<u>\$ 374,108</u>

EAST CHINA SCHOOL DISTRICT

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2013

	<u>Special Revenue</u>		Total Nonmajor Governmental Funds
	<u>Latchkey</u>	<u>Cafeteria</u>	
Revenues			
Local sources	\$ 497,176	\$ 581,890	\$ 1,079,066
State sources	--	61,902	61,902
Federal sources	--	715,568	715,568
Interest and dividend revenue	--	1,430	1,430
Total Revenues	<u>497,176</u>	<u>1,360,790</u>	<u>1,857,966</u>
Expenditures			
Food services	--	1,358,716	1,358,716
Latchkey	430,703	--	430,703
Total Expenditures	<u>430,703</u>	<u>1,358,716</u>	<u>1,789,419</u>
Excess of Revenues Over (Under) Expenditures	<u>66,473</u>	<u>2,074</u>	<u>68,547</u>
Other Financing Sources (Uses)			
Transfers from other funds	--	50,328	50,328
Transfers to other funds	(80,000)	--	(80,000)
Net Other Financing Sources (Uses)	<u>(80,000)</u>	<u>50,328</u>	<u>(29,672)</u>
Net Change in Fund Balance	(13,527)	52,402	38,875
<i>Fund Balance at Beginning of Period</i>	119,637	133,331	252,968
Fund Balance at End of Period	\$ 106,110	\$ 185,733	\$ 291,843

EAST CHINA SCHOOL DISTRICT

**Schedule of Revenues and Other Financing Sources - Budget and Actual
General Fund
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Local sources:				
Property taxes	\$ 13,139,478	\$ 13,221,312	\$ 13,057,464	\$ (163,848)
Other local revenue	593,000	532,050	515,713	(16,337)
<i>Total Local Sources</i>	<u>13,732,478</u>	<u>13,753,362</u>	<u>13,573,177</u>	<u>(180,185)</u>
State sources:				
Foundation Allowance - Net of taxes	21,155,314	21,101,067	21,207,574	106,507
Other state grants & aid	2,131,000	1,940,868	2,558,812	617,944
<i>Total State Sources</i>	<u>23,286,314</u>	<u>23,041,935</u>	<u>23,766,386</u>	<u>724,451</u>
Federal sources:				
Title I	444,000	497,657	457,846	(39,811)
Other federal programs	1,097,639	1,197,364	1,131,190	(66,174)
<i>Total Federal Sources</i>	<u>1,541,639</u>	<u>1,695,021</u>	<u>1,589,036</u>	<u>(105,985)</u>
Interdistrict sources:				
St. Clair County RESA & Other Interdistrict sources	1,084,095	1,036,832	994,562	(42,270)
<i>Total Interdistrict Sources</i>	<u>1,084,095</u>	<u>1,036,832</u>	<u>994,562</u>	<u>(42,270)</u>
Other Financing Sources				
Interfund transfers	200,000	115,000	29,672	(85,328)
Total Revenues and Other Financing Sources	\$ 39,844,526	\$ 39,642,150	\$ 39,952,833	\$ 310,683

EAST CHINA SCHOOL DISTRICT
Schedule of Instructional Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Basic Programs				
Elementary school:				
Salaries and wages	\$ 6,292,938	\$ 6,316,525	\$ 6,308,050	\$ 8,475
Employee benefits	3,282,052	3,144,208	3,235,262	(91,054)
Purchased services	58,624	100,424	140,804	(40,380)
Supplies and materials	111,346	127,526	134,868	(7,342)
Capital outlay	10,202	6,491	--	6,491
Other	1,250	1,150	1,723	(573)
<i>Total Elementary School</i>	<u>9,756,412</u>	<u>9,696,324</u>	<u>9,820,707</u>	<u>(124,383)</u>
Middle school:				
Salaries and wages	3,523,701	3,515,902	3,500,530	15,372
Employee benefits	1,711,672	1,707,563	1,765,819	(58,256)
Purchased services	42,296	54,589	54,302	287
Supplies and materials	70,330	152,748	151,305	1,443
Capital outlay	25,726	196	--	196
Other	537	537	741	(204)
<i>Total Middle School</i>	<u>5,374,262</u>	<u>5,431,535</u>	<u>5,472,697</u>	<u>(41,162)</u>
High school:				
Salaries and wages	4,903,082	4,761,008	4,777,464	(16,456)
Employee benefits	2,354,691	2,321,779	2,394,108	(72,329)
Purchased services	93,875	110,875	98,506	12,369
Supplies and materials	92,427	96,960	115,721	(18,761)
Capital outlay	20,681	6,018	1,249	4,769
Other	2,875	2,375	2,767	(392)
<i>Total High School</i>	<u>7,467,631</u>	<u>7,299,015</u>	<u>7,389,815</u>	<u>(90,800)</u>
Total Basic Programs	<u>22,598,305</u>	<u>22,426,874</u>	<u>22,683,219</u>	<u>(256,345)</u>
Added Needs				
Special education:				
Salaries and wages	1,743,968	1,747,470	1,753,787	(6,317)
Employee benefits	905,907	823,931	863,212	(39,281)
Purchased services	15,500	10,600	15,870	(5,270)
Supplies and materials	17,447	15,360	20,644	(5,284)
Capital outlay	500	--	--	--
Other	220	20	529	(509)
<i>Total Special Education</i>	<u>2,683,542</u>	<u>2,597,381</u>	<u>2,654,042</u>	<u>(56,661)</u>
Compensatory:				
Salaries and wages	723,856	754,614	663,459	91,155
Employee benefits	381,450	339,785	341,982	(2,197)
Purchased services	1,000	1,000	382	618
Supplies and materials	40,000	40,000	70,882	(30,882)
Other	--	--	--	--
<i>Total Compensatory</i>	<u>1,146,306</u>	<u>1,135,399</u>	<u>1,076,705</u>	<u>58,694</u>

EAST CHINA SCHOOL DISTRICT
Schedule of Instructional Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Added Needs (Continued)				
Vocational education:				
Salaries and wages	\$ 2,000	\$ --	\$ 646	\$ (646)
Employee benefits	548	1,630	220	1,410
Purchased services	--	--	2,235	(2,235)
Supplies and materials	4,500	6,500	37,523	(31,023)
Capital outlay	28,471	81,834	35,302	46,532
<i>Total Vocational Education</i>	<u>35,519</u>	<u>89,964</u>	<u>75,926</u>	<u>14,038</u>
Other instruction:				
Salaries and wages	57,990	85,250	83,068	2,182
Employee benefits	20,712	29,233	27,702	1,531
Purchased services	4,626	6,151	2,393	3,758
Supplies and materials	27,609	27,609	14,609	13,000
Capital outlay	100	100	--	100
Other	7,975	7,975	13,875	(5,900)
<i>Total Other Basic Programs</i>	<u>119,012</u>	<u>156,318</u>	<u>141,647</u>	<u>14,671</u>
Total Added Needs	<u>3,984,379</u>	<u>3,979,062</u>	<u>3,948,320</u>	<u>30,742</u>
Total Instruction	\$ <u>26,582,684</u>	\$ <u>26,405,936</u>	\$ <u>26,631,539</u>	\$ <u>(225,603)</u>

EAST CHINA SCHOOL DISTRICT

Schedule of Support Services Expenditures - Budget and Actual

General Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Pupil Support Services				
Counseling services:				
Salaries and wages	\$ 448,402	\$ 421,142	\$ 426,989	\$ (5,847)
Employee benefits	229,364	221,558	228,390	(6,832)
Purchased services	7,000	3,000	7,320	(4,320)
Supplies and materials	2,672	1,972	149	1,823
Other expenses	100	100	176	(76)
<i>Total Counseling Services</i>	<u>687,538</u>	<u>647,772</u>	<u>663,024</u>	<u>(15,252)</u>
Health services:				
Salaries and wages	94,414	94,414	96,639	(2,225)
Employee benefits	36,849	34,962	37,499	(2,537)
Purchased services	1,700	1,710	957	753
Supplies and materials	2,070	2,370	1,919	451
<i>Total Health Services</i>	<u>135,033</u>	<u>133,456</u>	<u>137,014</u>	<u>(3,558)</u>
Psychological services:				
Purchased services	15,805	15,000	19,173	(4,173)
<i>Total Psychological Services</i>	<u>15,805</u>	<u>15,000</u>	<u>19,173</u>	<u>(4,173)</u>
Social work services:				
Salaries and wages	156,480	157,479	157,443	36
Employee benefits	84,609	62,161	82,598	(20,437)
Purchased services	750	170	522	(352)
Supplies and materials	250	--	--	--
Other expenses	50	--	113	(113)
<i>Total Social Work Services</i>	<u>242,139</u>	<u>219,810</u>	<u>240,676</u>	<u>(20,866)</u>
Teacher consultant services:				
Salaries and wages	649,355	664,627	671,706	(7,079)
Employee benefits	331,037	330,964	364,179	(33,215)
Purchased services	3,000	780	1,728	(948)
Supplies and materials	1,650	500	908	(408)
Other expenses	40	--	132	(132)
<i>Total Teacher Consultant Services</i>	<u>985,082</u>	<u>996,871</u>	<u>1,038,653</u>	<u>(41,782)</u>
Other pupil services:				
Salaries and wages	10,200	7,975	15,153	(7,178)
Employee benefits	4,592	2,452	10,227	(7,775)
Purchased services	3,525	825	1,909	(1,084)
Supplies and materials	5,337	4,037	3,724	313
Capital outlay	1,110	1,110	--	1,110
<i>Total Other Pupil Services</i>	<u>24,764</u>	<u>16,399</u>	<u>31,013</u>	<u>(14,614)</u>
Total Pupil Support Services	<u>2,090,361</u>	<u>2,029,308</u>	<u>2,129,553</u>	<u>(100,245)</u>

EAST CHINA SCHOOL DISTRICT

Schedule of Support Services Expenditures - Budget and Actual

General Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Instructional Staff Support Services				
Improvement of instruction:				
Salaries and wages	\$ 81,500	\$ 58,457	\$ 83,151	\$ (24,694)
Employee benefits	28,614	32,832	30,206	2,626
Purchased services	230,345	313,708	279,757	33,951
Supplies and materials	6,500	7,500	8,236	(736)
Capital outlay	--	--	--	--
<i>Total Improvement of Instruction</i>	<u>346,959</u>	<u>412,497</u>	<u>401,350</u>	<u>11,147</u>
Library / Media:				
Salaries and wages	410,026	382,166	392,386	(10,220)
Employee benefits	202,692	199,113	198,304	809
Purchased services	1,000	--	--	--
Supplies and materials	42,566	42,618	36,939	5,679
Capital outlay	64	64	--	64
Other	--	--	143	(143)
<i>Total Library / Media</i>	<u>656,348</u>	<u>623,961</u>	<u>627,772</u>	<u>(3,811)</u>
Supervision of instruction:				
Salaries and wages	189,178	189,454	187,687	1,767
Employee benefits	84,667	83,483	83,455	28
Purchased services	83,550	83,410	84,862	(1,452)
Supplies and materials	7,000	5,500	3,750	1,750
Capital outlay	--	--	348	(348)
Other	830	830	--	830
<i>Total Supervision of Instruction</i>	<u>365,225</u>	<u>362,677</u>	<u>360,102</u>	<u>2,575</u>
Total Instructional Staff Support Services	<u>1,368,532</u>	<u>1,399,135</u>	<u>1,389,224</u>	<u>9,911</u>

EAST CHINA SCHOOL DISTRICT

Schedule of Support Services Expenditures - Budget and Actual

General Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		(Unfavorable) Final to Actual
General Administration				
Board of Education:				
Salaries and wages	\$ --	\$ --	\$ --	\$ --
Employee benefits	--	--	--	--
Purchased services	40,430	55,000	57,624	(2,624)
Other	8,400	9,000	8,359	641
<i>Total Board of Education</i>	<u>48,830</u>	<u>64,000</u>	<u>65,983</u>	<u>(1,983)</u>
Executive administration:				
Salaries and wages	193,175	162,682	167,355	(4,673)
Employee benefits	95,802	152,247	159,494	(7,247)
Purchased services	6,300	3,500	3,546	(46)
Supplies and materials	1,500	1,500	1,487	13
Other	3,125	2,425	1,745	680
<i>Total Executive Administration</i>	<u>299,902</u>	<u>322,354</u>	<u>333,627</u>	<u>(11,273)</u>
Total General Administration	<u>348,732</u>	<u>386,354</u>	<u>399,610</u>	<u>(13,256)</u>
School Administration				
Salaries and wages	1,639,763	1,600,935	1,593,077	7,858
Employee benefits	781,925	794,300	808,116	(13,816)
Purchased services	248,821	285,954	303,814	(17,860)
Supplies and materials	21,425	22,055	30,877	(8,822)
Capital outlay	4,500	4,795	295	4,500
Other	11,710	10,695	8,183	2,512
<i>Total School Administration</i>	<u>2,708,144</u>	<u>2,718,734</u>	<u>2,744,362</u>	<u>(25,628)</u>
Fiscal Services				
Salaries and wages	263,912	250,628	257,855	(7,227)
Employee benefits	137,284	127,770	137,047	(9,277)
Purchased services	42,628	74,017	79,276	(5,259)
Supplies and materials	3,342	2,342	2,099	243
Capital outlay	2,000	--	--	--
Other	1,410	1,410	854	556
<i>Total Fiscal Services</i>	<u>450,576</u>	<u>456,167</u>	<u>477,131</u>	<u>(20,964)</u>
Internal Services				
Purchased services	43,133	31,000	34,847	(3,847)
Supplies and materials	3,750	4,250	3,448	802
Capital outlay	--	--	--	--
<i>Total Internal Services</i>	<u>46,883</u>	<u>35,250</u>	<u>38,295</u>	<u>(3,045)</u>

EAST CHINA SCHOOL DISTRICT

Schedule of Support Services Expenditures - Budget and Actual

General Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Operations and Maintenance				
Salaries and wages	\$ 904,933	\$ 875,946	\$ 830,054	\$ 45,892
Employee benefits	514,736	512,947	496,768	16,179
Purchased services	822,817	1,040,822	783,804	257,018
Supplies and materials	1,033,757	1,019,846	1,376,227	(356,381)
Capital outlay	3,562	522	--	522
Other	2,421	2,421	1,208	1,213
Total Operations and Maintenance	3,282,226	3,452,504	3,488,061	(35,557)
Pupil Transportation				
Salaries and wages	758,907	643,472	634,620	8,852
Employee benefits	448,973	408,900	396,313	12,587
Purchased services	297,191	419,757	397,217	22,540
Supplies and materials	436,452	406,000	427,093	(21,093)
Capital outlay	1,757	--	--	--
Other	(148,600)	(148,800)	(153,136)	4,336
Total Pupil Transportation	1,794,680	1,729,329	1,702,107	27,222
Central Services				
Personnel services:				
Salaries and wages	251,708	212,010	206,011	5,999
Employee benefits	143,519	124,812	102,110	22,702
Purchased services	36,036	42,747	17,924	24,823
Supplies and materials	3,000	1,500	1,740	(240)
Other	9,255	9,905	8,865	1,040
Total Personnel Services	443,518	390,974	336,650	54,324
Technology support services:				
Salaries and wages	195,728	190,000	182,761	7,239
Employee benefits	90,189	105,085	105,083	2
Purchased services	273,336	306,747	286,785	19,962
Supplies and materials	34,219	22,000	68,562	(46,562)
Capital outlay	41,503	7,000	11,146	(4,146)
Other	280	280	56	224
Total Technology Support Services	635,255	631,112	654,393	(23,281)
Total Central Services	1,078,773	1,022,086	991,043	31,043
Total Support Services	\$ 13,168,907	\$ 13,228,867	\$ 13,359,386	\$ (130,519)

EAST CHINA SCHOOL DISTRICT

**Schedule of Community Services Expenditures and Other Transactions - Budget and Actual
General Fund
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Athletic Activities</i>				
Salaries and wages	\$ 481,833	\$ 468,615	\$ 456,122	\$ 12,493
Employee benefits	179,465	162,605	163,287	(682)
Purchased services	66,764	66,564	56,432	10,132
Supplies and materials	20,592	39,222	46,799	(7,577)
Capital outlay	14,841	14,641	13,570	1,071
Other	16,809	21,559	23,014	(1,455)
Total Athletic Activities	\$ 780,304	\$ 773,206	\$ 759,224	\$ 13,982
<i>Community Services</i>				
Salaries and wages	\$ --	\$ --	\$ 52	\$ (52)
Employee benefits	--	--	89	(89)
Purchased services	32,500	32,500	12,192	20,308
Supplies and materials	12,013	12,013	7,680	4,333
Total Community Services	\$ 44,513	\$ 44,513	\$ 20,013	\$ 24,500
Total Expenditures and Other Financing Uses	\$ 40,576,408	\$ 40,452,522	\$ 40,770,162	\$ (317,640)

EAST CHINA SCHOOL DISTRICT

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local sources	\$ 665,620	\$ 620,000	\$ 583,320	\$ (36,680)
State sources	74,815	64,343	61,902	(2,441)
Federal sources	710,400	698,212	715,568	17,356
Total Revenues	1,450,835	1,382,555	1,360,790	(21,765)
Other Financing Sources				
Transfers from other funds	--	--	50,328	50,328
Total Revenues and Other Financing Sources	1,450,835	1,382,555	1,411,118	28,563
Expenditures				
Salaries and fringes	183,300	168,542	153,147	15,395
Purchased services	1,130,050	1,090,000	1,099,629	(9,629)
Supplies, materials and other	8,700	26,700	15,027	11,673
Capital outlay	10,000	--	--	--
Commodities	78,650	83,212	90,913	(7,701)
Total Expenditures	1,410,700	1,368,454	1,358,716	9,738
Other Financing Uses				
Transfers to other funds	35,000	35,000	--	35,000
Total Expenditures and Other Financing Uses	1,445,700	1,403,454	1,358,716	44,738
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	5,135	(20,899)	52,402	73,301
Net Change in Fund Balance	5,135	(20,899)	52,402	73,301
<i>Fund Balance at Beginning of Period</i>	133,331	133,331	133,331	--
Fund Balance at End of Period	\$ 138,466	\$ 112,432	\$ 185,733	\$ 73,301

EAST CHINA SCHOOL DISTRICT

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

Latchkey

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local sources	\$ 407,800	\$ 450,000	\$ 497,176	\$ 47,176
Total Revenues	407,800	450,000	497,176	47,176
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	407,800	450,000	497,176	47,176
Expenditures				
Salaries and fringes	336,500	373,110	408,853	(35,743)
Purchased services	5,250	5,950	5,540	410
Supplies, materials and other	7,500	8,000	16,310	(8,310)
Total Expenditures	349,250	387,060	430,703	(43,643)
Other Financing Uses				
Transfers to other funds	80,000	80,000	80,000	--
Total Expenditures and Other Financing Uses	429,250	467,060	510,703	(43,643)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(21,450)	(17,060)	(13,527)	3,533
Net Change in Fund Balance	(21,450)	(17,060)	(13,527)	3,533
<i>Fund Balance at Beginning of Period</i>	119,637	119,637	119,637	--
Fund Balance at End of Period	\$ 98,187	\$ 102,577	\$ 106,110	\$ 3,533

EAST CHINA SCHOOL DISTRICT
Schedule of Bonded Indebtedness
June 30, 2013

Bonded Indebtedness

2005 Refunding Bonds (General Obligation)

Date of Issue	Amount of Issue	Interest Rate	Payable In Year Ending June 30	Principal	Interest	Total
3/22/2005	\$34,375,000	3.50-5.00%	2014	\$ 3,185,000	\$ 1,138,425	\$ 4,323,425
			2015	3,325,000	979,175	4,304,175
Principal due May 1			2016	3,495,000	812,925	4,307,925
Interest due May 1 and November 1			2017	3,640,000	638,175	4,278,175
			2018	3,780,000	456,175	4,236,175
			2019	3,845,000	267,175	4,112,175
			2020	900,000	74,925	974,925
			2021	900,000	37,800	937,800
Total 2005 Refunding Bonds				23,070,000	4,404,775	27,474,775

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%	2014	\$ 610,000	\$ 318,750	\$ 928,750
			2015	610,000	297,400	907,400
Principal due May 1			2016	630,000	273,000	903,000
Interest due May 1 and November 1			2017	690,000	247,800	937,800
			2018	765,000	220,200	985,200
			2019	920,000	189,600	1,109,600
			2020	1,910,000	152,800	2,062,800
			2021	1,910,000	76,400	1,986,400
Total 2009 Capital Projects Bonds				8,045,000	1,775,950	9,820,950
Total Bonded Indebtedness				\$ 31,115,000	\$ 6,180,725	\$ 37,295,725