

EAST CHINA SCHOOL DISTRICT
St. Clair County, Michigan
AUDITED FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

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, 2014. 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 Funds 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 assets as of June 30, 2014.

Table 1
CONDENSED NET POSITION
(in thousands)

	2011	2012	2013	2014
ASSETS				
Current and other assets	\$20,135	\$17,495	\$13,175	\$11,371
Capital assets/bond issuance costs	62,273	61,622	61,648	59,723
<i>TOTAL ASSETS</i>	<u>82,408</u>	<u>79,117</u>	<u>74,823</u>	<u>71,094</u>
LIABILITIES				
Current liabilities	9,638	10,441	9,544	9,698
Long-Term liabilities	36,369	32,182	28,169	24,167
<i>TOTAL LIABILITIES</i>	<u>46,007</u>	<u>42,623</u>	<u>37,713</u>	<u>33,865</u>
NET POSITION				
Invested in capital assets - net of related debt	22,297	25,727	30,161	32,093
Restricted for capital projects, food service/debt service	7,974	4,952	2,579	753
Unrestricted	6,130	5,815	4,370	4,383
<i>TOTAL NET POSITION</i>	<u>\$36,401</u>	<u>\$36,494</u>	<u>\$37,110</u>	<u>\$37,229</u>

The District's total net position was \$37,229,152 at June 30, 2014. Net position can be separated into three categories: net capital assets, restricted net position, and unrestricted net position.

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The District's Net Capital Assets were \$32,093,665 at June 30, 2014; a reported 6.4% increase over the prior fiscal year. This increase is primarily due to the maturity of the 2001 Building/Site Bond and the 2002 Energy Conservation Improvement Bond.

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 \$752,675.

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, for fiscal year 2013-14 reported at \$4,382,812, increased by 0.3% from the prior year.

Statement of Activities

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

Table 2
CONDENSED CHANGE IN NET POSITION
(in thousands)

REVENUE	2011	2012	2013	2014
Program Revenue:				
Grants and Contributions	\$4,641	\$5,169	\$4,424	\$4,272
Charges for Services	1,575	1,589	1,381	1,398
General Revenue:				
Property Taxes	19,435	19,058	18,293	18,221
State Foundation Allowance	24,375	22,461	22,633	22,800
Federal Sources	1,510	471	71	-
Other	237	263	238	236
TOTAL REVENUE	\$51,773	\$49,011	\$47,040	\$46,927
PROGRAM EXPENSES				
Instruction	\$29,813	\$27,613	\$26,000	\$26,441
Support Services	14,908	14,439	13,607	13,857
Community Services	35	28	20	40
Food Services	1,449	1,441	1,386	1,326
Athletics	776	754	759	788
Latchkey	537	536	431	426
Interest on Long-Term Debt	1,892	1,711	1,522	1,371
Other Bond Expenditures	43	43	249	1
Depreciation (Unallocated)	2,334	2,353	2,450	2,558
Capital Lease Payments	33	-	-	-
TOTAL EXPENSES	\$51,820	\$48,918	\$46,424	\$46,808
INCR/(DECR) IN NET POSITION	(\$47)	\$93	\$616	\$119

As reported in the Statement of Activities, one of the *District-wide* financial statements, the cost of all governmental activities this year was \$46,807,969. Certain activities were partially funded in the amount of \$1,397,844 from those who benefited from the program. Other programs were subsidized by State and Federal grants and contributions in the amount of \$4,272,480. The District paid for the remaining "public benefit" portion of the governmental activities with \$18,221,037 in taxes, \$22,799,659 in State Foundation Allowance, and with other miscellaneous revenue, such as interest and general entitlements. The District experienced an increase in net position of \$119,517.

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

General Operations

In 2013-14, the District experienced a deficit in all governmental funds of \$1,788,842. This deficit was due to expenditures exceeding revenues in the following funds:

General Fund	(\$ 416,909)
Debt Retirement Fund	(957,498)
Sinking Fund	(57,036)
2009 Capital Projects Fund	(382,711)
Other Governmental Funds	<u>25,312</u>
	(\$ 1,788,842)

Capital Outlay Acquisitions

Actual capital outlay acquisitions for the fiscal year ended June 30, 2014, were \$661,616.

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

Combined with the increase in accumulated depreciation, net assets (i.e., net book value) invested capital assets decreased by \$1,924,861.

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, 2014, the depreciation expense was \$2.6 million.

Bond Principal and Interest Repayment

Repayment of bond principal reduces long-term liabilities. For the fiscal year ended June 30, 2014, the District paid bond principal in the amount of \$3,795,000 and \$1,458,168 of interest and fees on long-term debt.

The increase in overall net position of the District was due to activities that were 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 \$5,548,401, which is a decrease of \$1,788,842, or 24% from last year. This decrease is primarily attributable to the reduction in the fund balance in the District's 2009 Capital Projects Fund and Debt Retirement Fund.

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

General Operating Fund

	2011	2012	2013	2014
REVENUE:				
Property Taxes	\$ 13,882,207	\$ 13,686,262	\$ 13,057,462	\$ 13,280,425
State sources	25,306,916	23,902,011	23,766,386	23,887,664
Other sources	5,211,375	4,237,789	3,179,313	3,047,395
<i>Total Revenue</i>	<u>\$ 44,400,498</u>	<u>\$ 41,826,062</u>	<u>\$ 40,003,161</u>	<u>\$ 40,215,484</u>

The General Fund had total revenue and other sources of \$40,215,484, which included \$13,280,425 from property taxes and \$23,887,664 from State sources. Combined, these two sources account for approximately 92% of General Fund revenues. Total revenue and other financing sources increased by .5%, or \$212,323 from 2012-13. This is largely attributable to State Foundation Allowance funding for prior year adjustments in property taxes collected in years 2009-2013.

	2011	2012	2013	2014
EXPENDITURES:				
Instruction	\$ 27,844,565	\$ 26,800,268	\$ 26,631,539	\$ 26,040,506
Support services	14,834,761	14,601,568	13,359,386	13,763,778
Athletic activities	776,120	754,295	759,224	787,805
Interfund transfers	441,345	-	50,328	-
Community services	35,120	27,531	20,013	40,304
Other	33,009	-	-	-
<i>Total Expenditures</i>	<u>\$ 43,964,920</u>	<u>\$ 42,183,662</u>	<u>\$ 40,820,490</u>	<u>\$ 40,632,393</u>

Total General Fund expenditures of \$40,632,393 consist of \$26,040,506 for 'Instruction' purposes, which includes teacher salaries, fringe benefits, and instructional supplies; \$13,763,778 for 'Support Services' which includes all other District personnel, plus transportation services and maintenance and operations; \$787,805 for 'Athletic Activities' which includes all expenditures for extracurricular sports. Combined, these three categories account for approximately 99.9% of General Fund expenditures.

When compared to the prior fiscal year, General Fund expenditures for 'Instruction' decreased by approximately 2.2% while expenditures for 'Support Services' increased by approximately 3.0%. The change in General Fund expenditures for the Instruction category was due to overall budget reductions. Increased expenditures experienced by Support Services are mainly attributed to an unexpected increase in consumption of utilities related to unusual climate conditions.

Total General Fund expenditures decreased by \$188,097 or .45% from 2012-13. The four 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 \$416,909, for the fiscal year 2013-14. Below is a four year illustration of performance levels:

	GF REVENUES	GF EXPEND	NET REV/EXP
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)
2013-14	40,215,484	40,632,393	(416,909)

Other Governmental Funds

Cafeteria Fund

Revenues and other sources of \$1,345,145 include food sales of \$564,329, which account for approximately 42% of the total. The remaining income is primarily comprised of State and Federal reimbursements to the food service program. Total expenditures and transfers of \$1,320,603 include \$1,032,296 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 2013-14. Indirect costs for 2013-14 were budgeted at \$35,000, but limited to \$28,400 relative to state guidelines.

The Cafeteria Fund ended the year with a \$24,542 net operating surplus for fiscal year 2013-14. For 2013-14 school lunch prices were increased by \$.05. To ensure that sufficient funds are provided to the nonprofit school food service account for meals served to students not eligible for free or reduced price meals a three year price increase of \$.20/\$.10/\$.05 was adopted by the Board of Education for school years 2015, 2016, and 2017.

Latchkey Fund

The sole source of revenue for the Latchkey Fund is the fee charged for the daycare and latchkey services it provides. Approximately 84% 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 2013-14, the Latchkey Fund had total revenues of \$506,924, a slight increase of 2.0%, or \$9,748 from the prior fiscal year. The Fund incurred expenditures and transfers of \$506,154 during the current fiscal year, a decrease of \$4,549 from the prior fiscal year. The current year fund performance resulted in a balance of revenues and expenditures with an increase in fund balance by \$770. 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 \$4,295,670 in revenues in fiscal year 2013-14. Of the total revenue, 99.7% of revenue is generated by a millage levy of 2.6 mills on taxable value of \$1.61 billion dollars. The District made \$3,795,000 in principal payments and \$1,457,175 in interest payments on the 2005 Refunding Bond and the 2009 Capital Projects Bond debt issues. Total principal and interest payments exceeded revenues and transfers in by \$957,498. Adequate Fund Equity is maintained to meet principal and interest payment obligations due each November and April.

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 \$658,724 in property tax revenues and \$6,752 in interest and local source revenue. Sinking Fund expenditures and other fund uses for District projects were \$722,512. The remaining fund balance in the Sinking Fund, \$67,554, 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)

	2011	2012	2013	2014
State sources	\$ 25,385	\$ 23,968	\$ 23,828	\$ 23,943
Property taxes	19,435	19,058	18,293	18,221
Other local sources	1,776	1,778	1,578	1,618
Federal sources	3,720	2,904	2,305	2,223
Other sources	132	70	39	25
Interdistrict sources	1,421	1,230	995	892
<i>Total</i>	\$ 51,869	\$ 49,008	\$ 47,038	\$ 46,922

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

The District's base foundation allowance for 2013-14 was \$7,545 per pupil.

The student enrollment for the Fall count of 2013-14 was 4,440 students. Over the past 7 years, the District's Fall enrollment has decreased 1,060 students. The following information summarizes our Fall student enrollment over the previous 7 years.

<u>FISCAL YEAR</u>	<u>FALL COUNT STUDENT FTE</u>	<u>FTE CHANGE FROM PRIOR YEAR</u>
2013-2014	4,440	(114)
2012-2013	4,554	(195)
2011-2012	4,749	(188)
2010-2011	4,937	(135)
2009-2010	5,072	(99)
2008-2009	5,171	(192)
2007-2008	5,363	(137)

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

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

The revenue from the District's adjusted non-homestead property levy for the 2013-14 fiscal year was \$13.3 million. The non-homestead tax levy increased by approximately 1.7% 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 2013-14, the District's debt millage levy was 2.6 mills, which generated a levy of \$4.3 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 2013-14, the District's Sinking Fund millage levy was .4 mills, which generated a levy of \$658,724.

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 \$1.35 million. A total 455,895 equivalent meals were served in the 2013-14 fiscal year; 367,417 lunches, 2,854 snacks, and 85,624 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)

	2012		2013		2014	
Instruction and instructional support	\$28,707	55%	\$26,515	52%	\$26,408	54%
Support services	14,602	28%	13,359	26%	13,764	28%
Food services	1,412	3%	1,359	3%	1,297	3%
Athletics	754	1%	759	2%	788	1%
Latchkey	536	1%	431	1%	426	1%
Debt service	5,770	11%	5,710	11%	5,253	11%
Capital outlay	695	1%	2,593	5%	739	2%
Community services	28	0%	20	0%	40	0%
<i>Total</i>	<u>\$52,504</u>	<u>100%</u>	<u>\$50,746</u>	<u>100%</u>	<u>\$48,715</u>	<u>100%</u>

Capital Assets

At June 30, 2014, the District had \$59.7 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and adjustments) of approximately \$1.9 million or 3.1% from last year.

(in millions)

	2011	2012	2013	2014
Land and improvements	\$4.8	\$4.9	\$5.3	\$5.4
Buildings	86.3	87.8	87.8	89.7
CIP	-	-	1.8	0.4
Buses and other vehicles	3.9	3.9	4.0	3.9
Furniture and equipment	4.2	4.3	4.5	4.5
<i>Total Capital Assets</i>	<u>99.2</u>	<u>100.9</u>	<u>103.4</u>	<u>103.9</u>
Less: Accumulated depreciation	<u>(37.2)</u>	<u>(39.6)</u>	<u>(41.8)</u>	<u>(44.2)</u>
NET CAPITAL ASSETS	<u>\$62.0</u>	<u>\$61.3</u>	<u>\$61.6</u>	<u>\$59.7</u>

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

Debt Administration

At the end of the fiscal year, the District had \$27.3 million in bonds outstanding versus \$31.1 million in the previous year. Principal payments totaling \$3.8 million were made on 2005 and 2009 Debt Issues.

	2011	2012	2013	2014
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	19,885,000
2009 Capital Projects Bond	9,265,000	8,655,000	8,045,000	7,435,000
<i>Total</i>	<u>\$ 39,140,000</u>	<u>\$ 35,185,000</u>	<u>\$ 31,115,000</u>	<u>\$ 27,320,000</u>

The District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that can be issued to 15 percent of the assessed value of all taxable property within the District's boundaries. If the District issues "qualified debt," (i.e., debt backed by the State of Michigan) such obligations are not subject to this debt limit. The District's outstanding unqualified general obligation debt of \$27.3 million is significantly below the statutorily imposed limit.

Other obligations of the District at June 30, 2014, include employee-compensated absences and the unamortized bond premium, totaling approximately \$782,483. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Changes from Original to Final Budget

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

There was an unusual variance between the Original and the Final Budget for the District for fiscal year 2013-14 that is attributed to MPSERS UAAL Rate Stabilization funding. 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 \$1,048,895 that was required to be recorded to reflect associated retirement revenues and expenditures. The original fiscal year 2013-14 budget was not reflective of this pass-thru funding. The final General Fund budget amendment was approved by the Board of Education in June 2014.

	Original Budget	Final Budget	% Variance
Revenues	\$38,285,157	\$40,037,618	4.6%
Expenditures	\$38,835,157	\$40,856,005	5.2%

General Fund Budgetary Highlights

General Fund Revenues

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

- 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 \$223,612 less than anticipated from the final budget. This variance was primarily conservative budgeting for natural gas and electricity expenditures within the Operations and Maintenance budget. Unusually cold weather conditions were experienced within the region, contributing to cautious budgeting predictions.

Economic Factors and Next Year's Budgets and Rates

Our elected Board members and the Administration considered many factors when setting the District's 2015 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 2015 fiscal year will be 90 percent and 10 percent of the October 2014 and February 2015 student counts, respectively. The 2015 fiscal year budget was adopted in June 2014, based on an estimate of student enrollment in the previous February pupil count. 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 2014-15 year, we anticipate that the fall student count will be close to the estimates used in creating the 2015 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 17, 2014

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of EAST CHINA SCHOOL DISTRICT as of and for the year ended June 30, 2014, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014, 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, 2014

	Primary Government	
	Governmental Activities	Total
ASSETS		
<i>Current Assets</i>		
Cash and demand accounts	\$ 4,877,594	\$ 4,877,594
Cash equivalent investments	1,151,578	1,151,578
Due from other governmental units	4,952,150	4,952,150
Miscellaneous receivables	45,856	45,856
Prepaid expenses	343,918	343,918
Total Current Assets	11,371,096	11,371,096
<i>Noncurrent Assets</i>		
Fixed assets net of accumulated depreciation	59,723,312	59,723,312
Total Assets	71,094,408	71,094,408
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated deferred outflows	--	--
Total Deferred Outflows of Resources	--	--
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	1,042,768	1,042,768
Accrued payroll	2,988,766	2,988,766
Accrued expenditures and other	1,481,919	1,481,919
Unearned revenue	30,112	30,112
Accrued interest	177,245	177,245
Current portion of long-term debt	3,935,000	3,935,000
Accrued vacation pay	41,963	41,963
Total Current Liabilities	9,697,773	9,697,773
<i>Noncurrent Liabilities</i>		
Bonds and loans payable	23,385,000	23,385,000
Unamortized bond premium	309,647	309,647
Accrued sick pay	472,836	472,836
Total Liabilities	33,865,256	33,865,256
DEFERRED INFLOWS OF RESOURCES		
Aggregated deferred inflows	--	--
Total Deferred Inflows of Resources	--	--
NET POSITION		
Invested in fixed assets net of related debt	32,093,665	32,093,665
<i>Restricted for:</i>		
Debt retirement	334,222	334,222
Food service	210,276	210,276
Sinking fund projects	67,554	67,554
Capital projects	140,623	140,623
<i>Unrestricted</i>	4,382,812	4,382,812
Total Net Position	\$ 37,229,152	\$ 37,229,152

EAST CHINA SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 26,441,027	\$ 71,905	\$ 3,466,911	\$ --
Support services	13,857,333	62,107	26,422	--
Food services	1,326,342	564,337	779,147	--
Athletics	787,805	191,566	--	--
Latchkey	426,154	507,929	--	--
Bond interest	1,370,395	--	--	--
Other bond expenditures	993	--	--	--
Community services	40,304	--	--	--
Unallocated portion of depreciation	2,557,616	--	--	--
Total Governmental Activities	\$ 46,807,969	\$ 1,397,844	\$ 4,272,480	\$ --

General Purpose Revenues and Transfers:

Revenues

Property taxes

Interest and dividend revenue

Local 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
\$ (22,902,211)	\$ (22,902,211)
(13,768,804)	(13,768,804)
17,142	17,142
(596,239)	(596,239)
81,775	81,775
(1,370,395)	(1,370,395)
(993)	(993)
(40,304)	(40,304)
(2,557,616)	(2,557,616)
<u>(41,137,645)</u>	<u>(41,137,645)</u>
18,221,037	18,221,037
25,395	25,395
207,271	207,271
22,799,659	22,799,659
3,800	3,800
<u>41,257,162</u>	<u>41,257,162</u>
119,517	119,517
<u>37,109,635</u>	<u>37,109,635</u>
\$ 37,229,152	\$ 37,229,152

EAST CHINA SCHOOL DISTRICT

**Balance Sheet
Governmental Funds
June 30, 2014**

	Debt Service		Capital Projects	
	General	Debt Retirement	Sinking	2009 Capital Projects
ASSETS				
Cash and demand accounts	\$ 3,256,581	\$ 511,467	\$ 146,756	\$ 415,623
Cash equivalent investments	1,151,577	--	1	--
Due from other governmental units	4,942,496	--	--	--
Miscellaneous receivables	31,082	--	--	--
Prepaid expenses	333,918	--	--	--
Due from other funds	--	--	276,479	--
Total Assets	9,715,654	511,467	423,236	415,623
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 9,715,654	\$ 511,467	\$ 423,236	\$ 415,623
LIABILITIES				
Accounts payable	\$ 614,872	\$ --	\$ 355,682	\$ --
Accrued payroll	2,988,766	--	--	--
Accrued expenditures and other	1,481,919	--	--	--
Unearned revenue	11,746	--	--	--
Due to other funds	106,750	--	--	275,000
Total Liabilities	5,204,053	--	355,682	275,000
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	5,204,053	--	355,682	275,000
FUND BALANCE				
Nonspendable	333,918	--	--	--
Restricted	--	511,467	67,554	140,623
Committed	--	--	--	--
Unassigned	4,177,683	--	--	--
Total Fund Balance	4,511,601	511,467	67,554	140,623
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 9,715,654	\$ 511,467	\$ 423,236	\$ 415,623

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 269,168	\$ 4,599,595
--	1,151,578
9,654	4,952,150
14,774	45,856
--	333,918
107,461	383,940
<u>401,057</u>	<u>11,467,037</u>
--	--
<u>\$ 401,057</u>	<u>\$ 11,467,037</u>
\$ 59,714	\$ 1,030,268
--	2,988,766
--	1,481,919
18,366	30,112
2,190	383,940
<u>80,270</u>	<u>5,915,005</u>
3,631	3,631
<u>83,901</u>	<u>5,918,636</u>
--	333,918
210,276	929,920
106,880	106,880
--	4,177,683
<u>317,156</u>	<u>5,548,401</u>
<u>\$ 401,057</u>	<u>\$ 11,467,037</u>

EAST CHINA SCHOOL DISTRICT

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2014

Total Fund Balance - Governmental Funds	\$	5,548,401
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		275,499
Receivables not available to pay current liabilities are deferred in the governmental funds		3,631
Capital assets are reported as expenditures in the governmental funds; however, these costs are capitalized and depreciated on the Statement of Net Position		59,723,312
Compensated absences for amounts due after one year are accrued in the entity-wide statements but not reflected in the fund level statements. These are expensed as paid in the fund level statements but expensed as incurred in the Statement of Activities		(514,799)
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		(177,245)
Long-term liabilities are reflected in Statement of Net Position but are omitted from the fund level Balance Sheets		<u>(27,629,647)</u>
Total Net Position-Governmental Funds	\$	<u>37,229,152</u>

EAST CHINA SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended June 30, 2014

	Debt Service		Capital Projects	
	General	Debt Retirement	Sinking	2009 Capital Projects
Revenues				
Property taxes	\$ 13,280,425	\$ 4,281,888	\$ 658,724	\$ --
Local sources	532,495	8,069	6,236	--
State sources	23,887,664	--	--	--
Federal sources	1,499,310	--	--	--
Interdistrict sources	892,075	--	--	--
Interest and dividend revenue	16,593	5,713	516	904
Total Revenues	40,108,562	4,295,670	665,476	904
Expenditures				
<i>Current</i>				
Instruction	26,040,506	--	--	367,061
Support services	13,763,778	--	--	--
Food services	--	--	--	--
Athletics	787,805	--	--	--
Latchkey	--	--	--	--
Community services	40,304	--	--	--
<i>Debt Service</i>				
Bond principal	--	3,795,000	--	--
Bond interest	--	1,457,175	--	--
Other bond expenditures	--	993	--	--
<i>Capital Outlay</i>	--	--	722,512	16,554
Total Expenditures	40,632,393	5,253,168	722,512	383,615
Excess of Revenues Over (Under) Expenditures	(523,831)	(957,498)	(57,036)	(382,711)
Other Financing Sources (Uses)				
Gains (losses) on sales of fixed assets	3,800	--	--	--
Transfers from other funds	103,122	--	--	--
Transfers to other funds	--	--	--	--
Net Other Financing Sources (Uses)	106,922	--	--	--
Net Change in Fund Balance	(416,909)	(957,498)	(57,036)	(382,711)
<i>Fund Balance at Beginning of Period</i>	4,928,510	1,468,965	124,590	523,334
Fund Balance at End of Period	\$ 4,511,601	\$ 511,467	\$ 67,554	\$ 140,623

Other Governmental Funds	Total Governmental Funds
\$ --	\$ 18,221,037
1,071,253	1,618,053
55,471	23,943,135
723,676	2,222,986
--	892,075
1,669	25,395
<u>1,852,069</u>	<u>46,922,681</u>
--	26,407,567
--	13,763,778
1,297,481	1,297,481
--	787,805
426,154	426,154
--	40,304
--	3,795,000
--	1,457,175
--	993
--	739,066
<u>1,723,635</u>	<u>48,715,323</u>
<u>128,434</u>	<u>(1,792,642)</u>
--	3,800
--	103,122
<u>(103,122)</u>	<u>(103,122)</u>
<u>(103,122)</u>	<u>3,800</u>
25,312	(1,788,842)
291,844	7,337,243
<u>\$ 317,156</u>	<u>\$ 5,548,401</u>

EAST CHINA SCHOOL DISTRICT

**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2014**

Total Net Change in Fund Balances - Governmental Funds	\$ (1,788,842)
The Internal Service Fund is used to account for the cost of certain claims under the District's dental plan and is included with the governmental funds on the Statement of Activities	(38,884)
Receivables not available to pay current liabilities are deferred in the governmental funds	1,005
Capital assets are reported as expenditures in the governmental funds; however, these costs are capitalized and depreciated on the Statement of Net Position	661,616
Loan principal payments are an expenditure in the governmental funds; however, these payments decrease the related liability on the Statement of Net Position	3,857,090
Compensated absences for amounts due after one year are accrued in the entity- wide statements but not reflected in the fund level statements. These are expensed as paid in the fund level statements but expensed as incurred in the Statement of Activities	(10,681)
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	24,690
Depreciation expense reflected in Statement of Activities is not reflected in the fund level statements	(2,586,477)
Change in Net Position-Governmental Funds	\$ 119,517

EAST CHINA SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2014

	Governmental Activities Internal Service Funds
	<u> </u>
ASSETS	
<i>Current Assets</i>	
Cash and demand accounts	\$ 277,999
Prepaid expenses	10,000
Total Assets	<u>287,999</u>
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Deferred Outflows of Resources	<u>--</u>
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	12,500
Total Liabilities	<u>12,500</u>
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	<u>--</u>
NET POSITION	
<i>Unrestricted</i>	275,499
Total Net Position	<u>\$ 275,499</u>

EAST CHINA SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2014

	Governmental Activities Internal Service Funds
Operating Revenues	
Premiums charged to other funds	\$ 225,827
<i>Total Operating Revenues</i>	<u>225,827</u>
Operating Expenses	
Instruction	264,711
<i>Total Operating Expenses</i>	<u>264,711</u>
<i>Operating Income (Loss)</i>	<u>(38,884)</u>
<i>Change In Net Position</i>	(38,884)
<i>Net Position at Beginning of Period</i>	<u>314,383</u>
<i>Net Position at End of Period</i>	<u>\$ 275,499</u>

EAST CHINA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Governmental Activities Internal Service Funds
	<u> </u>
<i>Cash Flows From Operating Activities:</i>	
Premiums charged to other funds	\$ 225,827
Payments for claims	<u>(266,898)</u>
<i>Net Cash Provided By (Used In) Operating Activities</i>	<u>(41,071)</u>
<i>Net Increase (Decrease) In Cash and Cash Equivalents</i>	<u>(41,071)</u>
<i>Cash and Cash Equivalents at Beginning of Period</i>	<u>319,070</u>
<i>Cash and Cash Equivalents at End of Period</i>	<u>277,999</u>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</i>	
Operating income (loss)	(38,884)
<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	1,596
Accounts payable	<u>(3,783)</u>
<i>Net Cash Provided By (Used In) Operating Activities</i>	<u>\$ (41,071)</u>

EAST CHINA SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>Agency</u>
	<u>Internal Activities</u>
ASSETS	
Cash and demand accounts	\$ 673,139
Total Assets	<u>673,139</u>
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Deferred Outflows of Resources	<u>--</u>
LIABILITIES	
Accounts payable	9,554
Accrued payroll	134
Due to other funds	61,429
Total Liabilities	<u>71,117</u>
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	<u>--</u>
NET POSITION	
Held in Trust	<u>\$ 602,022</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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local sources	\$ 13,729,362	\$ 13,796,371	\$ 13,829,513	\$ 33,142
State sources	21,909,724	23,600,029	23,887,664	287,635
Federal sources	1,441,000	1,575,563	1,499,310	(76,253)
Interdistrict sources	1,091,271	960,320	892,075	(68,245)
Total Revenues	38,171,357	39,932,283	40,108,562	176,279
Other Financing Sources				
Gain on sales of fixed assets	--	--	3,800	3,800
Transfers from other funds	113,800	105,335	103,122	(2,213)
Total Revenues and Other Financing Sources	38,285,157	40,037,618	40,215,484	177,866
Expenditures				
Elementary instruction	9,003,507	9,772,547	9,802,872	(30,325)
Middle school instruction	5,075,783	5,086,588	5,152,666	(66,078)
Senior high instruction	7,140,529	7,221,210	7,236,555	(15,345)
Special education instruction	2,523,313	2,622,438	2,557,479	64,959
Compensatory education instruction	1,037,581	1,117,356	1,106,274	11,082
Vocational education instruction	34,601	32,971	25,685	7,286
Other added needs instruction	142,625	161,397	158,975	2,422
Pupil services	2,074,926	2,099,597	2,106,365	(6,768)
Instructional staff services	1,337,276	1,346,578	1,319,129	27,449
General administration	283,658	363,951	348,515	15,436
School administration	2,717,600	2,840,846	2,866,662	(25,816)
Fiscal services	450,587	462,856	452,476	10,380
Internal services	44,539	43,950	39,378	4,572
Operations and maintenance	3,441,287	4,019,789	3,822,553	197,236
Pupil transportation	1,689,029	1,763,211	1,775,564	(12,353)
Central services	1,054,672	1,074,023	1,033,136	40,887
Community services	44,513	43,944	40,304	3,640
Athletics	739,131	782,753	787,805	(5,052)
Total Expenditures	38,835,157	40,856,005	40,632,393	223,612
Other Financing Uses				
Total Expenditures and Other Financing Uses	38,835,157	40,856,005	40,632,393	223,612
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses				
	(550,000)	(818,387)	(416,909)	401,478
Net Change in Fund Balance	(550,000)	(818,387)	(416,909)	401,478
Fund Balance at Beginning of Period	4,928,510	4,928,510	4,928,510	--
Fund Balance at End of Period	\$ 4,378,510	\$ 4,110,123	\$ 4,511,601	\$ 401,478

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ENTITY AND ITS OPERATIONS

East China School District covers an area of 122 square miles. The District operates under an elected seven-member board and provides K-12 educational services to its students, approximately 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 the 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, 2014

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 District reports the following major governmental funds:

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

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

2009 Capital Projects Fund - 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 District reports the following fund types:

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

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

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 and unrestricted state aid.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to other funds for 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, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	\$ --	\$ 11,746
Non-Major Funds - Other	3,631	18,366
Total	<u>\$ 3,631</u>	<u>\$ 30,112</u>

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any amounts that qualify to be reported as deferred outflows of resources.

In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District 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 four sources: property taxes, special assessments, charges for services, and state revenue sharing. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

FUND BALANCE/EQUITY

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

It is the policy of the District to first apply restricted resources when an 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, 2014

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

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

<u>General Fund:</u>	
Elementary instruction	\$ 30,325
Middle school instruction	66,078
Senior high instruction	15,345
Pupil services	6,768
School administration	25,816
Pupil transportation	12,353
Athletics	5,052
 <u>Latchkey Fund:</u>	
Supplies, materials, and other	3,850

NOTE 3: CASH AND INVESTMENTS

DEPOSITS

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

1. Direct bonds and obligations of the U.S., its agencies or instrumentalities.
2. Certificates of deposit, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency and 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, 2014

NOTE 3: CASH AND INVESTMENTS (Continued)

The District's cash deposits are as follows:

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

Total governmental funds	\$ 6,029,172
Less cash on hand	<u>(2,700)</u>
Total Deposits	<u>\$ 6,026,472</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	\$ 250,000	\$ 4,624,894	\$ 4,874,894	\$ 5,245,308
Savings and CD's	<u>341,116</u>	<u>810,462</u>	<u>1,151,578</u>	<u>1,151,578</u>
Total Cash	<u>\$ 591,116</u>	<u>\$ 5,435,356</u>	<u>\$ 6,026,472</u>	<u>\$ 6,396,886</u>

INTEREST RATE RISK

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

CREDIT RISK

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

CONCENTRATION OF CREDIT RISK

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

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a deposit policy for custodial credit risk. As of year end, \$5,435,356 of the government's bank balance of \$6,396,886 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 District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have exposure to this type of risk.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 4: CAPITAL ASSETS

A summary of changes in governmental fixed assets follows:

	Balance 07/01/13	Additions	Disposals	Balance 06/30/14
Land	\$ 608,520	\$ --	\$ --	\$ 608,520
Buildings	89,491,315	221,997	--	89,713,312
Improvements and infrastructure	4,701,775	--	--	4,701,775
Construction in progress	63,697	375,899	--	439,596
Furniture and equipment	4,470,776	63,720	--	4,534,496
Licensed vehicles	4,038,975	--	(117,360)	3,921,615
Total Capital Assets	<u>103,375,058</u>	<u>661,616</u>	<u>(117,360)</u>	<u>103,919,314</u>
Accumulated Depreciation	<u>(41,726,885)</u>	<u>(2,586,477)</u>	<u>117,360</u>	<u>(44,196,002)</u>
Total Carrying Value of Fixed Assets	<u>\$ 61,648,173</u>	<u>\$ (1,924,861)</u>	<u>\$ --</u>	<u>\$ 59,723,312</u>

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

Governmental Activities Fixed Assets:

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

Food Service	\$ 28,861
Unallocated	<u>2,557,616</u>
Total	<u>\$ 2,586,477</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	\$ 333,918	\$ --	\$ --	\$ --	\$ --	\$ 333,918
Restricted						
Debt retirement	--	511,467	--	--	--	511,467
Sinking fund projects	--	--	67,554	--	--	67,554
Capital projects	--	--	--	140,623	--	140,623
Food service	--	--	--	--	210,276	210,276
Committed						
Latchkey	--	--	--	--	106,880	106,880
Unassigned	<u>4,177,683</u>	--	--	--	--	<u>4,177,683</u>
Total Fund Balance	<u>\$ 4,511,601</u>	<u>\$ 511,467</u>	<u>\$ 67,554</u>	<u>\$ 140,623</u>	<u>\$ 317,156</u>	<u>\$ 5,548,401</u>

The District has a minimum fund balance policy equal to 10% of budgeted expenditures adopted by the Board of Education. Of the \$4,177,683 unassigned fund balance reported above, \$4,063,239 is the minimum required fund balance under this policy, leaving an excess over this amount of \$114,444.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2014

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>
		General	\$ 4,945
		Latchkey	2,190
			<u>\$ 7,135</u>
Cafeteria	<u>\$ 7,135</u>		
Latchkey	<u>\$ 100,326</u>	General	<u>\$ 100,326</u>
		General	\$ 1,479
		Capital Projects	275,000
			<u>\$ 276,479</u>
Sinking	<u>\$ 276,479</u>		

Interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
		Cafeteria	\$ 23,122
		Latchkey	80,000
			<u>\$ 103,122</u>
General	<u>\$ 103,122</u>		

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

NOTE 7: LONG-TERM DEBT

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

CHANGES IN INDEBTEDNESS BY TYPE

	<u>Payable at</u> <u>07/01/13</u>	<u>Increase</u>	<u>Decrease</u>	<u>Payable at</u> <u>06/30/14</u>
General Obligation:				
General obligation bonds	\$ 31,115,000	\$ --	\$ 3,795,000	\$ 27,320,000
Unamortized bond premium	371,737	--	62,090	309,647
Compensated absences	477,767	--	4,931	472,836
Total General Obligation	<u>\$ 31,964,504</u>	<u>\$ --</u>	<u>\$ 3,862,021</u>	<u>\$ 28,102,483</u>

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

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 7: LONG-TERM DEBT (Continued)

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Obligations Principal	\$ 3,935,000	\$ 4,125,000	\$ 4,330,000	\$ 4,545,000	\$ 4,765,000
General Obligations Interest	<u>1,276,575</u>	<u>1,085,925</u>	<u>885,975</u>	<u>676,375</u>	<u>456,775</u>
Total Principal and Interest Requirements	<u>\$ 5,211,575</u>	<u>\$ 5,210,925</u>	<u>\$ 5,215,975</u>	<u>\$ 5,221,375</u>	<u>\$ 5,221,775</u>

	<u>2020-2021</u>	<u>Total</u>
General Obligations Principal	\$ 5,620,000	\$ 27,320,000
General Obligations Interest	<u>341,925</u>	<u>4,723,550</u>
Total Principal and Interest Requirements	<u>\$ 5,961,925</u>	<u>\$ 32,043,550</u>

Total interest expense for the District for the year was \$1,370,395. 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 \$1.56 billion as of June 30, 2014.

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 24.79% and 24.46% for the years ending June 30, 2014, and June 30, 2013, respectively. Basic plan members make no contribution to the System, but investment plan members contribute at rates ranging from 3.00% to 7.00% of gross wages.

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, 2014	\$5,001,000	\$1,194,000	100%
June 30, 2013	5,514,000	1,952,000	100
June 30, 2012	6,154,000	1,637,000	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 the pension benefit rate calculation described above.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2014

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.

SUPPLEMENTAL INFORMATION

EAST CHINA SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	<u>Special Revenue</u>		Total Nonmajor Governmental Funds
	<u>Latchkey</u>	<u>Cafeteria</u>	
ASSETS			
Cash and demand accounts	\$ --	\$ 269,168	\$ 269,168
Due from other governmental units	--	9,654	9,654
Miscellaneous receivables	14,774	--	14,774
Due from other funds	100,326	7,135	107,461
Total Assets	<u>115,100</u>	<u>285,957</u>	<u>401,057</u>
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	<u>\$ 115,100</u>	<u>\$ 285,957</u>	<u>\$ 401,057</u>
LIABILITIES			
Accounts payable	\$ 929	\$ 58,785	\$ 59,714
Unearned revenue	1,470	16,896	18,366
Due to other funds	2,190	--	2,190
Total Liabilities	<u>4,589</u>	<u>75,681</u>	<u>80,270</u>
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	3,631	--	3,631
Total Liabilities and Deferred Inflows of Resources	<u>8,220</u>	<u>75,681</u>	<u>83,901</u>
FUND BALANCE			
Restricted	--	210,276	210,276
Committed	106,880	--	106,880
Unassigned	--	--	--
Total Fund Balance	<u>106,880</u>	<u>210,276</u>	<u>317,156</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 115,100</u>	<u>\$ 285,957</u>	<u>\$ 401,057</u>

EAST CHINA SCHOOL DISTRICT

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2014

	<u>Special Revenue</u>		Total Nonmajor Governmental Funds
	<u>Latchkey</u>	<u>Cafeteria</u>	
Revenues			
Local sources	\$ 506,924	\$ 564,329	\$ 1,071,253
State sources	--	55,471	55,471
Federal sources	--	723,676	723,676
Interest and dividend revenue	--	1,669	1,669
Total Revenues	<u>506,924</u>	<u>1,345,145</u>	<u>1,852,069</u>
Expenditures			
Food services	--	1,297,481	1,297,481
Latchkey	426,154	--	426,154
Total Expenditures	<u>426,154</u>	<u>1,297,481</u>	<u>1,723,635</u>
Excess of Revenues Over (Under) Expenditures	<u>80,770</u>	<u>47,664</u>	<u>128,434</u>
Other Financing Sources (Uses)			
Transfers to other funds	(80,000)	(23,122)	(103,122)
Net Other Financing Sources (Uses)	<u>(80,000)</u>	<u>(23,122)</u>	<u>(103,122)</u>
Net Change in Fund Balance	770	24,542	25,312
<i>Fund Balance at Beginning of Period</i>	106,110	185,734	291,844
Fund Balance at End of Period	<u>\$ 106,880</u>	<u>\$ 210,276</u>	<u>\$ 317,156</u>

EAST CHINA SCHOOL DISTRICT
Schedule of Revenues and Other Financing Sources - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Local sources:				
Property taxes	\$ 13,187,226	\$ 13,278,869	\$ 13,280,425	\$ 1,556
Other local revenue	542,136	517,502	549,088	31,586
<i>Total Local Sources</i>	<u>13,729,362</u>	<u>13,796,371</u>	<u>13,829,513</u>	<u>33,142</u>
State sources:				
Foundation Allowance - Net of taxes	20,222,324	20,871,614	20,999,121	127,507
Other state grants & aid	1,687,400	2,728,415	2,888,543	160,128
<i>Total State Sources</i>	<u>21,909,724</u>	<u>23,600,029</u>	<u>23,887,664</u>	<u>287,635</u>
Federal sources:				
Title I	570,000	608,887	578,290	(30,597)
Other federal programs	871,000	966,676	921,020	(45,656)
<i>Total Federal Sources</i>	<u>1,441,000</u>	<u>1,575,563</u>	<u>1,499,310</u>	<u>(76,253)</u>
Interdistrict sources:				
St. Clair County RESA & Other Interdistrict sources	1,091,271	960,320	892,075	(68,245)
<i>Total Interdistrict Sources</i>	<u>1,091,271</u>	<u>960,320</u>	<u>892,075</u>	<u>(68,245)</u>
Other Financing Sources				
Interfund transfers	113,800	105,335	103,122	(2,213)
Gain on sale of fixed assets	--	--	3,800	3,800
Total Revenues and Other Financing Sources	\$ 38,285,157	\$ 40,037,618	\$ 40,215,484	\$ 177,866

EAST CHINA SCHOOL DISTRICT
Schedule of Instructional Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Basic Programs				
Elementary School:				
Salaries and wages	\$ 5,897,967	\$ 6,211,182	\$ 6,231,196	\$ (20,014)
Employee benefits	2,909,813	3,193,427	3,180,168	13,259
Purchased services	77,624	136,424	154,309	(17,885)
Supplies and materials	110,462	229,659	235,672	(6,013)
Capital outlay	6,491	--	--	--
Other	1,150	1,855	1,527	328
<i>Total Elementary School</i>	<u>9,003,507</u>	<u>9,772,547</u>	<u>9,802,872</u>	<u>(30,325)</u>
Middle School:				
Salaries and wages	3,345,796	3,304,574	3,355,637	(51,063)
Employee benefits	1,557,494	1,665,914	1,690,084	(24,170)
Purchased services	43,443	55,000	49,969	5,031
Supplies and materials	124,387	60,375	56,418	3,957
Capital outlay	4,126	--	--	--
Other	537	725	558	167
<i>Total Middle School</i>	<u>5,075,783</u>	<u>5,086,588</u>	<u>5,152,666</u>	<u>(66,078)</u>
High School:				
Salaries and wages	4,719,998	4,671,755	4,657,312	14,443
Employee benefits	2,214,621	2,357,067	2,345,291	11,776
Purchased services	93,875	114,457	150,085	(35,628)
Supplies and materials	90,642	73,081	76,376	(3,295)
Capital outlay	19,018	2,000	--	2,000
Other	2,375	2,850	7,491	(4,641)
<i>Total High School</i>	<u>7,140,529</u>	<u>7,221,210</u>	<u>7,236,555</u>	<u>(15,345)</u>
Total Basic Programs	<u>21,219,819</u>	<u>22,080,345</u>	<u>22,192,093</u>	<u>(111,748)</u>
Added Needs				
Special Education:				
Salaries and wages	1,706,217	1,722,325	1,662,612	59,713
Employee benefits	794,896	845,773	823,132	22,641
Purchased services	6,000	40,150	62,220	(22,070)
Supplies and materials	16,180	13,600	9,204	4,396
Capital outlay	--	--	--	--
Other	20	590	311	279
<i>Total Special Education</i>	<u>2,523,313</u>	<u>2,622,438</u>	<u>2,557,479</u>	<u>64,959</u>
Compensatory:				
Salaries and wages	675,308	652,608	644,482	8,126
Employee benefits	321,273	331,837	343,218	(11,381)
Purchased services	1,000	14,941	15,878	(937)
Supplies and materials	40,000	117,820	102,696	15,124
Other	--	150	--	150
<i>Total Compensatory</i>	<u>1,037,581</u>	<u>1,117,356</u>	<u>1,106,274</u>	<u>11,082</u>

EAST CHINA SCHOOL DISTRICT
Schedule of Instructional Expenditures - Budget and Actual (Continued)
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Added Needs (Continued)				
Vocational Education:				
Salaries and wages	\$ --	\$ --	\$ 280	\$ (280)
Employee benefits	1,630	--	58	(58)
Purchased services	--	--	720	(720)
Supplies and materials	6,500	5,000	24,627	(19,627)
Capital outlay	26,471	27,971	--	27,971
<i>Total Vocational Education</i>	<u>34,601</u>	<u>32,971</u>	<u>25,685</u>	<u>7,286</u>
Other Instruction:				
Salaries and wages	87,270	96,620	102,958	(6,338)
Employee benefits	28,520	36,857	40,354	(3,497)
Purchased services	6,151	6,845	236	6,609
Supplies and materials	12,609	13,100	14,123	(1,023)
Capital outlay	100	--	--	--
Other	7,975	7,975	1,304	6,671
<i>Total Other Instruction</i>	<u>142,625</u>	<u>161,397</u>	<u>158,975</u>	<u>2,422</u>
Total Added Needs	<u>3,738,120</u>	<u>3,934,162</u>	<u>3,848,413</u>	<u>85,749</u>
Total Instruction	<u>\$ 24,957,939</u>	<u>\$ 26,014,507</u>	<u>\$ 26,040,506</u>	<u>\$ (25,999)</u>

EAST CHINA SCHOOL DISTRICT
Schedule of Support Services Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Pupil Support Services				
Counseling Services:				
Salaries and wages	\$ 427,485	\$ 425,384	\$ 426,459	\$ (1,075)
Employee benefits	211,624	226,997	229,051	(2,054)
Purchased services	7,000	7,000	9,378	(2,378)
Supplies and materials	2,472	900	244	656
Other expenses	100	265	128	137
<i>Total Counseling Services</i>	<u>648,681</u>	<u>660,546</u>	<u>665,260</u>	<u>(4,714)</u>
Health Services:				
Salaries and wages	93,915	91,915	90,919	996
Employee benefits	34,100	36,804	35,941	863
Purchased services	1,700	1,700	727	973
Supplies and materials	2,370	2,370	1,244	1,126
<i>Total Health Services</i>	<u>132,085</u>	<u>132,789</u>	<u>128,831</u>	<u>3,958</u>
Psychological Services:				
Purchased services	13,805	23,000	27,650	(4,650)
<i>Total Psychological Services</i>	<u>13,805</u>	<u>23,000</u>	<u>27,650</u>	<u>(4,650)</u>
Social Work Services:				
Salaries and wages	151,328	154,833	154,769	64
Employee benefits	73,150	81,840	79,459	2,381
Purchased services	--	600	533	67
Supplies and materials	--	--	--	--
Other expenses	--	195	83	112
<i>Total Social Work Services</i>	<u>224,478</u>	<u>237,468</u>	<u>234,844</u>	<u>2,624</u>
Teacher Consultant Services:				
Salaries and wages	693,814	656,429	665,308	(8,879)
Employee benefits	351,465	363,410	348,129	15,281
Purchased services	1,500	1,500	1,820	(320)
Supplies and materials	500	500	150	350
Other expenses	--	--	143	(143)
<i>Total Teacher Consultant Services</i>	<u>1,047,279</u>	<u>1,021,839</u>	<u>1,015,550</u>	<u>6,289</u>
Other Pupil Services:				
Salaries and wages	--	13,450	14,933	(1,483)
Employee benefits	626	5,980	12,863	(6,883)
Purchased services	3,325	1,025	3,625	(2,600)
Supplies and materials	3,537	3,500	2,809	691
Capital outlay	1,110	--	--	--
<i>Total Other Pupil Services</i>	<u>8,598</u>	<u>23,955</u>	<u>34,230</u>	<u>(10,275)</u>
Total Pupil Support Services	<u>2,074,926</u>	<u>2,099,597</u>	<u>2,106,365</u>	<u>(6,768)</u>

EAST CHINA SCHOOL DISTRICT

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

General Fund

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Instructional Staff Support Services				
Improvement of Instruction:				
Salaries and wages	\$ 44,000	\$ 49,164	\$ 72,697	\$ (23,533)
Employee benefits	14,437	20,104	29,379	(9,275)
Purchased services	258,372	275,728	234,639	41,089
Supplies and materials	7,500	7,000	5,951	1,049
Capital outlay	--	--	--	--
<i>Total Improvement of Instruction</i>	<u>324,309</u>	<u>351,996</u>	<u>342,666</u>	<u>9,330</u>
Library / Media:				
Salaries and wages	388,949	385,457	379,567	5,890
Employee benefits	181,993	192,095	189,643	2,452
Purchased services	212	--	--	--
Supplies and materials	42,566	43,262	36,558	6,704
Capital outlay	64	--	--	--
Other	--	25	92	(67)
<i>Total Library / Media</i>	<u>613,784</u>	<u>620,839</u>	<u>605,860</u>	<u>14,979</u>
Supervision of Instruction:				
Salaries and wages	276,440	242,596	244,872	(2,276)
Employee benefits	109,892	120,392	119,409	983
Purchased services	6,550	4,925	2,476	2,449
Supplies and materials	5,471	4,400	2,884	1,516
Capital outlay	--	--	--	--
Other	830	1,430	962	468
<i>Total Supervision of Instruction</i>	<u>399,183</u>	<u>373,743</u>	<u>370,603</u>	<u>3,140</u>
Total Instructional Staff Support Services	<u>1,337,276</u>	<u>1,346,578</u>	<u>1,319,129</u>	<u>27,449</u>

EAST CHINA SCHOOL DISTRICT
Schedule of Support Services Expenditures - Budget and Actual (Continued)
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
General Administration				
Board of Education:				
Salaries and wages	\$ --	\$ --	\$ --	\$ --
Employee benefits	--	--	--	--
Purchased services	44,330	79,830	70,582	9,248
Other	7,980	7,980	--	7,980
<i>Total Board of Education</i>	<u>52,310</u>	<u>87,810</u>	<u>70,582</u>	<u>17,228</u>
Executive Administration:				
Salaries and wages	153,600	166,651	170,577	(3,926)
Employee benefits	67,223	96,690	97,844	(1,154)
Purchased services	5,900	6,500	3,792	2,708
Supplies and materials	1,500	1,500	1,528	(28)
Other	3,125	4,800	4,192	608
<i>Total Executive Administration</i>	<u>231,348</u>	<u>276,141</u>	<u>277,933</u>	<u>(1,792)</u>
Total General Administration	<u>283,658</u>	<u>363,951</u>	<u>348,515</u>	<u>15,436</u>
School Administration				
Salaries and wages	1,649,888	1,688,111	1,704,547	(16,436)
Employee benefits	791,507	898,205	901,258	(3,053)
Purchased services	239,989	219,723	224,110	(4,387)
Supplies and materials	20,526	20,050	19,936	114
Capital outlay	4,795	4,500	5,960	(1,460)
Other	10,895	10,257	10,851	(594)
<i>Total School Administration</i>	<u>2,717,600</u>	<u>2,840,846</u>	<u>2,866,662</u>	<u>(25,816)</u>
Fiscal Services				
Salaries and wages	236,853	238,418	234,052	4,366
Employee benefits	128,103	135,508	129,818	5,690
Purchased services	80,879	83,920	83,574	346
Supplies and materials	3,342	3,600	3,234	366
Capital outlay	--	--	--	--
Other	1,410	1,410	1,798	(388)
<i>Total Fiscal Services</i>	<u>450,587</u>	<u>462,856</u>	<u>452,476</u>	<u>10,380</u>
Internal Services				
Purchased services	37,589	37,000	35,171	1,829
Supplies and materials	3,200	3,200	4,207	(1,007)
Capital outlay	3,750	3,750	--	3,750
<i>Total Internal Services</i>	<u>44,539</u>	<u>43,950</u>	<u>39,378</u>	<u>4,572</u>

EAST CHINA SCHOOL DISTRICT

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

General Fund

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Operations and Maintenance				
Salaries and wages	\$ 864,936	\$ 880,628	\$ 886,768	\$ (6,140)
Employee benefits	478,419	541,806	534,839	6,967
Purchased services	881,491	872,012	821,756	50,256
Supplies and materials	1,210,458	1,724,043	1,578,383	145,660
Capital outlay	3,562	--	--	--
Other	2,421	1,300	807	493
Total Operations and Maintenance	3,441,287	4,019,789	3,822,553	197,236
Pupil Transportation				
Salaries and wages	663,647	499,945	511,767	(11,822)
Employee benefits	375,931	348,580	318,748	29,832
Purchased services	395,111	563,086	586,358	(23,272)
Supplies and materials	401,183	503,600	500,564	3,036
Capital outlay	1,757	--	--	--
Other	(148,600)	(152,000)	(141,873)	(10,127)
Total Pupil Transportation	1,689,029	1,763,211	1,775,564	(12,353)
Central Services				
Personnel Services:				
Salaries and wages	217,973	193,255	190,991	2,264
Employee benefits	124,547	114,130	113,830	300
Purchased services	44,136	51,200	28,828	22,372
Supplies and materials	1,659	2,500	3,373	(873)
Other	9,255	9,100	8,725	375
Total Personnel Services	397,570	370,185	345,747	24,438
Technology Support Services:				
Salaries and wages	194,500	183,953	176,322	7,631
Employee benefits	104,663	101,886	98,531	3,355
Purchased services	307,641	341,669	337,402	4,267
Supplies and materials	29,497	71,000	64,628	6,372
Capital outlay	20,521	5,050	10,375	(5,325)
Other	280	280	131	149
Total Technology Support Services	657,102	703,838	687,389	16,449
Total Central Services	1,054,672	1,074,023	1,033,136	40,887
Total Support Services	\$ 13,093,574	\$ 14,014,801	\$ 13,763,778	\$ 251,023

EAST CHINA SCHOOL DISTRICT

Schedule of Community Services Expenditures and Other Transactions - Budget and Actual

General Fund

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Athletic Activities</i>				
Salaries and wages	\$ 467,680	\$ 472,676	\$ 456,209	\$ 16,467
Employee benefits	161,131	184,154	175,929	8,225
Purchased services	57,279	49,013	56,737	(7,724)
Supplies and materials	27,589	47,765	62,939	(15,174)
Capital outlay	12,775	9,300	12,153	(2,853)
Other	12,677	19,845	23,838	(3,993)
<i>Total Athletic Activities</i>	\$ 739,131	\$ 782,753	\$ 787,805	\$ (5,052)
<i>Community Services</i>				
Salaries and wages	\$ --	\$ --	\$ 600	\$ (600)
Employee benefits	--	--	261	(261)
Purchased services	32,500	32,500	17,385	15,115
Supplies and materials	12,013	11,444	22,058	(10,614)
<i>Total Community Services</i>	\$ 44,513	\$ 43,944	\$ 40,304	\$ 3,640
<i>Capital Lease Payments</i>				
Capital lease payments	\$ --	\$ --	\$ --	\$ --
<i>Total Capital Lease Payments</i>	\$ --	\$ --	\$ --	\$ --
<i>Interfund Transfers</i>				
Tansfers	\$ --	\$ --	\$ --	\$ --
<i>Total Interfund Transfers</i>	\$ --	\$ --	\$ --	\$ --
<i>Total Expenditures and Other Financing Uses</i>	\$ 38,835,157	\$ 40,856,005	\$ 40,632,393	\$ 223,612

EAST CHINA SCHOOL DISTRICT

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local sources	\$ 584,500	\$ 585,500	\$ 565,998	\$ (19,502)
State sources	61,000	60,000	55,471	(4,529)
Federal sources	704,000	704,000	723,676	19,676
Total Revenues	1,349,500	1,349,500	1,345,145	(4,355)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	1,349,500	1,349,500	1,345,145	(4,355)
Expenditures				
Salaries and fringes	166,200	166,200	144,732	21,468
Purchased services	1,080,150	1,059,026	1,052,882	6,144
Supplies, materials and other	9,400	30,526	8,405	22,121
Capital outlay	10,000	10,000	--	10,000
Commodities	94,000	94,000	91,462	2,538
Total Expenditures	1,359,750	1,359,752	1,297,481	62,271
Other Financing Uses				
Transfers to other funds	33,800	29,000	23,122	5,878
Total Expenditures and Other Financing Uses	1,393,550	1,388,752	1,320,603	68,149
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(44,050)	(39,252)	24,542	63,794
Net Change in Fund Balance	(44,050)	(39,252)	24,542	63,794
<i>Fund Balance at Beginning of Period</i>	185,734	185,734	185,734	--
Fund Balance at End of Period	\$ 141,684	\$ 146,482	\$ 210,276	\$ 63,794

EAST CHINA SCHOOL DISTRICT

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

Latchkey

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local sources	\$ 500,000	\$ 500,000	\$ 506,924	\$ 6,924
Total Revenues	500,000	500,000	506,924	6,924
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	500,000	500,000	506,924	6,924
Expenditures				
Salaries and fringes	407,000	412,502	411,313	1,189
Purchased services	5,450	3,100	2,891	209
Supplies, materials and other	13,850	8,100	11,950	(3,850)
Total Expenditures	426,300	423,702	426,154	(2,452)
Other Financing Uses				
Transfers to other funds	80,000	80,000	80,000	--
Total Expenditures and Other Financing Uses	506,300	503,702	506,154	(2,452)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(6,300)	(3,702)	770	4,472
Net Change in Fund Balance	(6,300)	(3,702)	770	4,472
<i>Fund Balance at Beginning of Period</i>	106,110	106,110	106,110	--
Fund Balance at End of Period	\$ 99,810	\$ 102,408	\$ 106,880	\$ 4,472

EAST CHINA SCHOOL DISTRICT
Schedule of Bonded Indebtedness
June 30, 2014

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%	2015	\$ 3,325,000	\$ 979,175	\$ 4,304,175
			2016	3,495,000	812,925	4,307,925
Principal due May 1			2017	3,640,000	638,175	4,278,175
Interest due May 1 and November 1			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				19,885,000	3,266,350	23,151,350

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%	2015	\$ 610,000	\$ 297,400	\$ 907,400
			2016	630,000	273,000	903,000
Principal due May 1			2017	690,000	247,800	937,800
Interest due May 1 and November 1			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				7,435,000	1,457,200	8,892,200
Total Bonded Indebtedness				\$ 27,320,000	\$ 4,723,550	\$ 32,043,550