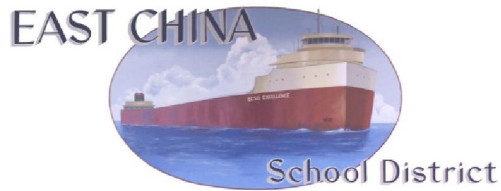


EAST CHINA SCHOOL DISTRICT
St. Clair County, Michigan
AUDITED FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

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, 2016. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

Using this Annual Report

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

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

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

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

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

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

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

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

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

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

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

The Fund Financial Statements focus on individual parts of the District and look at the District's operations in more detail than the District-wide Financial Statements. They tell how services were financed in the short-term, as well as what remains for future spending. The Fund Financial Statements provide information about the District's most significant funds – the General Fund, the Debt Retirement Fund, the Sinking Fund, the 2009 Capital Projects Fund, and the 2015 Capital Projects Fund. All other funds are presented in one column as non-major funds.

The General Fund is used primarily to account for the general educational requirements of the District. Its revenues are primarily derived from property taxes, state aid foundation allowance, and state and federal grants. The Debt Retirement Fund is used to record the funding and payment of principal and interest on bonded debt. The Sinking Fund is used to record the revenue from the millage levied and the expenditures for state approved District sinking fund projects. The 2009 Capital Projects Fund is used to account for the proceeds and related expenditures of a 2009 bond issue. The 2015 Capital Projects Fund is used to account for proceeds related expenditures for the 2015 bond issue that is dedicated for bus purchases.

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, 2016. Four prior years of position is also provided for trend analysis.

Table 1

CONDENSED NET POSITION
(in thousands)

	2012	2013	2014	2015	2016
ASSETS					
Current and other assets	\$ 17,495	\$ 13,175	\$ 11,371	\$ 12,356	\$ 12,036
Capital assets/bond issuance costs	61,622	61,648	60,486	59,000	57,450
Deferred Outflows of Resources	-	-	-	6,637	8,160
<i>TOTAL ASSETS</i>	<u>\$ 79,117</u>	<u>\$ 74,823</u>	<u>\$ 71,857</u>	<u>\$ 77,993</u>	<u>\$ 77,646</u>
LIABILITIES					
Current liabilities	\$ 10,441	\$ 9,544	\$ 9,698	\$ 9,845	\$ 10,042
Long-Term liabilities	32,182	28,169	24,167	21,227	16,655
Net Pension liability	-	-	59,624	60,205	65,332
Deferred Inflows of Resources	-	-	-	6,656	3,082
<i>TOTAL LIABILITIES</i>	<u>\$ 42,623</u>	<u>\$ 37,713</u>	<u>\$ 93,489</u>	<u>\$ 97,933</u>	<u>\$ 95,111</u>
NET POSITION					
Invested in capital assets - net of related debt	\$ 25,727	\$ 30,161	\$ 32,856	\$ 33,958	\$ 36,803
Restricted for capital projects, food service/debt service	4,952	2,579	753	1,770	1,465
Unrestricted	5,815	4,370	(55,241)	(55,668)	(55,733)
<i>TOTAL NET POSITION</i>	<u>\$ 36,494</u>	<u>\$ 37,110</u>	<u>\$ (21,632)</u>	<u>\$ (19,940)</u>	<u>\$ (17,465)</u>

The District's reportable net position was (\$17,465,145) at June 30, 2016. The significant change from Net Position reported beginning June 30, 2014, is a result of new GASB 68 requirement to account for the District's Net Pension Liability. As identified in Table 1, Net Pension Liability at June 30, 2016, is \$65,332,074.

GASB 68 requires the reporting of pensions by state and local government and pension plans. It is designed to improve the decision-usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments.

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

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The District's Net Capital Assets were \$36,803,488 at June 30, 2016; a reported 8.38% increase over the prior fiscal year. This increase is primarily due to a decrease in outstanding bond obligations.

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

Restricted net position is reported separately to show legal constraints from debt obligations and legislation that limit the District's ability to use those net assets for day-to-day operations. Restricted net position was \$1,464,410.

The remaining net position is unrestricted. The Unrestricted Net Position represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in Unrestricted Net Position from year to year. The unrestricted net position, for fiscal year 2015-16 reported at (\$55,733,043). This is an increase from 2014-2015 and is directly related to the Net Pension Liability reporting requirements of GASB 68. Unrestricted Net Position *net of Net Pension Liability* for fiscal year 2015-16 is \$4,520,941, or a .38% decrease from the prior year.

Statement of Activities

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

Table 2
CONDENSED CHANGE IN NET POSITION
(in thousands)

REVENUE	2012	2013	2014	2015	2016
Program Revenue:					
Grants and Contributions	\$ 5,169	\$ 4,424	\$ 4,272	\$ 4,220	\$ 4,043
Charges for Services	1,589	1,381	1,398	1,460	1,473
General Revenue:					
Property Taxes	19,058	18,293	18,221	19,364	19,656
State Foundation Allowance	22,461	22,633	22,800	22,097	20,440
Federal Sources	471	71	-	-	-
Other	263	238	236	627	484
TOTAL REVENUE	\$ 49,011	\$ 47,040	\$ 46,927	\$ 47,768	\$ 46,096
PROGRAM EXPENSES					
Instruction	\$ 27,613	\$ 26,000	\$ 26,441	\$ 26,710	\$ 25,310
Support Services	14,439	13,607	13,857	13,135	12,650
Community Services	28	20	40	37	32
Food Services	1,441	1,386	1,326	1,226	1,230
Athletics	754	759	788	850	808
Latchkey	536	431	426	427	435
Interest on Long-Term Debt	1,711	1,522	1,370	973	603
Other Bond Expenditures	43	249	1	12	9
Depreciation (Unallocated)	2,353	2,451	2,558	2,598	2,544
Capital Lease Payments	-	-	-	-	-
Debt issuance costs	-	-	-	108	-
Opening GASB 68 adjustment	-	-	58,861	-	-
TOTAL EXPENSES	\$ 48,918	\$ 46,424	\$ 105,668	\$ 46,076	\$ 43,621
INCR/(DECR) IN NET POSITION	\$ 93	\$ 616	\$ (58,741)	\$ 1,692	\$ 2,475

As reported in the Statement of Activities, one of the *District-wide* financial statements, the cost of all governmental activities this year was \$43,621,004. Certain activities were partially funded in the amount of \$1,472,625 from those who benefited from the program. Other programs were subsidized by State and Federal grants and contributions in the amount of \$4,042,554. The District paid for the remaining “public benefit” portion of the governmental activities with \$19,656,088 in taxes, \$20,439,845 in State Foundation Allowance, and with other miscellaneous revenue, such as interest and general entitlements. The District experienced an increase in net position, net of Net Pension Liability, of approximately 2.5 million.

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

General Operations

In 2015-16, the District experienced a deficit in the aggregate of all governmental funds of (\$430,876). This deficit is a result of expenditures exceeding revenues in the following funds:

General Fund	(\$284,049)
Debt Retirement Fund	95,658
Sinking Fund	81,475
2009 Capital Projects Fund	(42,142)
2015 Capital Projects Fund	(435,326)
Other Governmental Funds	<u>153,508</u>
	<u>(\$430,876)</u>

Capital Outlay Acquisitions

Actual capital outlay acquisitions for the fiscal year ended June 30, 2016, were \$1,028,193.

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 \$1,550,121.

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, 2016, 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, 2016, the District paid bond principal in the amount of \$4,300,000 and \$797,959 of interest and fees on long-term debt.

The District's Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of \$6,356,443, which is a decrease of \$430,876, or (6.3%) from last year. This decrease is primarily attributable to a deficit experienced in fund balance in the District's General Fund and 2015 Capital Projects Fund. A bond millage was voter passed in 2014 for the sole purpose of bus replacement.

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

General Operating Fund

OPERATING REVENUE					
	2012	2013	2014	2015	2016
REVENUE:					
Property Taxes	\$ 13,686,262	\$ 13,057,462	\$ 13,280,425	\$ 13,511,271	\$ 13,796,252
State sources	23,902,011	23,766,386	23,887,664	23,223,456	23,292,464
Other sources	4,237,789	3,179,313	3,052,673	2,996,747	2,870,434
<i>Total Revenue</i>	\$ 41,826,062	\$ 40,003,161	\$ 40,220,762	\$ 39,731,474	\$ 39,959,150

The General Fund had total revenue and other sources of \$39,959,150, which included \$13,796,252 from property taxes and \$23,292,464 from State sources. Combined, these two sources account for approximately 93% of General Fund revenues. Total revenue and other financing sources increased by .57%, or \$227,676 from 2014-15. This slight increase in revenue is attributed to an increase in State Foundation Allowance and grant award levels.

	2012	2013	2014	2015	2016
EXPENDITURES:					
Instruction	\$ 26,800,268	\$ 26,631,539	\$ 26,040,506	\$ 25,985,012	\$ 26,248,731
Support services	14,601,568	13,359,386	13,763,778	12,961,282	13,058,661
Athletic activities	754,295	759,224	787,805	841,454	853,275
Interfund transfers	-	50,328	5,278	-	-
Community services	27,531	20,013	40,304	30,831	58,214
Other	-	-	-	-	24,318
<i>Total Expenditures</i>	\$ 42,183,662	\$ 40,820,490	\$ 40,637,671	\$ 39,818,579	\$ 40,243,199

Total General Fund expenditures of \$40,243,199 consist of \$26,248,731 for 'Instruction' purposes, which includes teacher salaries, fringe benefits, and instructional supplies; \$13,058,661 for 'Support Services' which includes all other District personnel, plus transportation services and maintenance and operations; \$853,275 for 'Athletic Activities' which includes all expenses for extracurricular sports. Combined, these three categories account for approximately 99.8% of General Fund expenditures.

When compared to the prior fiscal year, General Fund expenditures for 'Instruction' increased by approximately 1.0% while expenditures for 'Support Services' increased by approximately .8%. The change in General Fund expenditures for the Support Services category was due to increase in the costs of salaries, benefits and purchased services.

Total General Fund expenditures increased by \$424,620 or 1.1% from 2014-15. The five year analysis of both revenues and expenditures marks a declining trend of expenditures necessitated by deteriorated revenue levels.

The General Fund experienced a deficit of \$284,049 for the fiscal year 2015-16. Below is a five year illustration of performance levels:

	GF	GF	NET
	<u>REVENUES</u>	<u>EXPEND</u>	<u>REV/EXP</u>
2011-12	\$41,826,062	\$42,183,662	\$ (357,600)
2012-13	40,003,161	40,820,490	(817,329)
2013-14	40,220,762	40,637,671	(416,909)
2014-15	39,731,474	39,818,579	(87,105)
2015-16	39,959,150	40,243,199	(284,049)

Other Governmental Funds

Cafeteria Fund

Revenues and other sources of \$1,328,664 include food sales of \$579,257, which account for approximately 44% of the total. The remaining income is primarily comprised of State and Federal reimbursements to the food service program. Total expenses and transfers of \$1,238,516 include \$944,131 paid to Chartwells Compass Group, for the cost of food, supplies, wages, and administrative fees related to the management of the East China School District food service program. Indirect costs for 2015-16 were budgeted at \$25,000, with an actual amount of \$28,322, relative to state guidelines.

The Cafeteria Fund ended the year with a \$90,148 net operating surplus for fiscal year 2015-16. For 2015-16 school lunch prices were increased by \$.10. 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 81% 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 2015-16, the Latchkey Fund had total revenues of \$578,771, an increase of 6.5%, or \$35,392 from the prior fiscal year. The Fund incurred expenditures and transfers of \$515,411 during the current fiscal year, an increase of \$8,183 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 \$63,360. 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 \$5,193,617 in revenues in fiscal year 2015-16. Of the total revenue, 99.7% of revenue is generated by a millage levy of 3.04 mills on taxable value of \$1.708 billion dollars. The District made \$4,300,000 in principal payments and \$797,959 in interest/fees payments on the 2005 Refunding Bond/2015 Bus Bond and the 2009 Capital Projects Bond debt issues. Revenues and transfers exceeded total principal and interest payments by \$95,658. Adequate Fund Equity is maintained to support to meet principal and interest payment obligations due each November and April.

The levy for debt retirement decreased from the prior year, from 3.14 mills to 3.04. Changes in taxable values and bond payments are evaluated each year to determine the required millage.

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

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

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

Sinking Fund

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

The Sinking Fund generated a total of \$681,373 in property tax revenues and \$2,017 in interest, local source, and insurance proceeds revenue. Sinking Fund expenditures and other fund uses for District projects were \$601,915. The remaining balance in the Sinking Fund, \$298,406 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)

	2012	2013	2014	2015	2016
State sources	\$ 23,968	\$ 23,828	\$ 23,943	\$ 23,271	\$ 23,337
Property taxes	19,058	18,293	18,221	19,364	19,656
Other local sources	1,778	1,578	1,604	1,654	1,631
Federal sources	2,904	2,305	2,223	2,276	2,200
Other sources	70	39	40	217	45
Interdistrict sources	1,230	995	892	751	705
<i>Total</i>	\$ 49,008	\$ 47,038	\$ 46,923	\$ 47,533	\$ 47,574

State Foundation Allowance

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

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

The District’s base foundation allowance for 2015-16 was \$7,718 per pupil.

The student enrollment for the fall count of 2015-16 was 4,255 students. Over the past 9 years, the District's Fall enrollment has decreased 1,108 students. The following information summarizes our Fall student enrollment over the previous 9 years.

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

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

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

The revenue from the District's adjusted non-homestead property levy for the 2015-16 fiscal year was \$13.8 million. The non-homestead tax levy increased by approximately 2.1% 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 2015-16, the District's debt millage levy was 3.04 mills, which generated a levy of \$5.18 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 2015-16, the District's Sinking Fund millage levy was .4 mills, which generated a levy of \$681,373.

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 \$1.33 million. A total 428,725 equivalent meals were served in the 2015-16 fiscal year; 343,727 lunches, 1,492 snacks, and 83,506 breakfast meals. Equivalent meals served increased by 13.6% in 2015-16 from the prior year.

Total Cost of Governmental Activities

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

(stated in thousands)

	2012		2013		2014		2015		2016	
Instruction and instructional support	\$28,707	55%	\$26,515	52%	\$26,408	54%	\$26,039	54%	\$26,329	55%
Support services	14,602	28%	13,359	26%	13,764	28%	12,961	27%	13,059	27%
Food services	1,412	3%	1,359	3%	1,297	3%	1,203	3%	1,210	3%
Athletics	754	1%	759	1%	788	2%	841	2%	853	2%
Latchkey	536	1%	431	1%	426	1%	427	1%	435	1%
Debt service	5,770	11%	5,710	11%	5,253	11%	5,332	11%	5,099	11%
Capital outlay	695	1%	2,593	5%	739	2%	1,135	2%	1,028	2%
Community services	28	0%	20	0%	40	0%	31	0%	58	0%
<i>Total</i>	\$52,504	100%	\$50,746	100%	\$48,715	100%	\$47,969	100%	\$48,071	100%

Capital Assets

At June 30, 2016, the District had \$57.5 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 \$1.5 million or (2.6%), from last year.

(in millions)

	2012	2013	2014	2015	2016
Land and improvements	\$ 4.9	\$ 5.3	\$ 5.3	\$ 5.4	\$ 5.3
Buildings	87.8	87.8	89.7	90.8	91.6
CIP	-	1.80	1.10	0.80	0.50
Buses and other vehicles	3.90	4.00	3.92	3.90	4.00
Furniture and equipment	4.30	4.50	4.53	4.50	4.54
<i>Total Capital Assets</i>	100.9	103.4	104.6	105.4	106.0
Less: Accumulated depreciation	(39.6)	(41.8)	(44.2)	(46.4)	(48.5)
NET CAPITAL ASSETS	\$ 61.3	\$ 61.6	\$ 60.4	\$ 59.0	\$ 57.5

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 \$20.1 million in bonds outstanding versus \$24.4 million in the previous year. Principal payments totaling \$4.3 million were made on 2015 and 2009 Debt Issues.

	2012	2013	2014	2015	2016
2001 Building and Site Bonds	\$ 625,000	\$ -	\$ -	\$ -	\$ -
2002 Energy Conservation Imp Bonds	425,000	-	-	-	-
2005 Refund Bonds	25,480,000	23,070,000	19,885,000	-	-
2009 Capital Projects Bond	8,655,000	8,045,000	7,435,000	6,825,000	6,195,000
2015 Bus Bond and Refunding Bonds	-	-	-	17,560,000	13,890,000
<i>Total</i>	\$ 35,185,000	\$ 31,115,000	\$ 27,320,000	\$24,385,000	\$20,085,000

The District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that can be issued to 15 percent of the assessed value of all taxable property within the District's boundaries. If the District issues "qualified debt," (i.e., debt backed by the State of Michigan) such obligations are not subject to this debt limit. The District's outstanding unqualified general obligation debt of \$20.1 million is significantly below the statutorily imposed limit.

Other obligations of the District at June 30, 2016, include employee-compensated absences and the unamortized bond premium, totaling approximately \$1,020,283. 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.

	Original Budget	Final Budget	% Variance
Revenues	\$39,637,068	\$39,964,730	0.8%
Expenditures	\$40,273,870	\$40,734,791	1.1%

General Fund Budgetary Highlights

General Fund Revenues

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

- Changes in property tax values and collections and various property tax appeals necessitated an adjustment to the budgeted amount for property tax revenue. In general, the amount of taxes abated due to appeals is subsequently paid by the State through the State Aid Fund.
- All adjustments to property tax revenue necessitate adjustments to state source revenue, due to the school funding structure.
- State and federal grant budgets were adjusted from original estimates as actual grant allocations became available.

General Fund Expenditures

Actual expenditures were approximately \$491,592 less than anticipated from the final budget. This amount represents 1.2% of the total final budgeted expenditures for 2015-16. Actual expenditures were less than expected within salaries, benefits, contracted services, and repairs/supplies categories.

Economic Factors and Next Year's Budgets and Rates

Our elected Board members and the Administration considered many factors when setting the District's 2017 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 2017 fiscal year will be 90 percent and 10 percent of the October 2016 and February 2016 student counts, respectively. The 2017 fiscal year budget was adopted in June 2016, based on an estimate of student enrollment in the previous February pupil count. Approximately 48% of total General Fund revenues are from the State's share of the foundation allowance. Under State law, the District cannot assess additional property tax revenue for general operations. As a result, District funding is heavily dependent on the State's ability to fund local operations. Based on early enrollment data at the start of the 2016-17 year, we anticipate that the fall student count will be close to the estimates used in creating the 2017 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 20, 2016

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the EAST CHINA SCHOOL DISTRICT as of and for the year ended June 30, 2016, 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 the East China School District as of June 30, 2016, 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 and the pension schedules on pages i–xii and 34–35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East China School District's basic financial statements. The combining and individual 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 and individual nonmajor fund financial statements and the supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2016, on our consideration of the 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 the 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, 2016

	Primary Government	
	Governmental Activities	Total
ASSETS		
<i>Current Assets</i>		
Cash and demand accounts	\$ 3,415,071	\$ 3,415,071
Cash equivalent investments	3,337,044	3,337,044
Due from other governmental units	5,195,701	5,195,701
Miscellaneous receivables	36,035	36,035
Prepaid expenses	52,408	52,408
Total Current Assets	12,036,259	12,036,259
<i>Noncurrent Assets</i>		
Fixed assets net of accumulated depreciation	57,449,769	57,449,769
Total Assets	69,486,028	69,486,028
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated deferred outflows	8,160,380	8,160,380
Total Deferred Outflows of Resources	8,160,380	8,160,380
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	1,134,031	1,134,031
Accrued payroll	2,802,102	2,802,102
Accrued expenditures and other	1,364,187	1,364,187
Unearned revenue	151,404	151,404
Accrued interest	97,816	97,816
Current portion of long-term debt	4,450,000	4,450,000
Accrued vacation pay	42,366	42,366
Total Current Liabilities	10,041,906	10,041,906
<i>Noncurrent Liabilities</i>		
Bonds and loans payable	15,635,000	15,635,000
Unamortized bond premium	561,281	561,281
Accrued sick pay	459,002	459,002
Net pension liability	65,332,074	65,332,074
Total Liabilities	92,029,263	92,029,263
DEFERRED INFLOWS OF RESOURCES		
Aggregated deferred inflows	3,082,290	3,082,290
Total Deferred Inflows of Resources	3,082,290	3,082,290
NET POSITION		
Invested in fixed assets net of related debt	36,803,488	36,803,488
<i>Restricted for:</i>		
Food service	393,595	393,595
Sinking fund projects	298,406	298,406
Capital projects	772,409	772,409
<i>Unrestricted</i>	(55,733,043)	(55,733,043)
Total Net Position	\$ (17,465,145)	\$ (17,465,145)

EAST CHINA SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 25,309,877	\$ 30,592	\$ 3,118,546	\$ --
Support services	12,649,781	86,393	176,225	--
Food services	1,229,703	579,257	747,783	--
Athletics	808,103	197,612	--	--
Latchkey	435,411	578,771	--	--
Bond interest	603,284	--	--	--
Other bond expenditures	8,606	--	--	--
Community services	32,482	--	--	--
Unallocated portion of depreciation	2,543,757	--	--	--
Total Governmental Activities	\$ 43,621,004	\$ 1,472,625	\$ 4,042,554	\$ --

General Purpose Revenues and Transfers:

Revenues

Property taxes

Interest and dividend revenue

Local sources

State sources

Premiums charged to other funds

Gains (losses) on sales of fixed assets

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Period

Net Position at End of Period

Net (Expense) Revenue	
Primary Government	
Governmental Activities	Total
\$ (22,160,739)	\$ (22,160,739)
(12,387,163)	(12,387,163)
97,337	97,337
(610,491)	(610,491)
143,360	143,360
(603,284)	(603,284)
(8,606)	(8,606)
(32,482)	(32,482)
(2,543,757)	(2,543,757)
<u>(38,105,825)</u>	<u>(38,105,825)</u>
19,656,088	19,656,088
44,884	44,884
142,817	142,817
20,439,845	20,439,845
245,552	245,552
51,025	51,025
<u>40,580,211</u>	<u>40,580,211</u>
2,474,386	2,474,386
<u>(19,939,531)</u>	<u>(19,939,531)</u>
\$ (17,465,145)	\$ (17,465,145)

EAST CHINA SCHOOL DISTRICT

**Balance Sheet
Governmental Funds
June 30, 2016**

	<u>Debt Service</u>		<u>Capital Projects</u>	
	<u>General</u>	<u>Debt Retirement</u>	<u>Sinking</u>	<u>2009 Capital Projects</u>
ASSETS				
Cash and demand accounts	\$ 1,618,125	\$ 544,975	\$ 432,358	\$ 37,304
Cash equivalent investments	2,601,939	--	--	--
Due from other governmental units	5,183,592	362	48	--
Miscellaneous receivables	18,210	--	--	--
Prepaid expenses	42,408	--	--	--
Due from other funds	92,315	12	2	--
Total Assets	9,556,589	545,349	432,408	37,304
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 9,556,589	\$ 545,349	\$ 432,408	\$ 37,304
LIABILITIES				
Accounts payable	\$ 923,639	\$ 169	\$ 134,002	\$ --
Accrued payroll	2,782,958	--	--	--
Accrued expenditures and other	1,364,187	--	--	--
Unearned revenue	129,132	--	--	--
Due to other funds	216,228	--	--	--
Total Liabilities	5,416,144	169	134,002	--
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	5,416,144	169	134,002	--
FUND BALANCE				
Nonspendable	42,408	--	--	--
Restricted	--	545,180	298,406	37,304
Committed	--	--	--	--
Unassigned	4,098,037	--	--	--
Total Fund Balance	4,140,445	545,180	298,406	37,304
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 9,556,589	\$ 545,349	\$ 432,408	\$ 37,304

2015 Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 541,896	\$ 3,174,658
735,105	--	3,337,044
--	11,699	5,195,701
--	17,825	36,035
--	--	42,408
--	217,092	309,421
735,105	788,512	12,095,267
--	--	--
\$ 735,105	\$ 788,512	\$ 12,095,267
\$ --	\$ 53,007	\$ 1,110,817
--	19,144	2,802,102
--	--	1,364,187
--	22,272	151,404
--	94,086	310,314
--	188,509	5,738,824
--	--	--
--	188,509	5,738,824
--	--	42,408
735,105	393,595	2,009,590
--	206,408	206,408
--	--	4,098,037
735,105	600,003	6,356,443
\$ 735,105	\$ 788,512	\$ 12,095,267

EAST CHINA SCHOOL DISTRICT

**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016**

Total Fund Balance - Governmental Funds	\$	6,356,443
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		228,092
Capital assets are reported as expenditures in the governmental funds; however, these costs are capitalized and depreciated on the Statement of Net Position		57,449,769
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		(501,368)
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		(97,816)
Long-term liabilities are reflected in Statement of Net Position but are omitted from the fund level Balance Sheets		(20,646,281)
Net pension liability reflected in Statement of Net Position but omitted from the fund level Balance Sheets		(60,253,984)
Total Net Position-Governmental Funds	\$	(17,465,145)

EAST CHINA SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended June 30, 2016

	<u>Debt Service</u>		<u>Capital Projects</u>	
	<u>General</u>	<u>Debt Retirement</u>	<u>Sinking</u>	<u>2009 Capital Projects</u>
Revenues				
Property taxes	\$ 13,796,252	\$ 5,178,463	\$ 681,373	\$ --
Local sources	462,903	8,733	1,153	--
State sources	23,292,464	--	--	--
Federal sources	1,497,284	--	--	--
Interdistrict sources	704,862	--	--	--
Interest and dividend revenue	30,990	6,421	864	38
Total Revenues	39,784,755	5,193,617	683,390	38
Expenditures				
<i>Current</i>				
Instruction	26,248,731	--	47,025	32,843
Support services	13,058,661	--	--	--
Food services	--	--	--	--
Athletics	853,275	--	--	--
Latchkey	--	--	--	--
Community services	58,214	--	--	--
<i>Debt Service</i>				
Bond principal	--	4,300,000	--	--
Bond interest	--	789,353	--	--
Other bond expenditures	--	8,606	--	--
<i>Capital Outlay</i>	23,483	--	554,890	9,337
Total Expenditures	40,242,364	5,097,959	601,915	42,180
Excess of Revenues Over (Under) Expenditures	(457,609)	95,658	81,475	(42,142)
Other Financing Sources (Uses)				
Gains (losses) on sales of fixed assets	66,073	--	--	--
Transfers from other funds	108,322	--	--	--
Transfers to other funds	(835)	--	--	--
Net Other Financing Sources (Uses)	173,560	--	--	--
Net Change in Fund Balance	(284,049)	95,658	81,475	(42,142)
<i>Fund Balance at Beginning of Period</i>	4,424,494	449,522	216,931	79,446
Fund Balance at End of Period	\$ 4,140,445	\$ 545,180	\$ 298,406	\$ 37,304

2015 Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 19,656,088
--	1,158,028	1,630,817
--	44,698	23,337,162
--	703,085	2,200,369
--	--	704,862
5,782	789	44,884
<u>5,782</u>	<u>1,906,600</u>	<u>47,574,182</u>
625	--	26,329,224
--	--	13,058,661
--	1,210,194	1,210,194
--	--	853,275
--	435,411	435,411
--	--	58,214
--	--	4,300,000
--	--	789,353
--	--	8,606
440,483	--	1,028,193
<u>441,108</u>	<u>1,645,605</u>	<u>48,071,131</u>
<u>(435,326)</u>	<u>260,995</u>	<u>(496,949)</u>
--	--	66,073
--	835	109,157
--	(108,322)	(109,157)
--	(107,487)	66,073
<u>(435,326)</u>	<u>153,508</u>	<u>(430,876)</u>
1,170,431	446,495	6,787,319
<u>\$ 735,105</u>	<u>\$ 600,003</u>	<u>\$ 6,356,443</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, 2016**

Total Net Change in Fund Balances - Governmental Funds	\$	(430,876)
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements		(12,989)
Capital assets are reported as expenditures in the governmental funds; however, these costs are capitalized and depreciated on the Statement of Net Position		1,028,193
Loan principal payments are an expenditure in the governmental funds; however, these payments decrease the related liability on the Statement of Net Position		4,395,882
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		12,095
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		90,187
Depreciation expense reflected in Statement of Activities is not reflected in the fund level statements		(2,563,266)
Gain on sale of assets for governmental funds represents gross proceeds. Gain on sale for the Statement of Net Position is reduced by the depreciated basis of the assets sold		(15,048)
Net pension liability reflected in Statement of Net Position but omitted from the fund level Balance Sheets		(29,792)
Changes in Net Position-Governmental Funds	\$	2,474,386

EAST CHINA SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2016

	Governmental Activities Internal Service Funds
ASSETS	
<i>Current Assets</i>	
Cash and demand accounts	\$ 240,413
Prepaid expenses	10,000
Due from other funds	893
Total Assets	251,306
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Deferred Outflows of Resources	--
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	23,214
Total Liabilities	23,214
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	--
NET POSITION	
<i>Unrestricted</i>	228,092
Total Net Position	\$ 228,092

EAST CHINA SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2016

	Governmental Activities Internal Service Funds
Operating Revenues	
Premiums charged to other funds	\$ 245,552
<i>Total Operating Revenues</i>	<u>245,552</u>
Operating Expenses	
Instruction	258,541
<i>Total Operating Expenses</i>	<u>258,541</u>
<i>Operating Income (Loss)</i>	<u>(12,989)</u>
<i>Change In Net Position</i>	(12,989)
<i>Net Position at Beginning of Period</i>	<u>241,081</u>
<i>Net Position at End of Period</i>	<u>\$ 228,092</u>

EAST CHINA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Governmental Activities Internal Service Funds
<i>Cash Flows From Operating Activities:</i>	
Premiums charged to other funds	\$ 244,659
Payments for claims	(250,210)
<i>Net Cash Provided By (Used In) Operating Activities</i>	<u>(5,551)</u>
<i>Net Increase (Decrease) In Cash and Cash Equivalents</i>	<u>(5,551)</u>
<i>Cash and Cash Equivalents at Beginning of Period</i>	<u>245,964</u>
<i>Cash and Cash Equivalents at End of Period</i>	<u>\$ 240,413</u>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</i>	
Operating income (loss)	\$ (12,989)
<i>Change in assets and liabilities:</i>	
Due from other funds	(893)
Accounts payable	<u>8,331</u>
<i>Net Cash Provided By (Used In) Operating Activities</i>	<u>\$ (5,551)</u>

EAST CHINA SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency</u>
	<u>Internal Activities</u>
ASSETS	
Cash and demand accounts	\$ 606,689
<i>Total Assets</i>	<u>606,689</u>
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
<i>Total Deferred Outflows of Resources</i>	<u>--</u>
LIABILITIES	
Accounts payable	14,156
Due to student groups	522,437
Due to other funds	70,096
<i>Total Liabilities</i>	<u>606,689</u>
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
<i>Total Deferred Inflows of Resources</i>	<u>--</u>
NET POSITION	
Held in Trust	<u>\$ --</u>

EAST CHINA SCHOOL DISTRICT

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

General Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local sources	\$ 13,984,106	\$ 14,394,681	\$ 14,290,145	\$ (104,536)
State sources	23,203,108	23,195,483	23,292,464	96,981
Federal sources	1,585,922	1,516,960	1,497,284	(19,676)
Interdistrict sources	755,132	696,251	704,862	8,611
Total Revenues	39,528,268	39,803,375	39,784,755	(18,620)
Other Financing Sources				
Gain on sales of fixed assets	3,800	56,355	66,073	9,718
Transfers from other funds	105,000	105,000	108,322	3,322
Total Revenues and Other Financing Sources	39,637,068	39,964,730	39,959,150	(5,580)
Expenditures				
Elementary instruction	9,278,562	9,219,240	9,166,331	52,909
Middle school instruction	5,155,584	5,376,377	5,429,527	(53,150)
Senior high instruction	7,519,047	7,517,558	7,455,361	62,197
Special education instruction	2,735,654	2,894,236	2,803,373	90,863
Compensatory education instruction	1,099,379	981,016	1,099,346	(118,330)
Vocational education instruction	40,000	40,000	48,537	(8,537)
Other added needs instruction	276,145	266,158	246,256	19,902
Pupil services	2,229,682	2,285,966	2,221,169	64,797
Instructional staff services	1,298,880	1,458,194	1,377,509	80,685
General administration	371,589	373,985	370,167	3,818
School administration	2,769,522	2,832,297	2,825,691	6,606
Fiscal services	441,088	441,980	429,603	12,377
Internal services	39,950	27,950	24,515	3,435
Operations and maintenance	3,475,588	3,599,165	3,402,914	196,251
Pupil transportation	1,665,324	1,588,636	1,482,735	105,901
Central services	1,013,616	957,308	947,841	9,467
Community services	35,375	25,139	58,214	(33,075)
Athletics	828,885	849,586	853,275	(3,689)
Total Expenditures	40,273,870	40,734,791	40,242,364	492,427
Other Financing Uses				
Transfers to other funds	--	--	835	(835)
Total Expenditures and Other Financing Uses	40,273,870	40,734,791	40,243,199	491,592
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses				
	(636,802)	(770,061)	(284,049)	486,012
Net Change in Fund Balance	(636,802)	(770,061)	(284,049)	486,012
<i>Fund Balance at Beginning of Period</i>	4,424,494	4,424,494	4,424,494	--
Fund Balance at End of Period	\$ 3,787,692	\$ 3,654,433	\$ 4,140,445	\$ 486,012

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

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 component units have been identified.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

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

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 and 2015 Capital Projects Fund - These funds are used to record bond proceeds and interest revenue and capital outlay expenditures incurred by the District. These funds are presented separately, therefore, combining statements are not presented.

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

Additionally, the District reports the following fund types:

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

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

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

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

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

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

DEPOSITS AND INVESTMENTS

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

RECEIVABLES AND PAYABLES

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

INVENTORY AND PREPAID ITEMS

Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

CAPITAL ASSETS

Capital assets, which include property, buildings, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COMPENSATED ABSENCES

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

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

PENSION

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

LONG-TERM OBLIGATIONS

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

UNEARNED / UNAVAILABLE REVENUE

Governmental funds report a deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also have unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned/unavailable revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund - Fees	\$ --	\$ 31,626
- Grants	--	97,506
Non-Major Funds - Other	--	22,272
Total	<u>\$ --</u>	<u>\$ 151,404</u>

DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

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

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

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND BALANCE/EQUITY

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

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

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

<u>General Fund:</u>	
Middle school instruction	\$ 53,150
Compensatory education instruction	118,330
Vocational education instruction	8,537
Community services	33,075
Athletics	3,689
Transfers	835
 <u>Cafeteria Fund:</u>	
Purchased services	18,140
Commodities	13,194
Transfers	3,322
 <u>Latchkey Fund:</u>	
Salaries and fringes	3,237
Purchased services	426

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 3: CASH AND INVESTMENTS

DEPOSITS

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

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

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

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

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

The District's cash deposits are as follows:

Total governmental funds	\$ 6,752,115
Less: cash on hand	(4,172)
Total Deposits	<u>\$ 6,747,943</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	\$ 250,417	\$ 3,160,482	\$ 3,410,899	\$ 3,711,404
Savings and CD's	250,000	3,087,044	3,337,044	3,349,272
Total Cash	<u>\$ 500,417</u>	<u>\$ 6,247,526</u>	<u>\$ 6,747,943</u>	<u>\$ 7,060,676</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.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

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, \$6,247,526 of the District's bank balance of \$7,060,676 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.

NOTE 4: CAPITAL ASSETS

A summary of changes in governmental fixed assets follows:

	Balance <u>7/1/2015</u>	Completed Construction in Progress	Additions	Disposals	Balance <u>6/30/2016</u>
Land	\$ 608,520	\$ --	\$ --	\$ --	\$ 608,520
Buildings	90,803,536	417,595	396,472	--	91,617,603
Improvements and infrastructure	4,701,775	--	6,392	--	4,708,167
Construction in progress	795,154	(417,595)	152,026	--	529,585
Furniture and equipment	4,554,462	--	15,830	(62,599)	4,507,693
Licensed vehicles	3,901,654	--	457,473	(381,029)	3,978,098
Total Capital Assets	105,365,101	--	1,028,193	(443,628)	105,949,666
Accumulated Depreciation	(46,365,211)	--	(2,563,266)	428,580	(48,499,897)
Total Carrying Value of Fixed Assets	<u>\$ 58,999,890</u>	<u>\$ --</u>	<u>\$ (1,535,073)</u>	<u>\$ (15,048)</u>	<u>\$ 57,449,769</u>

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

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

Food Service	\$ 19,509
Unallocated	2,543,757
Total	<u>\$ 2,563,266</u>

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 5: FUND BALANCE CLASSIFICATIONS

Fund:	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General				
Prepaid expenses	\$ 42,408	\$ --	\$ --	\$ --
Debt Retirement				
Debt retirement	--	545,180	--	--
Sinking Fund				
Sinking fund projects	--	298,406	--	--
Latchkey				
Latchkey operations	--	--	206,408	--
Cafeteria Fund				
Cafeteria operations	--	393,595	--	--
2009 Capital Projects				
Capital projects	--	37,304	--	--
2015 Capital Projects				
Capital projects	--	735,105	--	--
Total	<u>\$ 42,408</u>	<u>\$ 2,009,590</u>	<u>\$ 206,408</u>	<u>\$ --</u>

The District has a minimum fund balance policy equal to 10% of budgeted expenditures adopted by the Board of Education. Of the \$4,098,037 unassigned fund balance reported in the governmental funds balance sheet, \$4,024,236 is the minimum required fund balance under this policy, leaving an excess over this amount of \$73,801.

NOTE 6: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	<u>\$ 92,315</u>	Cafeteria	<u>\$ 92,315</u>
Debt Retirement	<u>\$ 12</u>	General	<u>\$ 12</u>
Latchkey	<u>\$ 215,321</u>	General	<u>\$ 215,321</u>
Cafeteria	<u>\$ 1,771</u>	Latchkey	<u>\$ 1,771</u>
Internal Service	<u>\$ 893</u>	General	<u>\$ 893</u>
Sinking	<u>\$ 2</u>	General	<u>\$ 2</u>

Interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
		Cafeteria	\$ 28,322
		Latchkey	80,000
General	<u>\$ 108,322</u>		<u>\$ 108,322</u>
Cafeteria	<u>\$ 835</u>	General	<u>\$ 835</u>

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

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 7: LONG-TERM DEBT

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

CHANGES IN INDEBTEDNESS BY TYPE

	Payable at 07/01/15	Increase	Decrease	Payable at 06/30/16	Due Within One Year
General Obligation:					
General obligation bonds	\$ 24,385,000	\$ --	\$ 4,300,000	\$ 20,085,000	\$ 4,450,000
Unamortized bond premium	657,163	--	95,882	561,281	95,833
Compensated absences	484,283	--	25,281	459,002	--
Pension liability	60,205,499	5,126,575	--	65,332,074	--
Total General Obligation	<u>\$ 85,731,945</u>	<u>\$ 5,126,575</u>	<u>\$ 4,421,163</u>	<u>\$ 86,437,357</u>	<u>\$ 4,545,833</u>

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

SUMMARY OF INDEBTEDNESS

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
General Obligations				
Compensated absences	N/A	N/A	N/A	\$ 459,002
2009 School Building And Improvement Bonds	1	3.0-4.0%	2021	6,195,000
2009 Bond Premium	N/A	N/A	2021	19,563
2015 School Bus, Series I And Refunding Bonds	1	2.5-3.0%	2022	13,890,000
2015 Bond Premium	N/A	N/A	2022	541,718
Pension liability	N/A	N/A	N/A	65,332,074
Total General Obligations				<u>\$ 86,437,357</u>

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

	2017	2018	2019	2020	2021
General Obligations Principal	\$ 4,450,000	\$ 4,575,000	\$ 4,565,000	\$ 2,935,000	\$ 3,115,000
General Obligations Interest	626,650	505,050	379,200	233,050	125,900
Total Principal and Interest Requirements	<u>\$ 5,076,650</u>	<u>\$ 5,080,050</u>	<u>\$ 4,944,200</u>	<u>\$ 3,168,050</u>	<u>\$ 3,240,900</u>
	2022	Total			
General Obligations Principal	\$ 445,000	\$20,085,000			
General Obligations Interest	13,350	1,883,200			
Total Principal and Interest Requirements	<u>\$ 458,350</u>	<u>\$21,968,200</u>			

Total interest expense for the District for the year was \$603,284. This has been included in the functional expenses in the Statement of Activities.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

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

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

The System's financial statements are available at: www.michigan.gov/mpsers-cafr.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

PLAN BENEFITS

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes the eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

PLAN CONTRIBUTIONS / FUNDING

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

Each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis. Basic plan members make no contribution to the System, but investment plan members contribute at rates ranging from 3.00% to 7.00% of gross wages. Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015, valuation will be amortized over a 21 year period for the 2015 fiscal year.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

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

Additionally, the State of Michigan provides section 147(c) money from the State Aid fund which is required to be remitted to MPERS for pension on OPEB payments. Annually, the Office of Retirement Services (ORS) determines how these funds should be allocated between OPEB and pension obligations. For the September 30, 2016, plan year, 69.45% of the 147(c) funds received by the District are to be allocated to pension. Accordingly, 69.45% of the amounts received after September 30, 2015, have been included as deferred inflows and outflows of resources.

For the period July 1, 2015 through September 30, 2015, the District paid contributions into the plan based on the following offerings and the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF	Pension Plus to DC with PHF	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension benefit	23.07%	21.99%	21.99%	18.76%	18.76%	18.76%	23.07%
Healthcare benefit	2.71	2.71	2.20	2.20	2.71	2.20	2.20
DC contributions - Plan Employer Contributions	0.00	1.00	1.00	3.00	4.00	4.00	0.00
Personal Healthcare Fund	0.00	0.00	2.00	2.00	0.00	2.00	2.00
Total	25.78%	25.70%	27.19%	25.96%	25.47%	26.96%	27.27%

For the period October 1, 2015 through June 30, 2016, the District paid contributions into the plan based on the following offerings and the corresponding employer contribution rates:

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

Required contributions to the pension plan from East China School District were \$5,160,037 for the year ended September 30, 2015.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

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

MEASUREMENT OF THE MPSERS NET PENSION LIABILITY

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

MPSERS (PLAN) NET PENSION LIABILITY - NON-UNIVERSITY AS OF SEPTEMBER 30, 2015

Total Pension Liability	\$ 66,312,041,902
Plan Fiduciary Net Position	<u>(41,887,015,147)</u>
Net Pension Liability	<u>\$ 24,425,026,755</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.17%
Net Pension Liability as Percentage of Covered- Employee Payroll	292.61%

PROPORTIONATE SHARE OF REPORTING UNIT'S NET PENSION LIABILITY

At June 30, 2016, the District reported a liability of \$65,332,074 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015, the District's proportion was 0.26748005 percent.

LONG-TERM EXPECTED RETURN ON PLAN ASSETS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	5.9%
% Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
Total	<u>100%</u>	

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

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

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

RATE OF RETURN

For the fiscal year ended September 30, 2015, the annual money weighted rate of return on pension plan investment, net of pension plan investment expense, was (0.02)%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

DISCOUNT RATE

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	Current Single Discount Rate Assumption	
1% Decrease (Non-Hybrid/Hybrid)*	(Non-Hybrid/Hybrid)*	1% Increase (Non-Hybrid/Hybrid)*
<u>7.0% / 6.0%</u>	<u>8.0% / 7.0%</u>	<u>9.0% / 8.0%</u>
\$84,229,791	\$65,332,074	\$49,400,525

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

TIMING OF THE VALUATION

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

The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures.

ACTUARIAL VALUATIONS AND ASSUMPTIONS

Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2014
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid)	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014, valuation of the system. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

- NOTES:
- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014, valuation and rolled forward using generally accepted actuarial procedures, including the experience study.
 - Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.7158.
 - Recognition period for assets in years is 5.0000.
 - Full actuarial assumptions are available in the 2015 MPERS Comprehensive Annual Financial Report. (www.michigan.gov/mpsers-cafr)

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

For the year ended June 30, 2016, the District recognized total pension expense of \$5,263,909. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

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

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ --	\$ 216,399
Changes of assumptions	1,608,614	--
Net difference between projected and actual earnings on pension plan investments	333,468	--
Changes in proportion and differences between employer contributions and proportionate share of contributions	131,666	1,090,522
Employer contributions subsequent to the measurement date	4,311,263	--
Section 147(c) of State Aid payments received subsequent to the measurement date	<u>1,775,369</u>	<u>1,775,369</u>
Total	<u>\$ 8,160,380</u>	<u>\$ 3,082,290</u>

\$4,311,263 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Plan Year Ending <u>September 30</u>	Net Deferred Inflows of <u>Resources</u>
2016	\$ (74,722)
2017	(74,722)
2018	(161,942)
2019	1,078,213

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) FIDUCIARY NET POSITION
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2015 MPSERS CAFR at: www.michigan.gov/documents/orsschools/MPSERS_CAFR_2015_Final510211_7.pdf.

PAYABLES TO THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS)
As of June 30, 2016, there were no amounts due to MPSERS for employee or employer contributions.

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

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

POSTEMPLOYMENT BENEFITS

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

The School District's required and actual contributions to the plan for pension and retiree healthcare benefits for the years ended June 30, 2016, 2015, and 2014 were \$5,666,883, \$5,035,372, and \$5,001,000, respectively.

NOTE 9: BONDED CONSTRUCTION AND SINKING FUNDS

The 2009 Capital Projects Fund and 2015 Capital Projects Fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of section 1351a of the Revised School Code.

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

NOTE 10: RISK MANAGEMENT

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

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

EAST CHINA SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 11: UPCOMING REPORTING CHANGE

In 2015, the Governmental Accounting Standards Board (GASB) issued *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. This statement requires all governments providing other postemployment benefits (OPEB) to recognize a liability for the net OPEB liability on the entity-wide statements, as well as provide increased note disclosures and required supplementary information (RSI) to provide financial statement users with a better understanding of the impact of this liability on the District. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the 2017-2018 fiscal year.

In 2015, the Governmental Accounting Standards Board (GASB) issued *Statement No. 77, Tax Abatement Disclosures*. This statement requires all governments to disclose information about the nature and magnitude of tax abatements. This statement will allow users to be able to understand how the tax abatements affect the future ability to raise resources and meet financial obligations and the impact the abatements have on the financial position and economic condition. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the 2016-2017 fiscal year.

SUPPLEMENTAL INFORMATION

EAST CHINA SCHOOL DISTRICT

Required Supplementary Information

Schedule of East China School District's Proportionate Share of the Net Pension Liability

Michigan Public School Employees Retirement Plan

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

	<u>2015</u>	<u>2014</u>
East China School District's proportion of net pension liability (%)	0.26748%	0.27333%
East China School District's proportionate share of net pension liability	\$ 65,332,074	\$ 60,205,499
East China School District's covered-employee payroll	22,227,155	23,235,874
East China School District's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	293.93%	259.11%
Plan fiduciary net position as a percentage of total pension liability (%)	63.17%	66.20%

Notes to Schedule:

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

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

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

Notes to Schedule:

Changes of benefit terms : There were no changes of benefit terms in 2015.

Changes of assumptions : There were no changes of benefit assumptions in 2015.

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

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

EAST CHINA SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	<u>Special Revenue</u>		Total Nonmajor Governmental Funds
	<u>Latchkey</u>	<u>Cafeteria</u>	
ASSETS			
Cash and demand accounts	\$ --	\$ 541,896	\$ 541,896
Due from other governmental units	--	11,699	11,699
Miscellaneous receivables	17,825	--	17,825
Due from other funds	215,321	1,771	217,092
Total Assets	<u>233,146</u>	<u>555,366</u>	<u>788,512</u>
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	<u>\$ 233,146</u>	<u>\$ 555,366</u>	<u>\$ 788,512</u>
LIABILITIES			
Accounts payable	\$ 1,250	\$ 51,757	\$ 53,007
Accrued payroll	19,144	--	19,144
Unearned revenue	4,573	17,699	22,272
Due to other funds	1,771	92,315	94,086
Total Liabilities	<u>26,738</u>	<u>161,771</u>	<u>188,509</u>
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	--	--
Total Liabilities and Deferred Inflows of Resources	<u>26,738</u>	<u>161,771</u>	<u>188,509</u>
FUND BALANCE			
Restricted	--	393,595	393,595
Committed	206,408	--	206,408
Unassigned	--	--	--
Total Fund Balance	<u>206,408</u>	<u>393,595</u>	<u>600,003</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 233,146</u>	<u>\$ 555,366</u>	<u>\$ 788,512</u>

EAST CHINA SCHOOL DISTRICT

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2016

	<u>Special Revenue</u>		Total Nonmajor Governmental Funds
	<u>Latchkey</u>	<u>Cafeteria</u>	
Revenues			
Local sources	\$ 578,771	\$ 579,257	\$ 1,158,028
State sources	--	44,698	44,698
Federal sources	--	703,085	703,085
Interest and dividend revenue	--	789	789
Total Revenues	<u>578,771</u>	<u>1,327,829</u>	<u>1,906,600</u>
Expenditures			
Food services	--	1,210,194	1,210,194
Latchkey	435,411	--	435,411
Total Expenditures	<u>435,411</u>	<u>1,210,194</u>	<u>1,645,605</u>
Excess of Revenues Over (Under) Expenditures	<u>143,360</u>	<u>117,635</u>	<u>260,995</u>
Other Financing Sources (Uses)			
Transfers from other funds	--	835	835
Transfers to other funds	(80,000)	(28,322)	(108,322)
Net Other Financing Sources (Uses)	<u>(80,000)</u>	<u>(27,487)</u>	<u>(107,487)</u>
Net Change in Fund Balance	63,360	90,148	153,508
<i>Fund Balance at Beginning of Period</i>	143,048	303,447	446,495
Fund Balance at End of Period	<u>\$ 206,408</u>	<u>\$ 393,595</u>	<u>\$ 600,003</u>

EAST CHINA SCHOOL DISTRICT
Schedule of Revenues and Other Financing Sources - Budget and Actual
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local sources:				
Property taxes	\$ 13,486,991	\$ 13,855,181	\$ 13,796,253	\$ (58,928)
Other local revenue	497,115	539,500	493,892	(45,608)
<i>Total Local Sources</i>	<u>13,984,106</u>	<u>14,394,681</u>	<u>14,290,145</u>	<u>(104,536)</u>
State sources:				
Foundation Allowance - Net of taxes	19,519,298	19,200,510	19,205,145	4,635
Other state grants & aid	3,683,810	3,994,973	4,087,319	92,346
<i>Total State Sources</i>	<u>23,203,108</u>	<u>23,195,483</u>	<u>23,292,464</u>	<u>96,981</u>
Federal sources:				
Title I /II	693,795	597,050	592,423	(4,627)
Other federal programs	892,127	919,910	904,861	(15,049)
<i>Total Federal Sources</i>	<u>1,585,922</u>	<u>1,516,960</u>	<u>1,497,284</u>	<u>(19,676)</u>
Interdistrict sources:				
St. Clair County RESA	755,132	696,251	704,862	8,611
<i>Total Interdistrict Sources</i>	<u>755,132</u>	<u>696,251</u>	<u>704,862</u>	<u>8,611</u>
Other Financing Sources				
Gain on sale of fixed assets	3,800	56,355	66,073	9,718
Interfund transfers	105,000	105,000	108,322	3,322
Total Revenues and Other Financing Sources	\$ 39,637,068	\$ 39,964,730	\$ 39,959,150	\$ (5,580)

EAST CHINA SCHOOL DISTRICT
Schedule of Instructional Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Basic Programs				
Elementary school:				
Salaries and wages	\$ 5,658,184	\$ 5,589,472	\$ 5,551,171	\$ 38,301
Employee benefits	3,354,151	3,365,736	3,341,864	23,872
Purchased services	133,424	132,424	155,791	(23,367)
Supplies and materials	130,948	130,948	117,027	13,921
Other	1,855	660	478	182
<i>Total Elementary School</i>	<u>9,278,562</u>	<u>9,219,240</u>	<u>9,166,331</u>	<u>52,909</u>
Middle school:				
Salaries and wages	3,153,888	3,269,009	3,331,065	(62,056)
Employee benefits	1,844,850	1,950,797	1,982,133	(31,336)
Purchased services	53,200	53,200	41,999	11,201
Supplies and materials	102,921	102,921	73,663	29,258
Other	725	450	667	(217)
<i>Total Middle School</i>	<u>5,155,584</u>	<u>5,376,377</u>	<u>5,429,527</u>	<u>(53,150)</u>
High school:				
Salaries and wages	4,584,920	4,507,017	4,370,100	136,917
Employee benefits	2,668,775	2,661,429	2,628,812	32,617
Purchased services	167,957	252,857	283,558	(30,701)
Supplies and materials	94,545	94,545	168,573	(74,028)
Capital outlay	--	--	2,464	(2,464)
Other	2,850	1,710	1,854	(144)
<i>Total High School</i>	<u>7,519,047</u>	<u>7,517,558</u>	<u>7,455,361</u>	<u>62,197</u>
Total Basic Programs	<u>21,953,193</u>	<u>22,113,175</u>	<u>22,051,219</u>	<u>61,956</u>
Added Needs				
Special education:				
Salaries and wages	1,751,431	1,811,742	1,755,353	56,389
Employee benefits	952,183	1,050,859	1,016,337	34,522
Purchased services	18,100	18,100	27,466	(9,366)
Supplies and materials	13,350	13,350	4,029	9,321
Other	590	185	188	(3)
<i>Total Special Education</i>	<u>2,735,654</u>	<u>2,894,236</u>	<u>2,803,373</u>	<u>90,863</u>
Compensatory:				
Salaries and wages	624,836	599,270	678,996	(79,726)
Employee benefits	361,513	346,446	364,624	(18,178)
Purchased services	50,667	29,800	17,805	11,995
Supplies and materials	62,213	5,500	37,921	(32,421)
Other	150	--	--	--
<i>Total Compensatory</i>	<u>1,099,379</u>	<u>981,016</u>	<u>1,099,346</u>	<u>(118,330)</u>

EAST CHINA SCHOOL DISTRICT
Schedule of Instructional Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
<i>Added Needs (Continued)</i>				
Vocational education:				
Salaries and wages	\$ --	\$ --	\$ 185	\$ (185)
Employee benefits	--	--	67	(67)
Purchased services	--	--	1,447	(1,447)
Supplies and materials	16,000	16,000	46,838	(30,838)
Capital outlay	24,000	24,000	--	24,000
<i>Total Vocational Education</i>	<u>40,000</u>	<u>40,000</u>	<u>48,537</u>	<u>(8,537)</u>
Other instruction:				
Salaries and wages	144,780	151,732	171,980	(20,248)
Employee benefits	66,474	73,637	84,121	(10,484)
Purchased services	3,625	2,525	896	1,629
Supplies and materials	55,216	32,764	(2,574)	35,338
Capital outlay	6,050	5,500	(8,167)	13,667
<i>Total Other Instruction</i>	<u>276,145</u>	<u>266,158</u>	<u>246,256</u>	<u>19,902</u>
<i>Total Added Needs</i>	<u>4,151,178</u>	<u>4,181,410</u>	<u>4,197,512</u>	<u>(16,102)</u>
<i>Total Instruction</i>	<u>\$ 26,104,371</u>	<u>\$ 26,294,585</u>	<u>\$ 26,248,731</u>	<u>\$ 45,854</u>

EAST CHINA SCHOOL DISTRICT
Schedule of Support Services Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Pupil Support Services</i>				
Counseling services:				
Salaries and wages	\$ 416,925	\$ 446,790	\$ 440,089	\$ 6,701
Employee benefits	259,309	275,574	277,475	(1,901)
Purchased services	7,000	10,000	7,604	2,396
Supplies and materials	5,400	5,400	690	4,710
Other expenses	265	20	--	20
<i>Total Counseling Services</i>	<u>688,899</u>	<u>737,784</u>	<u>725,858</u>	<u>11,926</u>
Health services:				
Salaries and wages	100,379	96,447	95,761	686
Employee benefits	45,819	46,309	45,556	753
Purchased services	1,700	1,700	1,301	399
Supplies and materials	2,370	2,370	1,170	1,200
<i>Total Health Services</i>	<u>150,268</u>	<u>146,826</u>	<u>143,788</u>	<u>3,038</u>
Psychological services:				
Purchased services	16,000	28,000	13,837	14,163
<i>Total Psychological Services</i>	<u>16,000</u>	<u>28,000</u>	<u>13,837</u>	<u>14,163</u>
Social work services:				
Salaries and wages	157,160	158,903	158,464	439
Employee benefits	96,520	99,344	97,053	2,291
Purchased services	600	600	82	518
Other expenses	195	70	90	(20)
<i>Total Social Work Services</i>	<u>254,475</u>	<u>258,917</u>	<u>255,689</u>	<u>3,228</u>
Teacher consultant services:				
Salaries and wages	679,512	664,976	643,171	21,805
Employee benefits	404,936	410,435	391,074	19,361
Purchased services	1,500	1,500	2,116	(616)
Supplies and materials	500	500	522	(22)
Other expenses	--	23	--	23
<i>Total Teacher Consultant Services</i>	<u>1,086,448</u>	<u>1,077,434</u>	<u>1,036,883</u>	<u>40,551</u>
Other pupil services:				
Salaries and wages	13,450	13,325	14,650	(1,325)
Employee benefits	13,817	19,155	21,966	(2,811)
Purchased services	1,025	1,025	4,680	(3,655)
Supplies and materials	3,500	3,500	3,818	(318)
Capital outlay	1,800	--	--	--
<i>Total Other Pupil Services</i>	<u>33,592</u>	<u>37,005</u>	<u>45,114</u>	<u>(8,109)</u>
<i>Total Pupil Support Services</i>	<u>2,229,682</u>	<u>2,285,966</u>	<u>2,221,169</u>	<u>64,797</u>

EAST CHINA SCHOOL DISTRICT
Schedule of Support Services Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u> <u>Final to Actual</u>
<i>Instructional Staff Support Services</i>				
Improvement of instruction:				
Salaries and wages	\$ 47,629	\$ 83,917	\$ 83,738	\$ 179
Employee benefits	20,069	36,225	36,147	78
Purchased services	274,015	273,228	258,907	14,321
Supplies and materials	10,069	6,040	19,434	(13,394)
Other	--	400	--	400
<i>Total Improvement of Instruction</i>	<u>351,782</u>	<u>399,810</u>	<u>398,226</u>	<u>1,584</u>
Library / Media:				
Salaries and wages	306,464	405,819	377,482	28,337
Employee benefits	175,623	241,890	221,803	20,087
Purchased services	--	--	1,057	(1,057)
Supplies and materials	29,003	29,003	22,121	6,882
Other	25	60	67	(7)
<i>Total Library / Media</i>	<u>511,115</u>	<u>676,772</u>	<u>622,530</u>	<u>54,242</u>
Supervision of instruction:				
Salaries and wages	260,520	227,102	212,544	14,558
Employee benefits	164,958	144,135	141,042	3,093
Purchased services	4,775	4,675	1,798	2,877
Supplies and materials	4,300	4,300	1,117	3,183
Other	1,430	1,400	252	1,148
<i>Total Supervision of Instruction</i>	<u>435,983</u>	<u>381,612</u>	<u>356,753</u>	<u>24,859</u>
<i>Total Instructional Staff Support Services</i>	<u>1,298,880</u>	<u>1,458,194</u>	<u>1,377,509</u>	<u>80,685</u>

EAST CHINA SCHOOL DISTRICT
Schedule of Support Services Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
General Administration				
Board of Education:				
Purchased services	\$ 88,000	\$ 88,000	\$ 85,118	\$ 2,882
Other	8,350	8,350	3,725	4,625
<i>Total Board of Education</i>	<u>96,350</u>	<u>96,350</u>	<u>88,843</u>	<u>7,507</u>
Executive administration:				
Salaries and wages	162,900	160,840	160,740	100
Employee benefits	99,939	104,195	105,124	(929)
Purchased services	7,100	7,400	5,774	1,626
Supplies and materials	1,500	1,500	803	697
Other	3,800	3,700	8,883	(5,183)
<i>Total Executive Administration</i>	<u>275,239</u>	<u>277,635</u>	<u>281,324</u>	<u>(3,689)</u>
Total General Administration	<u>371,589</u>	<u>373,985</u>	<u>370,167</u>	<u>3,818</u>
School Administration				
Salaries and wages	1,583,323	1,620,688	1,617,726	2,962
Employee benefits	956,689	981,236	985,507	(4,271)
Purchased services	193,965	194,990	189,482	5,508
Supplies and materials	20,950	20,950	19,921	1,029
Capital outlay	4,500	4,500	4,798	(298)
Other	10,095	9,933	8,257	1,676
Total School Administration	<u>2,769,522</u>	<u>2,832,297</u>	<u>2,825,691</u>	<u>6,606</u>
Fiscal Services				
Salaries and wages	211,875	211,892	209,422	2,470
Employee benefits	132,595	138,645	134,382	4,263
Purchased services	91,608	86,658	82,547	4,111
Supplies and materials	3,600	3,600	1,067	2,533
Other	1,410	1,185	2,185	(1,000)
Total Fiscal Services	<u>441,088</u>	<u>441,980</u>	<u>429,603</u>	<u>12,377</u>
Internal Services				
Purchased services	33,000	21,000	21,965	(965)
Supplies and materials	6,950	6,950	2,550	4,400
Total Internal Services	<u>39,950</u>	<u>27,950</u>	<u>24,515</u>	<u>3,435</u>

EAST CHINA SCHOOL DISTRICT

Schedule of Support Services Expenditures - Budget and Actual

General Fund

For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
Operations and Maintenance				
Salaries and wages	\$ 726,132	\$ 700,819	\$ 668,419	\$ 32,400
Employee benefits	503,227	509,134	462,452	46,682
Purchased services	1,038,478	1,112,776	1,036,301	76,475
Supplies and materials	1,206,451	1,235,201	1,201,497	33,704
Capital outlay	--	40,000	23,483	16,517
Other	1,300	1,235	10,762	(9,527)
Total Operations and Maintenance	3,475,588	3,599,165	3,402,914	196,251
Pupil Transportation				
Salaries and wages	461,778	389,388	398,071	(8,683)
Employee benefits	285,656	268,433	268,598	(165)
Purchased services	564,240	692,098	716,103	(24,005)
Supplies and materials	502,450	364,057	274,994	89,063
Capital outlay	--	--	270	(270)
Other	(148,800)	(125,340)	(175,301)	49,961
Total Pupil Transportation	1,665,324	1,588,636	1,482,735	105,901
Central Services				
Personnel services:				
Salaries and wages	206,835	191,573	188,264	3,309
Employee benefits	136,280	123,229	124,618	(1,389)
Purchased services	29,949	24,981	13,360	11,621
Supplies and materials	5,700	2,500	688	1,812
Other	9,100	9,030	7,920	1,110
Total Personnel Services	387,864	351,313	334,850	16,463
Technology support services:				
Salaries and wages	170,105	157,615	159,221	(1,606)
Employee benefits	93,195	89,945	92,621	(2,676)
Purchased services	296,172	292,195	273,397	18,798
Supplies and materials	61,000	61,000	69,184	(8,184)
Capital outlay	5,000	5,000	18,524	(13,524)
Other	280	240	44	196
Total Technology Support Services	625,752	605,995	612,991	(6,996)
Total Central Services	1,013,616	957,308	947,841	9,467
Total Support Services	\$ 13,305,239	\$ 13,565,481	\$ 13,082,144	\$ 483,337

EAST CHINA SCHOOL DISTRICT

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

General Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Athletic Activities</i>				
Salaries and wages	\$ 481,832	\$ 491,185	\$ 478,185	\$ 13,000
Employee benefits	218,710	227,733	228,848	(1,115)
Purchased services	49,433	49,658	62,602	(12,944)
Supplies and materials	49,765	51,865	52,542	(677)
Capital outlay	9,300	9,300	11,912	(2,612)
Other	19,845	19,845	19,186	659
<i>Total Athletic Activities</i>	\$ 828,885	\$ 849,586	\$ 853,275	\$ (3,689)
<i>Community Services</i>				
Salaries and wages	\$ 2,520	\$ 3,760	\$ 25,379	\$ (21,619)
Employee benefits	1,076	1,660	13,123	(11,463)
Purchased services	25,825	16,495	17,209	(714)
Supplies and materials	5,954	3,224	2,503	721
<i>Total Community Services</i>	\$ 35,375	\$ 25,139	\$ 58,214	\$ (33,075)
<i>Interfund Transfers</i>				
Cafeteria Fund	\$ --	\$ --	\$ 835	\$ (835)
<i>Total Interfund Transfers</i>	\$ --	\$ --	\$ 835	\$ (835)
<i>Total Expenditures and Other Financing Uses</i>				
	\$ 40,273,870	\$ 40,734,791	\$ 40,243,199	\$ 491,592

EAST CHINA SCHOOL DISTRICT

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local sources	\$ 588,075	\$ 575,000	\$ 580,046	\$ 5,046
State sources	52,460	46,000	44,698	(1,302)
Federal sources	728,730	690,390	703,085	12,695
Total Revenues	1,369,265	1,311,390	1,327,829	16,439
Other Financing Sources				
Transfers from other funds	--	--	835	835
Total Revenues and Other Financing Sources	1,369,265	1,311,390	1,328,664	17,274
Expenditures				
Salaries and fringes	154,225	145,000	134,873	10,127
Purchased services	1,038,810	945,000	963,140	(18,140)
Supplies, materials and other	27,870	30,000	18,987	11,013
Capital outlay	10,000	30,000	--	30,000
Commodities	90,935	80,000	93,194	(13,194)
Total Expenditures	1,321,840	1,230,000	1,210,194	19,806
Other Financing Uses				
Transfers to other funds	25,000	25,000	28,322	(3,322)
Total Expenditures and Other Financing Uses	1,346,840	1,255,000	1,238,516	16,484
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	22,425	56,390	90,148	33,758
Net Change in Fund Balance	22,425	56,390	90,148	33,758
<i>Fund Balance at Beginning of Period</i>	303,447	303,447	303,447	--
Fund Balance at End of Period	\$ 325,872	\$ 359,837	\$ 393,595	\$ 33,758

EAST CHINA SCHOOL DISTRICT

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

Latchkey

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local sources	\$ 501,500	\$ 525,000	\$ 578,771	\$ 53,771
Total Revenues	501,500	525,000	578,771	53,771
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	501,500	525,000	578,771	53,771
Expenditures				
Salaries and fringes	412,189	412,424	415,661	(3,237)
Purchased services	4,300	6,500	6,926	(426)
Supplies, materials and other	8,100	13,000	12,824	176
Total Expenditures	424,589	431,924	435,411	(3,487)
Other Financing Uses				
Transfers to other funds	80,000	80,000	80,000	--
Total Expenditures and Other Financing Uses	504,589	511,924	515,411	(3,487)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(3,089)	13,076	63,360	50,284
Net Change in Fund Balance	(3,089)	13,076	63,360	50,284
<i>Fund Balance at Beginning of Period</i>	143,048	143,048	143,048	--
Fund Balance at End of Period	\$ 139,959	\$ 156,124	\$ 206,408	\$ 50,284

EAST CHINA SCHOOL DISTRICT
Schedule of Bonded Indebtedness
June 30, 2016

Bonded Indebtedness

2009 Capital Projects Bonds (General Obligation)

Date of Issue	Amount of Issue	Interest Rate	Payable In Year Ending June 30	Principal	Interest	Total
10/29/2009	\$9,875,000	3.00-4.00%	2017	\$ 690,000	\$ 247,800	\$ 937,800
			2018	765,000	220,200	985,200
Principal due May 1			2019	920,000	189,600	1,109,600
Interest due May 1 and November 1			2020	1,910,000	152,800	2,062,800
			2021	1,910,000	76,400	1,986,400
Total 2009 Capital Projects Bonds				6,195,000	886,800	7,081,800

2015 Capital Projects and Refunding Bonds (General Obligation)

Date of Issue	Amount of Issue	Interest Rate	Payable In Year Ending June 30	Principal	Interest	Total
3/26/2015	\$17,560,000	2.50-3.00%	2017	\$ 3,760,000	\$ 378,850	\$ 4,138,850
			2018	3,810,000	284,850	4,094,850
Principal due May 1			2019	3,645,000	189,600	3,834,600
Interest due May 1 and November 1			2020	1,025,000	80,250	1,105,250
			2021	1,205,000	49,500	1,254,500
			2022	445,000	13,350	458,350
Total 2015 Capital Projects and Refunding Bonds				13,890,000	996,400	14,886,400
Total Bonded Indebtedness				\$ 20,085,000	\$ 1,883,200	\$ 21,968,200