

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**

**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**

**YEAR ENDED JUNE 30, 2007**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
School District of the City of East Lansing  
East Lansing, Michigan

September 7, 2007

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of the City of East Lansing, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of School District of the City of East Lansing's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of School District of the City of East Lansing as of June 30, 2007, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education  
School District of the City of East Lansing  
East Lansing, Michigan

September 7, 2007

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2007, on our consideration of School District of the City of East Lansing'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xvi and page 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of the City of East Lansing's basic financial statements. The additional information on pages 27 through 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mayer, Costenizer & Ellis, P.C.*

Certified Public Accountants

# School District of the City of East Lansing

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## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007



The School District of the City of East Lansing is a K-12 public school district located in Ingham and Clinton Counties, Michigan. The Management's Discussion and Analysis (MD&A), a requirement of Governmental Accounting Standards Board (GASB) Statement 34, is intended to be the School District of the City of East Lansing's management's review of financial performance for the year ended June 30, 2007. The MD&A is intended to be read in conjunction with the District's financial statements. Prior year information is provided for comparative analysis.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The government-wide financial statements are per GASB 34 and provide information about the *governmental activities* of the entire District, presenting both an aggregate view of the District's finances and a long-term view of those finances. The fund financial statements provide the next level of detail. These statements provide information about how *governmental funds* were financed in the short-term as well as what remains for future spending. The fund financial statements look at the District's operations by providing information about the District's most significant funds and with all other funds presented in one column as "non-major funds". The fiduciary funds statements present financial information about activities for which the District acts solely as an agent for the benefit of mostly student groups. The required supplemental information provide budget to actual comparisons of the general fund. The remaining statements are provided for additional analysis.

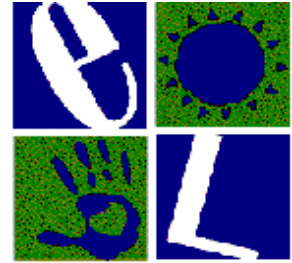
### Government-wide Financial Statements – Reporting the School District as a Whole

In the business arena a commonly asked question is, "is the entity as a whole better or worse off financially as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report financial information about the District as a whole and its activities in a way that helps the reader answer this question. These statements are prepared using the full accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. They report all of the District's assets and liabilities, both short and long-term, and all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net assets (the difference between assets and liabilities), as reported in the Statement of Net Assets, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets, as reported in the Statement of Activities, are one indicator 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 educational services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the District.

# School District of the City of East Lansing

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## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007



The governmental-wide financial statements report the governmental activities of the District, which encompass all of the District's services. Local property taxes, state per pupil foundation allowance, and state and federal grants finance the majority of these activities.

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

The fund financial statements provide detailed information about the most significant funds of the District - not the District as a whole. Certain funds are required to be established by State law or by bond covenants. Others funds are created in order to help control and manage their activities. The fund level statements of the District use an accounting method called modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. For the most part these fund level statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported.

All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows in and out of funds and the balances remaining at year-end that are available for appropriation. Governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. The information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's educational programs. Differences between governmental activities, as reported in the government-wide statements, and governmental funds, as reported in the fund financial statements, are presented in a reconciliation statement.

### **Fiduciary Statements – Reporting the School District's Trustee Responsibility**

The District is the trustee, or fiduciary for its student activity funds. All of the District's fiduciary activities are aggregated and reported in the Statement of Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007



### The School District as a Whole – Summary of Net Assets

The Statement of Net Assets provides the perspective of the District as a whole. The following schedule summarizes the net assets as of June 30, 2007 and June 30, 2006:

	2007	2006
ASSETS:		
Current assets	\$ 14,004,880	\$ 15,051,130
Noncurrent assets	81,621,454	81,908,429
Total assets	<u>\$ 95,626,334</u>	<u>\$ 96,959,559</u>
LIABILITIES:		
Current liabilities	\$ 9,145,968	\$ 8,725,610
Long-term liabilities	81,295,173	87,039,738
Total liabilities	<u>90,441,141</u>	<u>95,765,348</u>
NET ASSETS (DEFICIT):		
Invested in capital assets, net of related debt	4,254,647	1,799,955
Restricted for capital projects (sinking fund)	2,715,176	2,131,729
Unrestricted	<u>(1,784,630)</u>	<u>(2,737,473)</u>
Total net assets	<u>5,185,193</u>	<u>1,194,211</u>
Total liabilities and net assets	<u>\$ 95,626,334</u>	<u>\$ 96,959,559</u>

### Analysis of Financial Position

For the fiscal year ended June 30, 2007, the District's net assets increased by \$3,990,982. A few of the more significant factors affecting net assets during the year are discussed below:

#### 1. Depreciation Expense

As a result of GASB 34, the District is required to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net assets.



# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007



The District records depreciation expense on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, when applicable. For the fiscal year ended June 30, 2007 and June 30, 2006, the following was recorded as depreciation expense:

	<u>2007</u>	<u>2006</u>
Land improvements	\$ 330,616	\$ 201,582
Building and additions	1,813,221	1,360,388
Furniture and equipment	588,523	509,299
Transportation and equipment	<u>61,441</u>	<u>50,297</u>
Total	<u>\$ 2,793,801</u>	<u>\$ 2,121,566</u>

One approach of interpreting depreciation expense is that in order to maintain net assets at a constant level the District would have to capitalize assets equal to the annual depreciation expense. However, when taking into consideration factors such as, inflation and repairs and maintenance, the actual investment in capital outlay would have to exceed the depreciation expense in order to maintain assets at the same level of value and functionality.

### 2. Capital Outlay Acquisition

For the fiscal year ended June 30, 2007, \$2,547,397 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets are depreciated over time as explained above.

The net effect of capital asset additions, deletions, and the current year's depreciation expense is a decrease to capital assets in the amount of \$252,442 for the fiscal year ended June 30, 2007.

### 3. Long-Term Debt

The District's total general long-term debt for the fiscal year ended June 30, 2007 decreased by \$5,308,743. The majority of the decrease is a result of the District making payments on its various debt obligations.

### Results of Operations

The results of this year's operations for the School District as a whole are reported in the Statement of Activities, which shows the changes in net assets.

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007



For the fiscal year ended June 30, 2007 and June 30, 2006, the District-wide results of operation were:

	<u>2007</u>	<u>% of total</u>	<u>2006</u>	<u>% of total</u>
General revenues:				
Property taxes, levied for general operations	\$ 8,876,678	20.5	\$ 8,398,131	19.5
Property taxes, levied for debt service	7,268,631	16.8	6,866,917	15.9
Property taxes, levied for sinking fund	1,325,574	3.1	1,257,713	2.9
Investment earnings	822,182	1.9	728,105	1.7
State sources	20,108,615	46.4	20,679,768	47.9
County special education allocation	2,498,836	5.8	2,830,921	6.6
Other	368,993	0.8	313,099	0.7
Total general revenues	<u>41,269,509</u>	<u>95.3</u>	<u>41,074,654</u>	<u>95.2</u>
Program revenues:				
Charges for services	832,881	1.9	819,141	1.9
Operating grants	<u>1,195,022</u>	<u>2.8</u>	<u>1,257,634</u>	<u>2.9</u>
Total revenues	<u>\$ 43,297,412</u>	<u>100.0</u>	<u>\$ 43,151,429</u>	<u>100.0</u>
Function/program expenses:				
Instruction	\$ 19,068,233	48.5	\$ 20,003,263	50.3
Support services	11,895,634	30.3	12,072,309	30.4
Community services	16,079	0.0	24,735	0.1
Food services	924,004	2.4	865,798	2.2
Athletics	701,506	1.8	690,054	1.7
Interest on long-term debt	3,907,173	9.9	3,975,247	10.0
Unallocated depreciation	<u>2,793,801</u>	<u>7.1</u>	<u>2,121,566</u>	<u>5.3</u>
Total expenses	<u>\$ 39,306,430</u>	<u>100.0</u>	<u>\$ 39,752,972</u>	<u>100.0</u>

Significant revenues and expenditures are discussed in the segments below:

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007



### 1. Property Taxes

The District levies various millages on property taxes for general operations, debt service, and building and site repairs. Each millage, except those for debt service, is subject to mandatory reductions as required by the Headlee Amendment. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annual taxable valuation increases are capped at the rate of the prior year's Consumer Price Index or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is 50% of the property's market value.

The District receives settlements from Ingham and Clinton counties on all outstanding *real* property taxes at the end of each fiscal year. The amount of unpaid *personal* property taxes at June 30, 2007 was approximately \$55,631, or .62% of the total General Fund levy.

The following schedule summarizes the millages levied for the past five years:

Fiscal year	All property supplemental operating mills levied	Non-homestead operating mills levied	All property debt service mills levied	All property building & site mills levied
2006 - 2007	0.7964	17.2036	7.0000	1.2860
2005 - 2006	0.8567	17.1433	7.0000	1.2920
2004 - 2005	0.9472	17.0528	7.0000	1.3000
2003 - 2004	0.9609	17.0391	7.0000	1.2676
2002 - 2003	1.0775	16.9225	7.0000	1.2716

The following schedule summarizes the property taxes generated for the past five years:

Fiscal year	All property supplemental operating mills levied	Non-homestead operating mills levied	All property debt service mills levied	All property building & site mills levied
2006 - 2007	\$ 821,525	\$ 8,099,406	\$ 7,266,569	\$ 1,326,571
2005 - 2006	835,622	7,617,797	6,827,771	1,260,211
2004 - 2005	873,907	7,259,137	6,458,347	1,199,407
2003 - 2004	839,352	6,858,428	6,114,540	1,107,256
2002 - 2003	893,335	6,391,953	5,803,569	1,054,260

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007



### 2. State Sources

Per the State School Aid Act the State of Michigan funds school districts on a per pupil allowance based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count (the fourth Wednesday of September) and 25% of the prior year's supplemental count (the second Wednesday of February). The District's per pupil allowance for fiscal year 2007 was \$8,517.

The following schedule summarizes the District's per pupil allowance over the past five years (figures include the 20j hold harmless amount):

<u>Fiscal year</u>	<u>Per pupil allowance</u>	<u>\$ increase from prior year</u>
2006 - 2007	\$ 8,517	\$ 210
2005 - 2006	8,307	175
2004 - 2005	8,132	
2003 - 2004	8,132	
2002 - 2003	8,132	200

Non-resident pupils that attend the District via School of Choice (SOC) program are funded at the per pupil allowance of their resident district. The majority of the District's SOC pupils are funded at a lower per pupil amount than the \$8,517 the District receives for its resident pupils.

In fiscal year 2003-04 and 2002-03 the State of Michigan enacted a pro-ration to the State School Aid in order to balance the State's budget. A pro-ration of the per pupil allowance resulted in approximately \$264,000 and \$156,000 of loss revenue to the District for fiscal year ended 2004 and 2003 respectively. Thus, as indicated above, the flat increase in the per pupil allowance for fiscal year ended 2004 was actually a decrease in funding and the \$200 per pupil increase for fiscal year ended 2003 was not entirely realized.

### 3. Student Enrollment

The District's enrollment figures have gradually declined over the past several years. The following schedule summarizes the blended enrollment for each of the past five fiscal years:

<u>Fiscal year</u>	<u>Actual blended student FTE</u>	<u>FTE change from prior year</u>
2006 - 2007	3,410	(55)
2005 - 2006	3,465	(49)
2004 - 2005	3,514	(46)
2003 - 2004	3,560	(67)
2002 - 2003	3,627	(66)

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007



### 4. County Special Education Allocation

The District receives an allocation, based on a funding system, from Ingham Intermediate School District to assist with the education of students with special needs. For the fiscal year ended June 30, 2007, the District received \$2,498,836. This amount represents a decrease of \$332,085 over the prior fiscal year. Changes to the funding system such as how the funds are allocated along with increases in net tuition costs contributed to the majority of this decrease.

### 5. Expenditure Comparison By Function

The following schedule provides a comparison of fund expenditures for fiscal years 2006-2007 and 2005-2006:

Function	2006 - 2007 fiscal year	%	2005 - 2006 fiscal year	%
Basic programs	\$ 16,338,057	50.0	\$ 15,860,266	49.3
Special education	3,211,830	9.8	3,280,268	10.2
Compensatory education	902,312	2.8	920,348	2.9
Total instruction	20,452,199	62.6	20,060,882	62.4
Pupil support services	2,283,400	7.0	2,232,094	6.9
Instructional staff support services	1,497,074	4.6	1,495,169	4.7
School administration	2,348,210	7.2	2,427,939	7.6
Total instructional support	6,128,684	18.8	6,155,202	19.2
General administration	434,601	1.3	376,954	1.2
Business office	666,990	2.1	645,727	2.0
Operations and maintenance	3,202,200	9.8	3,106,084	9.7
Pupil transportation	752,718	2.3	749,384	2.3
Central	1,001,273	3.1	976,532	3.0
Community services	16,079	0.0	24,735	0.1
Outgoing transfers and loan payments	13,909	0.0	23,724	0.1
Total general fund	32,668,653	100.0	32,119,224	100.0
Food service fund	924,004		865,798	
Athletic fund	701,506		690,054	
Debt service fund	7,804,988		7,590,862	
Sinking fund	900,703		1,186,601	
2000 capital projects fund	1,480,933		5,432,989	
Total	\$ 44,480,787		\$ 47,885,528	

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007



### General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education adopt the original budget for the upcoming fiscal year prior to the start of the fiscal year on July 1. Amendments made to the original budgets must be adopted by the Board of Education prior to the close of the fiscal year on June 30.

The District budgets according to the Michigan School Accounting Manual bulletin 1022. It is standard practice to amend its budget semi-annually, usually December and May.

The following schedule shows a five-year comparison of the general fund revenue and other financing sources final budget versus actual results:

Fiscal year	Revenues and Other Financing Sources		
	Budget	Actual	Variance
2006 - 2007	\$ 33,086,443	\$ 33,072,911	-0.04%
2005 - 2006	33,438,441	33,438,850	0.00%
2004 - 2005	32,062,669	32,201,040	0.43%
2003 - 2004	31,951,097	32,023,780	0.23%
2002 - 2003	32,971,385	32,897,357	-0.22%

Five year average actual over (under) budget 0.08%

The following schedule shows a five-year comparison of the general fund expenditures and other financing uses final budget versus actual results:

Fiscal year	Expenditures and Other Financing Uses		
	Budget	Actual	Variance
2006 - 2007	\$ 33,524,245	\$ 33,177,149	-1.04%
2005 - 2006	33,146,193	32,624,654	-1.57%
2004 - 2005	33,128,066	32,906,276	-0.67%
2003 - 2004	31,209,712	30,891,542	-1.02%
2002 - 2003	33,410,826	32,578,547	-2.49%

Five year average actual over (under) budget -1.44%

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007



### Capital and Intangible Asset and Debt Administration

#### 1. Capital and Intangible Assets

At June 30, 2007, the District had \$81,621,454 invested in a broad range of capital assets, including land, construction in progress, land improvements, buildings, various furniture and equipment, and school buses and other vehicles. This amount represents a net decrease of \$286,975 due to fiscal year depreciation expense exceeding capital asset additions.

The following schedule shows the net book value of the District's capital assets by class type:

	2007			2006
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 875,044	\$ -	\$ 875,044	\$ 875,544
Construction in progress	275,383	-	275,383	188,489
Land improvements	7,869,051	(1,927,042)	5,942,009	5,936,263
Building and additions	86,120,123	(16,593,529)	69,526,594	69,666,744
Furniture and equipment	6,920,767	(2,756,880)	4,163,887	4,436,216
Transportation equipment	845,693	(532,021)	313,672	245,775
Total	<u>\$ 102,906,061</u>	<u>\$ (21,809,472)</u>	\$ 81,096,589	\$ 81,349,031
Issuance cost for bonds, net of amortization			<u>524,865</u>	<u>559,398</u>
Grand Total			<u>\$ 81,621,454</u>	<u>\$ 81,908,429</u>

#### 2. Long-term Debt

At June 30, 2007, the District had \$76,583,947 in general obligation bonded debt outstanding versus \$80,282,594 at June 30, 2006.

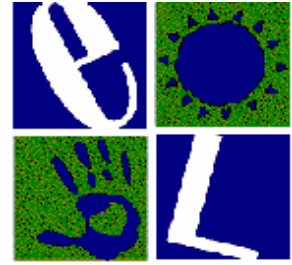
The District continues to participate in the School Bond Loan Fund (SBLF) program, borrowing for debt service repayment while maintaining the debt service millage at 7.0000 mills. During the fiscal year the District entered into the SBLF repayment stage. For the year ended June 30, 2007 the District made a SBLF repayment of \$382,925 of which \$17,968 was for principal.

The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. The District's outstanding general obligation debt is significantly below this statutorily imposed limit.

# School District of the City of East Lansing

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## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007



### Factors Bearing on the District's Future

Our elected officials and administration consider many factors when developing the District's fiscal year budget. The following items could significantly impact the District's financial health in the future:

- **Enrollment:** State Aid Foundation revenue received is driven by the District's blended student enrollment. The District is anticipating a stable enrollment for fiscal year 2008 but enrollment concerns remain as the District's resident enrollment has declined for eleven consecutive years.
- **Foundation Allowance:** The per pupil foundation allowance the District receives from the State is anticipated to remain flat for fiscal year 2008. To date the State of Michigan has not passed a 2007-08 School Aid Act even though districts have already started their fiscal year. The struggling Michigan economy and its impact on the School Aid Act budget remains a concern.
- **Health Insurance:** Districts across the State continue to incur significant increases in the premiums they pay for employee benefits, in particular health insurance. Health insurance premiums increased 9.9% for fiscal year 2008.
- **Retirement Rate:** The State decreased the retirement rate to 16.72%, effective October 1, 2007, that is charged to districts to fund the retirement system. The rate would have been 18.56% or an increase of 4.6% over fiscal year 2007 had the State not made changes to how Michigan Public School Employees Retirement System (MPSERS) assets are valued. The State was able to lower the retirement rate by recognizing investment gains immediately rather than smoothing the gains and/or losses over five years. It is anticipated that the higher rates are on the horizon as the number of retirees increase.
- **County Special Education Allocation:** The county special education funding system was reviewed in fiscal year 2005-06. The result of the review was several modifications to the funding system that were phased in beginning in 2006-07. These modifications are projected to reduce the District's allocation in future years by approximately 9%.
- **Employee Contracts:** The following union contracts expired June 30, 2006 and remain unsettled: East Lansing Educational Support Personnel Association, The International Union of Operating Engineers, and Teamsters. The East Lansing Education Association contract expires on June 30, 2008. Contract negotiations are on going with union and non-union employee groups.

### Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances. If you have questions about this report, or need additional financial information, please contact the Business Office, School District of the City of East Lansing, 841 Timberlane Street, Suite A, East Lansing, MI 48823.



## Governmental activities

**CURRENT ASSETS:**

**TOTAL CURRENT ASSETS**

Issuance cost for bonds, net of amortization	524,865
Capital assets	102,906,061
Less accumulated depreciation	(21,809,472)

**TOTAL ASSETS**

See notes to financial statements.

	<b>Governmental activities</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 686,330
Accrued interest	603,743
Accrued salaries and related items	3,485,637
Deferred revenue	91,177
Due to other governmental units	4,506
Current portion of long-term obligations	3,833,909
Current portion of employee compensated absences and severance benefits	440,666
<b>TOTAL CURRENT LIABILITIES</b>	<b>9,145,968</b>
<b>NONCURRENT LIABILITIES:</b>	
Noncurrent portion of long-term obligations	72,777,857
School bond loan fund	3,437,717
Noncurrent portion of compensated absences and severance benefits	5,079,599
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>81,295,173</b>
<b>TOTAL LIABILITIES</b>	<b>90,441,141</b>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	4,254,647
Restricted for capital projects (sinking fund)	2,715,176
Unrestricted	(1,784,630)
<b>TOTAL NET ASSETS</b>	<b>5,185,193</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 95,626,334</b>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2007**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 19,068,233	\$	\$ 514,805	\$ (18,553,428)
Support services	11,895,634	105,448	227,678	(11,562,508)
Community services	16,079		16,079	
Food services	924,004	538,409	436,460	50,865
Athletics	701,506	189,024		(512,482)
Interest on long-term debt	3,907,173			(3,907,173)
Unallocated depreciation	2,793,801			(2,793,801)
Total governmental activities	<u>\$ 39,306,430</u>	<u>\$ 832,881</u>	<u>\$ 1,195,022</u>	<u>(37,278,527)</u>
General revenues:				
Property taxes, levied for general purposes				8,876,678
Property taxes, levied for debt service				7,268,631
Property taxes, levied for sinking fund				1,325,574
Investment earnings				822,182
State sources				20,108,615
Ingham ISD allocation				2,498,836
Other				368,993
Total general revenues				<u>41,269,509</u>
<b>CHANGE IN NET ASSETS</b>				3,990,982
<b>NET ASSETS, beginning of year</b>				<u>1,194,211</u>
<b>NET ASSETS, end of year</b>				<u>\$ 5,185,193</u>

SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General fund	Sinking fund	2000 capital projects funds	Other nonmajor governmental funds	Total governmental funds
ASSETS					
ASSETS:					
Cash	\$ 1,641,379	\$ 645,790	\$ 463,798	\$ 46,709	\$ 2,797,676
Investments	2,088,785	2,359,039	2,250,000		6,697,824
Receivables:					
Accounts receivable	61,086			8,009	69,095
Accrued interest	2,371	3,049	3,049		8,469
Other governmental units including property taxes	4,138,020	33,327		188,319	4,359,666
Due from other funds	22,941				22,941
Inventories	19,212			5,402	24,614
Prepaid expenditures	38,085			9,451	47,536
TOTAL ASSETS	\$ 8,011,879	\$ 3,041,205	\$ 2,716,847	\$ 257,890	\$ 14,027,821
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 197,849	\$ 322,413	\$ 164,786	\$ 1,282	\$ 686,330
Accrued salaries and related items	3,479,385			6,252	3,485,637
Deferred revenue	254,298			12,476	266,774
Due to other funds		3,616		19,325	22,941
Due to other governmental units	4,506				4,506
TOTAL LIABILITIES	3,936,038	326,029	164,786	39,335	4,466,188
FUND BALANCES:					
Reserved for:					
Debt service				196,462	196,462
Inventories	19,212			5,402	24,614
Prepaid expenditures	38,085			9,313	47,398
2000 capital projects fund			2,552,061		2,552,061
Sinking fund		2,715,176			2,715,176
Deferred retirement incentives	774,519				774,519

	General fund	Sinking fund	2000 capital projects funds	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES (Concluded):					
Designated	\$ 27,819	\$	\$	\$	\$ 27,819
Designated for subsequent year expenditures	370,343				370,343
Total reserved or designated	1,229,978	2,715,176	2,552,061	211,177	6,708,392
Unreserved and undesignated	2,845,863			7,378	2,853,241
TOTAL FUND BALANCES	4,075,841	2,715,176	2,552,061	218,555	9,561,633
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,011,879	\$ 3,041,205	\$ 2,716,847	\$ 257,890	\$ 14,027,821
Total governmental fund balances					\$ 9,561,633
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					
The cost of the capital assets is				\$ 102,906,061	
Accumulated depreciation is				(21,809,472)	
					81,096,589
Revenue not recorded in the funds due to not being collected until after September 1, 2007:					
Special Education payment due from IISD					115,488
Asbestos settlement receivable					32,294
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds payable					(76,417,819)
Deferred bond premiums					(3,607,946)
Deferred loss on bond refunding					3,413,999
Issuance costs for bonds					524,865
School bond loan payable including interest					(3,437,717)
Compensated absences and severance benefits					(5,520,265)
Accrued interest on long-term debt is not included as a liability in government funds, it is recorded when paid					
					(603,743)
Balance of taxes receivable at June 30, 2007 less allowance for doubtful accounts expected to be collected after September 1, 2007					
					27,815
Net assets of governmental activities					\$ 5,185,193

SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	<u>General fund</u>	<u>Sinking fund</u>	<u>2000 capital projects funds</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>					
Local sources:					
Property taxes	\$ 8,872,623	\$ 1,325,574	\$	\$ 7,268,631	\$ 17,466,828
Payment in lieu of taxes		4,606		25,049	29,655
Penalties and interest on delinquent taxes	5,838	652		3,560	10,050
M.S.U. reimbursement				105,448	105,448
Investment earnings	307,676	143,318	167,208	193,930	812,132
Food sales and athletic admissions				645,652	645,652
Other	<u>321,402</u>	<u>10,000</u>		<u>89,717</u>	<u>421,119</u>
Total local revenues	9,507,539	1,484,150	167,208	8,331,987	19,490,884
State sources	20,108,614			51,032	20,159,646
Federal sources	758,562			385,429	1,143,991
Incoming transfers and other transactions	<u>2,509,154</u>				<u>2,509,154</u>
Total revenues	<u>32,883,869</u>	<u>1,484,150</u>	<u>167,208</u>	<u>8,768,448</u>	<u>43,303,675</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Basic programs	16,338,057				16,338,057
Added needs	<u>4,114,142</u>				<u>4,114,142</u>
Total instruction	<u>20,452,199</u>				<u>20,452,199</u>
Support services:					
Pupil	2,283,400				2,283,400
Instructional staff	1,497,074				1,497,074
School administration	2,348,210				2,348,210
General administration	434,601				434,601
Business	666,990				666,990
<b>EXPENDITURES (Concluded):</b>					
Current:					
Support services (Concluded):					
Operation and maintenance	\$ 3,202,200	\$	\$	\$	\$ 3,202,200
Pupil transportation	752,718				752,718
Central	<u>1,001,273</u>				<u>1,001,273</u>
Total support services	<u>12,186,466</u>				<u>12,186,466</u>
Athletics				701,506	701,506
Community services	16,079				16,079
Food service				924,004	924,004
Capital outlay		900,703	1,480,933		2,381,636
Debt service:					
Principal retirement	13,909			3,687,441	3,701,350
Interest and fiscal charges				4,116,822	4,116,822
Professional fees				<u>725</u>	<u>725</u>
Total expenditures	<u>32,668,653</u>	<u>900,703</u>	<u>1,480,933</u>	<u>9,430,498</u>	<u>44,480,787</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>215,216</u>	<u>583,447</u>	<u>(1,313,725)</u>	<u>(662,050)</u>	<u>(1,177,112)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of school property	131,109				131,109
Operating transfers in	57,933			508,496	566,429
Operating transfers out	<u>(508,496)</u>			<u>(57,933)</u>	<u>(566,429)</u>
Total other financing sources (uses)	<u>(319,454)</u>			<u>450,563</u>	<u>131,109</u>
NET CHANGE IN FUND BALANCES	(104,238)	583,447	(1,313,725)	(211,487)	(1,046,003)
<b>FUND BALANCES:</b>					
Beginning of year	<u>4,180,079</u>	<u>2,131,729</u>	<u>3,865,786</u>	<u>430,042</u>	<u>10,607,636</u>
End of year	<u>\$ 4,075,841</u>	<u>\$ 2,715,176</u>	<u>\$ 2,552,061</u>	<u>\$ 218,555</u>	<u>\$ 9,561,633</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007**

**Net change in fund balances total governmental funds** **\$ (1,046,003)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities.

These costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(2,793,801)
Capital outlay	2,547,397

Proceeds from sale of school property	(131,109)
Gain (loss) on the sale of school property	125,071

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable beginning of the year	625,223
Accrued interest payable end of the year	(603,743)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities):

Payments on debt and capital appreciation bonds interest	4,090,382
Amortization of bond premiums	207,312
Amortization of loss on bond refunding	(178,665)
Amortization of bond issuance cost	(34,533)
Long-term interest on school bond loan fund	(194,252)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue beginning of the year	(181,860)
Accrued revenue end of the year	175,597

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and accumulated severance benefit beginning of the year	6,904,231
Accrued compensated absences and accumulated severance benefit end of the year	<u>(5,520,265)</u>

**Change in net assets of governmental activities** **\$ 3,990,982**

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2007**

	<u>Agency funds</u>
<b>ASSETS</b>	
Investments	<u>\$ 417,656</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 15,916
Due to student, school, and other groups	<u>401,740</u>
	<u>\$ 417,656</u>

## **SCHOOL DISTRICT OF THE CITY OF EAST LANSING NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the School District of the City of East Lansing have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

#### **A. Reporting Entity**

The School District of the City of East Lansing (the "District") is governed by the School District of the City of East Lansing Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

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 paid by recipients who purchase, use or directly benefit from goods or services 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. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.



**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NOTES TO FINANCIAL STATEMENTS**

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

**B. Government-wide and Fund Financial Statements (Continued)**

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

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

**Governmental Funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NOTES TO FINANCIAL STATEMENTS**

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

**B. Government-wide and Fund Financial Statements (Concluded)**

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2000 capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds 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 §1351a of the Revised School Code.

The following is a summary of the revenue and expenditures for the 2000 School Bonds activity:

Revenue and transfer in of \$1,000,000	<u><u>\$ 14,109,605</u></u>
Expenditures and transfers	<u><u>\$ 77,627,009</u></u>

The above revenue figure does not include original 2000 School Bond proceeds of \$ 66,069,465.

The capital projects *sinking fund* records capital project activities funded with sinking fund millage and other sources. For the sinking fund, the District has complied with the applicable provision of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

**Other Non-major Funds**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The 2000, 2005 and 2005 Series B *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NOTES TO FINANCIAL STATEMENTS**

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

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are 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 revenues 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NOTES TO FINANCIAL STATEMENTS**

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

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)**

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

For the year ended June 30, 2007, approximately \$545,000 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures as a result of a change in funding by the MDE.

**D. Other Accounting Policies**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NOTES TO FINANCIAL STATEMENTS**

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

**D. Other Accounting Policies (Continued)**

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is September 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General fund:	
Operating - Non-homestead	17.2036
Supplemental - Homestead and non-homestead	0.7964
Debt service fund - Homestead and non-homestead	7.0000
Sinking fund - Homestead and non-homestead	1.2860

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when received. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NOTES TO FINANCIAL STATEMENTS**

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

**D. Other Accounting Policies (Continued)**

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 20 years

The District’s capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case-by-case basis.

6. Compensated Absences

The District’s contracts generally provide for retirement incentive, vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**D. Other Accounting Policies (Concluded)**

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

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.

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)**

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2007. The District does not consider these amendments to be significant.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

As of June 30, 2007, the District had the following investments.

<b>Investment type</b>	<b>Fair value</b>	<b>Weighted average maturity (years)</b>	<b>Fitch's rating</b>	<b>%</b>
MBIA External Investment pool - CLASS	<u>\$ 225,916</u>		AAA-V1	<u>100%</u>

Portfolio weighted average maturity

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in pooled short term investment funds which included money market funds. One of the pooled investment funds utilized by the District is MBIA. MBIA is an external pooled investment fund of "qualified" investments for Michigan school districts. MBIA is not regulated nor is it registered with the SEC. MBIA reports as of June 30, 2007, the fair value of the District's investments is the same as the value of the pool shares.



**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$9,385,240 of the District's bank balance of \$9,685,240 was exposed to custodial credit risk because it was uninsured and uncollateralized. Included in the above deposit figures are Bank money market deposits of \$34,238 and certificates of deposit of \$6,250,000 and other interest bearing deposits.

**Custodial credit risk - investments.** For an investment, this 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 will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)**

At June 30, 2007, the carrying amounts are as follows:

Cash on hand	\$ 2,000
Deposits - including fiduciary funds of \$417,656	9,685,240
Investments	<u>225,916</u>
	<u><u>\$ 9,913,156</u></u>

The above amounts are reported in the financial statements as follows:

Cash agency fund	\$ 417,656
Cash - district-wide	2,797,676
Investments - district-wide	<u>6,697,824</u>
	<u><u>\$ 9,913,156</u></u>

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2007 consist of the following:

Other governmental units:	
State aid	\$ 3,309,927
Federal revenue	351,437
Ingham Intermediate School District	124,416
Property taxes	<u>573,886</u>
	<u><u>\$ 4,359,666</u></u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - CAPITAL ASSETS**

A summary of changes in the District's capital assets at June 30, 2007 is as follows:

	Balance July 1, 2006	Additions	Reclassifications/ deletions	Balance June 30, 2007
Assets not being depreciated:				
Land	\$ 875,544	\$	\$ 500	\$ 875,044
Construction in progress	188,489	86,894		275,383
	<u>1,064,033</u>	<u>86,894</u>	<u>500</u>	<u>1,150,427</u>
Other capital assets:				
Land improvements	7,532,689	336,362		7,869,051
Buildings and additions	84,447,052	1,673,071		86,120,123
Furniture and equipment	6,664,534	321,732	65,499	6,920,767
Vehicles	929,334	129,338	212,979	845,693
Total other capital assets	<u>99,573,609</u>	<u>2,460,503</u>	<u>278,478</u>	<u>101,755,634</u>
Accumulated depreciation:				
Land improvements	1,596,426	330,616		1,927,042
Building and improvements	14,780,308	1,813,221		16,593,529
Furniture and equipment	2,228,318	588,523	59,961	2,756,880
Vehicles	683,559	61,441	212,979	532,021
Total accumulated depreciation	<u>19,288,611</u>	<u>2,793,801</u>	<u>272,940</u>	<u>21,809,472</u>
Net other capital assets	<u>80,284,998</u>	<u>(333,298)</u>	<u>5,538</u>	<u>79,946,162</u>
Net capital assets	<u>\$ 81,349,031</u>	<u>\$ (246,404)</u>	<u>\$ 6,038</u>	<u>\$ 81,096,589</u>

Amounts included in capital assets include only items greater than \$5,000.

Depreciation for the fiscal year ended June 30, 2007 amounted to \$2,793,801. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM DEBT**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation debts currently outstanding at June 30, 2007 are as follows:

2000 general obligation bonds due in annual installments of \$1,200,000 to \$1,750,000 through May 1, 2010, with interest at 4.55% to 4.80%.	\$ 4,700,000
2005 general obligation bonds due in annual installments of \$1,780,000 to \$2,795,000 through May 1, 2014, with interest at 3.00% to 5.00%.	16,425,000
2005 Series B general obligation bonds due in annual installments of \$110,000 to \$3,045,000 through May 1, 2030, with interest at 3.00% to 5.00%.	55,265,000
Less: Loss on bond refunding	(3,413,999)
Plus: Premium on 2005 issuance	<u>3,607,946</u>
Total general obligation	76,583,947
 Borrowing from the State of Michigan School Bond Loan Fund including interest due at the times determined by the State Treasurer, interest at 4.75% at June 30, 2007.	 3,437,717
 Promissory note with the United States Environmental Protection Agency payable in semi-annual installments of \$6,654 commencing May 30, 1991 and continuing until May 30, 2009. The promissory note is provided under a federal program and is interest free.	 27,819
Employee compensated absences and severance benefits	<u>5,520,265</u>
Total general long-term debt	<u><u>\$ 85,569,748</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM DEBT (Continued)**

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2007, \$73,270,000 of bonds outstanding are considered defeased.

The annual requirements to amortize the long-term obligations as of June 30, 2007, including interest of \$42,167,738 are as follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 3,833,909	\$ 3,622,438	\$ 7,456,347
2009	3,968,910	3,484,625	7,453,535
2010	4,115,000	3,314,750	7,429,750
2011	4,290,000	3,153,600	7,443,600
2012	4,465,000	2,975,325	7,440,325
2013 - 2017	16,980,000	11,940,750	28,920,750
2018 - 2022	14,595,000	8,251,250	22,846,250
2023 - 2027	15,145,000	4,524,750	19,669,750
2028 - 2030	9,025,000	900,250	9,925,250
	76,417,819	42,167,738	118,585,557
Loss on bond refunding	(3,413,999)		(3,413,999)
Unamortized premium on bond issuance	3,607,946		3,607,946
Accumulated compensated absences and severance benefits	5,520,265		5,520,265
Due to school bond loan fund	3,437,717		3,437,717
	<u>\$ 85,569,748</u>	<u>\$ 42,167,738</u>	<u>\$ 127,737,486</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM DEBT (Concluded)**

An amount of \$196,462 is available in the debt service funds to service the general obligation debt.

The following is a summary of long-term obligations for the District for the year ended June 30, 2007:

	Compensated absences	School bond loan fund	Bonds and other debt	Total
Balance, July 1, 2006	\$ 6,904,231	\$ 3,649,938	\$ 80,324,322	\$ 90,878,491
Additions	460,246	170,704		630,950
Deletions	<u>(1,844,212)</u>	<u>(382,925)</u>	<u>(3,712,556)</u>	<u>(5,939,693)</u>
Balance, June 30, 2007	5,520,265	3,437,717	76,611,766	85,569,748
Less current portion	<u>(440,666)</u>	<u></u>	<u>(3,833,909)</u>	<u>(4,274,575)</u>
Total due after one year	<u>\$ 5,079,599</u>	<u>\$ 3,437,717</u>	<u>\$ 72,777,857</u>	<u>\$ 81,295,173</u>

**NOTE 7 - OPERATING LEASES**

The District leases copy machines under an operating lease agreement with the lease starting August 18, 2003 and ending August 18, 2008, with monthly payments of approximately \$11,500 a month. Expense for copy lease for the year ended June 30, 2007 was approximately \$138,000. Future operating lease commitments are as follows:

Year ending June 30,	Copier lease
2008	\$ 138,000
2009	<u>17,250</u>
Total	<u>\$ 155,250</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2007 was 16.34% of payroll through September 30, 2006, and 17.74% effective October 1, 2006 through June 30, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2007, 2006 and 2005 were \$3,326,735, \$3,008,080 and \$2,787,928, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES**

Amounts due to and from other funds at June 30, 2007 are as follows:

<u>Receivable fund</u>	<u>Amount</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	\$ 22,941	Sinking fund	\$ 3,616
		2000 Debt fund	3,995
		2005 Debt fund	8,084
		Series B 2005 Debt fund	7,246
	<u>\$ 22,941</u>		<u>\$ 22,941</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**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; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2007 or any of the prior three years.

**NOTE 11 - TRANSFERS**

The general fund transferred \$508,496 to the athletic fund to subsidize operations. The school lunch fund transferred \$57,933 to the general fund. The transfer from the school lunch fund to the general fund was made to cover indirect cost for the current year paid for by the general fund that relate to school lunch activities. These activities include utilities, phone, sewage, custodial, lunch room monitors, building repairs and maintenance of the food service area.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2007**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget - positive (negative)</b>
<b>REVENUES:</b>				
Local sources	\$ 9,157,887	\$ 9,382,150	\$ 9,507,539	\$ 125,389
State sources	20,132,234	20,142,643	20,108,614	(34,029)
Federal sources	826,930	883,422	758,562	(124,860)
Incoming transfers and other transactions	2,639,585	2,505,241	2,509,154	3,913
Total revenues	32,756,636	32,913,456	32,883,869	(29,587)
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	16,326,063	16,432,860	16,338,057	94,803
Added needs	4,089,877	4,149,594	4,114,142	35,452
Total instruction	20,415,940	20,582,454	20,452,199	130,255
Support services:				
Pupil	2,221,176	2,305,306	2,283,400	21,906
Instructional staff	1,575,114	1,564,325	1,497,074	67,251
General administration	366,949	438,373	434,601	3,772
School administration	2,330,419	2,358,854	2,348,210	10,644
Business	656,451	673,911	666,990	6,921
Operation and maintenance	3,470,651	3,237,195	3,202,200	34,995
Pupil transportation	582,045	744,607	752,718	(8,111)
Central	1,061,782	1,073,483	1,001,273	72,210
Total support services	12,264,587	12,396,054	12,186,466	209,588
Community services	33,474	23,331	16,079	7,252
Outgoing transfers and other transactions	742			
Payment on loans	13,910	13,910	13,909	1
Total expenditures	32,728,653	33,015,749	32,668,653	347,096
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	27,983	(102,293)	215,216	317,509
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of school property	3,625	132,931	131,109	(1,822)
Operating transfer from other funds	12,918	40,056	57,933	17,877
Operating transfers to other funds	(455,430)	(508,496)	(508,496)	
Total other financing sources (uses)	(438,887)	(335,509)	(319,454)	16,055
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (410,904)</u>	<u>\$ (437,802)</u>	<u>(104,238)</u>	<u>\$ 333,564</u>
<b>FUND BALANCE:</b>				
Beginning of year			4,180,079	
End of year			<u>\$ 4,075,841</u>	

## **ADDITIONAL INFORMATION**

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2007**

	<b>Special revenue funds</b>	<b>Debt service funds</b>	<b>Total nonmajor governmental funds</b>
<b>ASSETS</b>			
<b>ASSETS:</b>			
Cash	\$ 12,471	\$ 34,238	\$ 46,709
Accounts receivable	8,009		8,009
Due from other governmental units	6,908	181,411	188,319
Inventories	5,402		5,402
Prepaid expenditures	9,313	138	9,451
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 42,103</u></u>	<u><u>\$ 215,787</u></u>	<u><u>\$ 257,890</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 1,282	\$	\$ 1,282
Due to other funds		19,325	19,325
Accrued salaries and related items	6,252		6,252
Deferred cafeteria revenue	12,476		12,476
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>20,010</u>	<u>19,325</u>	<u>39,335</u>
<b>FUND BALANCES:</b>			
Reserved for:			
Debt service		196,462	196,462
Inventories	5,402		5,402
Prepaid expenditures	9,313		9,313
Unreserved and undesignated	7,378		7,378
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<u>22,093</u>	<u>196,462</u>	<u>218,555</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 42,103</u></u>	<u><u>\$ 215,787</u></u>	<u><u>\$ 257,890</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2007**

	<b>Special revenue funds</b>	<b>Debt service funds</b>	<b>Total nonmajor governmental funds</b>
<b>REVENUES:</b>			
Local sources:			
Property taxes	\$	\$ 7,268,631	\$ 7,268,631
Payment in lieu of taxes		25,049	25,049
Penalties and interest on delinquent taxes		3,560	3,560
M.S.U. reimbursement		105,448	105,448
Investment earnings		193,930	193,930
Food sales and athletic admissions	645,652		645,652
Other	89,717		89,717
Total local sources	735,369	7,596,618	8,331,987
State sources	51,032		51,032
Federal sources	385,429		385,429
Total revenues	1,171,830	7,596,618	8,768,448
<b>EXPENDITURES:</b>			
Athletics activities	701,506		701,506
Food service activities	924,004		924,004
Debt service:			
Principal repayment		3,687,441	3,687,441
Interest expense		4,116,822	4,116,822
Professional fees		725	725
Total expenditures	1,625,510	7,804,988	9,430,498
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(453,680)	(208,370)	(662,050)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer from other funds	508,496		508,496
Transfer to other funds	(57,933)		(57,933)
Total other financing sources	450,563		450,563
<b>NET CHANGE IN FUND BALANCES</b>	(3,117)	(208,370)	(211,487)
<b>FUND BALANCES:</b>			
Beginning of year	25,210	404,832	430,042
End of year	\$ 22,093	\$ 196,462	\$ 218,555

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
DETAIL OF REVENUE  
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>REVENUE:</b>		
Local sources:		
Property taxes, less refunds	\$ 8,872,623	\$ 8,389,894
Penalties and interest on delinquent property taxes	5,838	9,329
Interest on investments	307,676	194,462
Other community programs		25,667
Facility rent	182,852	175,472
Local grants	78,226	45,766
Asbestos	1,940	3,879
Miscellaneous	58,384	61,317
Total local sources	<u>9,507,539</u>	<u>8,905,786</u>
State sources:		
Foundation allowance	13,692,216	14,521,811
Proposal A discretionary	4,748,428	4,205,285
Special education Headlee	1,571,365	1,883,416
Declining enrollment	40,489	
Prior year unrestricted adjustments	22,715	29,771
Durant II	33,401	33,401
Total state sources	<u>20,108,614</u>	<u>20,673,684</u>
Federal sources:		
Title I - Improving Basic Programs	483,974	442,186
Title II Part A - Improving Teacher Quality	127,384	155,918
Title II Part D - Enhancing Ed. through Technology	5,193	7,288
Title III - Limited English Proficient	33,312	19,777
Title V Part A - Innovative Programs	705	1,429
Individuals with Disabilities Education Act - PPI	20,708	21,822
Safe and Drug Free Schools		5,028
Homeland security		10,663
Carole M. White Physical Education Program	86,629	229,852
Other	657	150
Total federal sources	<u>758,562</u>	<u>894,113</u>
Incoming transfers:		
Intermediate sources:		
Special education	2,493,695	2,803,073
Miscellaneous	15,459	6,619
Total incoming transfers	<u>2,509,154</u>	<u>2,809,692</u>
<b>TOTAL REVENUE</b>	<u><u>\$ 32,883,869</u></u>	<u><u>\$ 33,283,275</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
DETAIL OF EXPENDITURES  
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>EXPENDITURES:</b>		
Instruction:		
Basic programs:		
Elementary	\$ 8,774,523	\$ 8,601,975
Middle school	2,298,922	2,289,310
High school	5,250,100	4,965,199
Summer School	14,512	3,782
	<u>16,338,057</u>	<u>15,860,266</u>
Total basic programs		
Added needs:		
Special education	3,211,830	3,280,266
Compensatory education	902,312	920,350
	<u>4,114,142</u>	<u>4,200,616</u>
Total added needs		
Total instruction	<u>20,452,199</u>	<u>20,060,882</u>
Supporting services:		
Pupil:		
Guidance	672,126	623,173
Health	48,437	36,255
Psychological	137,259	168,078
Speech pathology	547,125	511,184
Social work	326,220	310,464
Teacher consultant	421,668	456,799
Other	130,565	126,141
	<u>2,283,400</u>	<u>2,232,094</u>
Total pupil		
Instructional staff:		
Improvement of education	396,614	397,283
Library	565,237	532,965
Supervision and direction	506,641	539,865
Academic pupil assessment	28,582	25,056
	<u>1,497,074</u>	<u>1,495,169</u>
Total instructional staff		

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
DETAIL OF EXPENDITURES  
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>EXPENDITURES (Continued):</b>		
Supporting services (Continued):		
School administration:		
Office of the principal	\$ 2,329,864	\$ 2,409,784
Other	<u>18,346</u>	<u>18,155</u>
Total school administration	<u>2,348,210</u>	<u>2,427,939</u>
Total instructional support services	<u>6,128,684</u>	<u>6,155,202</u>
General administration:		
Board of education	149,184	109,781
Executive administration	<u>285,417</u>	<u>267,173</u>
Total general administration	<u>434,601</u>	<u>376,954</u>
Business:		
Fiscal	421,909	408,655
Internal service	229,209	219,688
Other	<u>15,872</u>	<u>17,384</u>
Total business	<u>666,990</u>	<u>645,727</u>
Operations and maintenance:		
Operating building services	3,112,482	3,011,219
Security	<u>89,718</u>	<u>94,865</u>
Total operations and maintenance	<u>3,202,200</u>	<u>3,106,084</u>
Pupil transportation:		
Transportation	<u>752,718</u>	<u>749,384</u>



**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
DETAIL OF EXPENDITURES  
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>EXPENDITURES (Concluded):</b>		
Supporting services (Concluded):		
Central:		
Information	\$ 185,153	\$ 162,055
Personnel	238,942	226,070
Data processing	564,780	574,742
Pupil accounting	<u>12,398</u>	<u>13,665</u>
Total central	<u>1,001,273</u>	<u>976,532</u>
Total non-instructional supporting services	<u>6,057,782</u>	<u>5,854,681</u>
Total supporting services	<u>12,186,466</u>	<u>12,009,883</u>
Community services:		
Recreation		22,646
Other	<u>16,079</u>	<u>2,089</u>
Total community services	<u>16,079</u>	<u>24,735</u>
Outgoing transfers:		
Miscellaneous		<u>3,588</u>
Payment on loans	<u>13,909</u>	<u>20,136</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 32,668,653</u></u>	<u><u>\$ 32,119,224</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
DETAIL OF OTHER FINANCING SOURCES AND USES  
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>OTHER FINANCING SOURCES:</b>		
Transfer in from other funds:		
Food service	\$ 57,933	\$ 81,142
Sale of school property	<u>131,109</u>	<u>74,433</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u><u>\$ 189,042</u></u>	<u><u>\$ 155,575</u></u>
 <b>OTHER FINANCING USES:</b>		
Transfers out to other funds:		
High school athletics	<u><u>\$ 508,496</u></u>	<u><u>\$ 505,430</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2007**

	Athletics	Food service	Totals
<b>ASSETS</b>			
Cash	\$ 5,123	\$ 7,348	\$ 12,471
Accounts receivable		8,009	8,009
Due from other governmental units		6,908	6,908
Inventories		5,402	5,402
Prepaid expenditures	8,717	596	9,313
<b>TOTAL ASSETS</b>	<b>\$ 13,840</b>	<b>\$ 28,263</b>	<b>\$ 42,103</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 887	\$ 395	\$ 1,282
Accrued salaries and related items	170	6,082	6,252
Deferred cafeteria revenue		12,476	12,476
Total liabilities	1,057	18,953	20,010
Fund balances:			
Reserved for:			
Inventories		5,402	5,402
Prepaid expenditures	8,717	596	9,313
Unreserved and undesignated	4,066	3,312	7,378
Total fund balances	12,783	9,310	22,093
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,840</b>	<b>\$ 28,263</b>	<b>\$ 42,103</b>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2007**

	<u>Athletics</u>	<u>Food service</u>	<u>Totals</u>
<b>REVENUES:</b>			
Local:			
Athletic admissions	\$ 107,243	\$	\$ 107,243
Activity fees	81,781		81,781
Food sales		538,409	538,409
Other	7,936		7,936
State aid		51,032	51,032
Federal aid		385,429	385,429
	<u>196,960</u>	<u>974,870</u>	<u>1,171,830</u>
Total revenues			
<b>EXPENDITURES:</b>			
Salaries and wages	422,522	291,994	714,516
Employee benefits	123,605	157,174	280,779
Cost of goods sold		408,944	408,944
Contracted services	89,784	7,087	96,871
Materials and supplies	55,834	32,295	88,129
Capital outlay		23,836	23,836
Other	9,761	2,674	12,435
	<u>701,506</u>	<u>924,004</u>	<u>1,625,510</u>
Total expenditures			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(504,546)</u>	<u>50,866</u>	<u>(453,680)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer from other funds	508,496		508,496
Transfer to other funds		(57,933)	(57,933)
	<u>508,496</u>	<u>(57,933)</u>	<u>450,563</u>
Total other financing sources (uses)			
<b>NET CHANGE IN FUND BALANCES</b>	3,950	(7,067)	(3,117)
<b>FUND BALANCES, beginning of year</b>	<u>8,833</u>	<u>16,377</u>	<u>25,210</u>
<b>FUND BALANCES, end of year</b>	<u><u>\$ 12,783</u></u>	<u><u>\$ 9,310</u></u>	<u><u>\$ 22,093</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NONMAJOR DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2007**

	<b><u>2000 Debt</u></b>	<b><u>2005 Debt</u></b>	<b><u>Series B 2005 Debt</u></b>	<b><u>Totals</u></b>
<b>ASSETS</b>				
Cash	\$ 7,530	\$ 13,640	\$ 13,068	\$ 34,238
Due from other governmental units	34,603	74,294	72,514	181,411
Prepaid expenditures	138			138
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 42,271</u></b>	<b><u>\$ 87,934</u></b>	<b><u>\$ 85,582</u></b>	<b><u>\$ 215,787</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 3,995	\$ 8,084	\$ 7,246	\$ 19,325
Fund balances:				
Reserved for debt service	38,276	79,850	78,336	196,462
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 42,271</u></b>	<b><u>\$ 87,934</u></b>	<b><u>\$ 85,582</u></b>	<b><u>\$ 215,787</u></b>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NONMAJOR DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2007**

	<b>2000 Debt</b>	<b>2005 Debt</b>	<b>Series B 2005 Debt</b>	<b>Totals</b>
<b>REVENUES:</b>				
Property taxes	\$ 1,387,387	\$ 2,976,979	\$ 2,904,265	\$ 7,268,631
Payment in lieu of taxes	4,815	10,350	9,884	25,049
Penalties and interest on delinquent taxes	674	1,460	1,426	3,560
M.S.U. reimbursement		105,448		105,448
Interest on investments	43,586	95,524	54,820	193,930
Total revenues	<u>1,436,462</u>	<u>3,189,761</u>	<u>2,970,395</u>	<u>7,596,618</u>
<b>EXPENDITURES:</b>				
Retirement of bonded debt	1,177,932	2,400,839	108,670	3,687,441
Interest on bonded debt	337,538	941,354	2,837,930	4,116,822
Paying agent fees	275	225	225	725
Total expenditures	<u>1,515,745</u>	<u>3,342,418</u>	<u>2,946,825</u>	<u>7,804,988</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(79,283)	(152,657)	23,570	(208,370)
<b>FUND BALANCES, beginning of year</b>	<u>117,559</u>	<u>232,507</u>	<u>54,766</u>	<u>404,832</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 38,276</u>	<u>\$ 79,850</u>	<u>\$ 78,336</u>	<u>\$ 196,462</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
CAPITAL PROJECTS FUND - SINKING FUND  
DETAIL OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2007**

**EXEPENDITURES:**

Donley Elementary	\$ 171,894
Glencairn Elementary	2,271
Marble Elementary	9,888
Pinecrest Elementary	207,297
Red Cedar Elementary	234,856
Whitehills Elementary	87,498
MacDonald Middle School	110,919
East Lansing High School	16,844
Timberlane facility	57,873
Athletic fields	<u>1,363</u>
 Total expenditures	 <u><u>\$ 900,703</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
2000 CAPITAL PROJECTS FUND  
DETAIL OF EXPENDITURES  
YEAR ENDED JUNE 30, 2007**

MacDonald Middle School:	
Technology	<u>\$          1,210</u>
East Lansing High School:	
Furnishings	53,504
Technology	49,431
Remodeling	743,541
Site development	28,467
Architectural fees and other costs	<u>551,783</u>
Total East Lansing High School	<u>1,426,726</u>
Administrative:	
Architectual fees and other costs	<u>2,624</u>
Pool:	
Furnishings	33,286
Remodeling	12,475
Architectural fees and other costs	<u>4,612</u>
Total pool	<u>50,373</u>
Total expenditures	<u><u>\$      1,480,933</u></u>



**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
FIDUCIARY FUND - AGENCY FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2007**

	<u>High School</u>	<u>MacDonald</u>	<u>Elementary and other</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash	<u>\$ 273,447</u>	<u>\$ 32,784</u>	<u>\$ 111,425</u>	<u>\$ 417,656</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 9,287	\$ 762	\$ 5,867	\$ 15,916
Due to student, school, and other groups	<u>264,160</u>	<u>32,022</u>	<u>105,558</u>	<u>401,740</u>
Total liabilities	<u>\$ 273,447</u>	<u>\$ 32,784</u>	<u>\$ 111,425</u>	<u>\$ 417,656</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
FIDUCIARY FUND - AGENCY FUNDS  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS BY SCHOOL  
YEAR ENDED JUNE 30, 2007**

	<u>Balance 7/1/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2007</u>
East Lansing High School	\$ 276,293	\$ 451,944	\$ 464,077	\$ 264,160
MacDonald Middle School	43,626	44,009	55,612	32,023
Donley Elementary School	5,758	8,067	9,641	4,184
Glencairn Elementary School	10,373	21,651	22,337	9,687
Marble Elementary School	20,887	25,444	25,999	20,332
Pinecrest Elementary School	12,772	16,777	19,459	10,090
Red Cedar Elementary School	9,204	19,016	21,384	6,836
Whitehills Elementary School	11,833	27,693	28,148	11,378
Other	40,228	35,037	32,215	43,050
	<u>\$ 430,974</u>	<u>\$ 649,638</u>	<u>\$ 678,872</u>	<u>\$ 401,740</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
COMBINED BONDED DEBT SERVICE REQUIREMENTS  
YEAR ENDED JUNE 30, 2007**

<b>Year ending June 30,</b>	<b>2000 Debt</b>	<b>2005 Debt</b>	<b>2005 Series B Debt</b>	<b>Combined</b>
2008	\$ 1,422,050	\$ 3,152,512	\$ 2,867,875	\$ 7,442,437
2009	1,916,250	2,654,075	2,869,300	7,439,625
2010	1,834,000	2,730,475	2,865,275	7,429,750
2011		2,822,350	4,621,250	7,443,600
2012		2,907,825	4,532,500	7,440,325
2013		3,001,500	4,438,500	7,440,000
2014		1,846,750	4,734,500	6,581,250
2015			5,061,000	5,061,000
2016			4,965,500	4,965,500
2017			4,873,000	4,873,000
2018			4,778,250	4,778,250
2019			4,676,250	4,676,250
2020			4,572,250	4,572,250
2021			4,466,250	4,466,250
2022			4,353,250	4,353,250
2023			4,238,500	4,238,500
2024			4,097,000	4,097,000
2025			3,950,000	3,950,000
2026			3,777,750	3,777,750
2027			3,606,500	3,606,500
2028			3,481,250	3,481,250
2029			3,309,750	3,309,750
2030			3,134,250	3,134,250
	<u>\$ 5,172,300</u>	<u>\$ 19,115,487</u>	<u>\$ 94,269,950</u>	<u>\$ 118,557,737</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS  
2000 DEBT  
YEAR ENDED JUNE 30, 2007**

Bond issued to provide funds for erecting, furnishing and equipping additions to, and partially remodeling, furnishing and re-furnishing, equipping and re-equipping East Lansing High School and developing and improving outdoor physical education/athletic facilities; acquiring and installing educational technology; partially remodeling, furnishing and re-furnishing, equipping and re-equipping existing buildings, in part, for relocating the alternative high school program and to relocate the central office and support services; acquiring, developing and improving sites; erecting, furnishing and equipping additions to, and partially remodeling, furnishing and re-furnishing, equipping MacDonald Middle School, acquiring, installing and equipping technology therefore; developing and improving its outdoor physical education/athletic facilities and the site; erecting, furnishing and equipping a swimming pool addition to the East Lansing High School and developing and improving the site; and to pay the costs of issuing the Bonds.

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	November 1,	May 1,	June 30,	Amount
\$ 1,200,000	\$ 111,025	\$ 111,025	2008	\$ 1,422,050
1,750,000	83,125	83,125	2009	1,916,250
1,750,000	42,000	42,000	2010	1,834,000
<u>\$ 4,700,000</u>	<u>\$ 236,150</u>	<u>\$ 236,150</u>		<u>\$ 5,172,300</u>

The above bonds have interest rates from 4.55% to 4.80%.

Total amount of original issue was \$66,080,000.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS  
2005 DEBT (REFUNDING OF 1991 AND 1996 DEBT)  
YEAR ENDED JUNE 30, 2007**

Bond issued to provide funds to advance refund all or a portion of the School District's outstanding 1991 School Building and Site Bonds and 1996 Refunding Bonds.

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	November 1,	May 1,	June 30,	Amount
\$ 2,510,000	\$ 321,256	\$ 321,256	2008	\$ 3,152,512
2,090,000	282,037	282,038	2009	2,654,075
2,250,000	240,237	240,238	2010	2,730,475
2,415,000	203,675	203,675	2011	2,822,350
2,585,000	161,412	161,413	2012	2,907,825
2,795,000	103,250	103,250	2013	3,001,500
1,780,000	33,375	33,375	2014	1,846,750
<u>\$ 16,425,000</u>	<u>\$ 1,345,242</u>	<u>\$ 1,345,245</u>		<u>\$ 19,115,487</u>

The above bonds have interest rates from 3.00% to 5.00%.

Total amount of original issue was \$18,815,000.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS  
2005 DEBT SERIES B (REFUNDING OF 2000 DEBT)  
YEAR ENDED JUNE 30, 2007**

Bond issued to provide funds to advance refund a portion of the School District's outstanding 2000 School Building and Site Bonds.

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	November 1,	May 1,	June 30,	Amount
\$ 110,000	\$ 1,378,938	\$ 1,378,937	2008	\$ 2,867,875
115,000	1,377,150	1,377,150	2009	2,869,300
115,000	1,375,138	1,375,137	2010	2,865,275
1,875,000	1,373,125	1,373,125	2011	4,621,250
1,880,000	1,326,250	1,326,250	2012	4,532,500
1,880,000	1,279,250	1,279,250	2013	4,438,500
2,270,000	1,232,250	1,232,250	2014	4,734,500
2,710,000	1,175,500	1,175,500	2015	5,061,000
2,750,000	1,107,750	1,107,750	2016	4,965,500
2,795,000	1,039,000	1,039,000	2017	4,873,000
2,840,000	969,125	969,125	2018	4,778,250
2,880,000	898,125	898,125	2019	4,676,250
2,920,000	826,125	826,125	2020	4,572,250
2,960,000	753,125	753,125	2021	4,466,250
2,995,000	679,125	679,125	2022	4,353,250
3,030,000	604,250	604,250	2023	4,238,500
3,040,000	528,500	528,500	2024	4,097,000
3,045,000	452,500	452,500	2025	3,950,000
3,025,000	376,375	376,375	2026	3,777,750
3,005,000	300,750	300,750	2027	3,606,500
3,030,000	225,625	225,625	2028	3,481,250
3,010,000	149,875	149,875	2029	3,309,750
2,985,000	74,625	74,625	2030	3,134,250
<u>\$ 55,265,000</u>	<u>\$ 19,502,476</u>	<u>\$ 19,502,474</u>		<u>\$ 94,269,950</u>

The above bonds have interest rates from 3.00% to 5.00%.

Total amount of original issue was \$55,475,000.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
INVESTMENTS  
JUNE 30, 2007**

	<u>Interest rate</u>	<u>Amount</u>
<b>General fund:</b>		
LaSalle Bank	4.91%	\$ 221,908
Michigan Class Pool	5.17%	116,877
Flagstar Bank - Certificate of Deposit	5.42%	<u>1,750,000</u>
		<u>2,088,785</u>
 <b>2000 capital projects fund:</b>		
Flagstar Bank - Certificate of Deposit	5.42%	<u>2,250,000</u>
 <b>Sinking fund:</b>		
Flagstar Bank - Certificate of Deposit	5.42%	2,250,000
Michigan Class Pool	5.17%	<u>109,039</u>
		<u>2,359,039</u>
 Total investments		<u><u>\$ 6,697,824</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**  
**ADDITIONAL REPORTS REQUIRED BY**  
**OMB CIRCULAR A-133**  
**YEAR ENDED JUNE 30, 2007**



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Lamonte T. Lator  
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Steven W. Scott  
David M. Raeck  
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Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
School District of the City of East Lansing  
East Lansing, Michigan

September 7, 2007

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the School District of the City of East Lansing as of and for the year ended June 30, 2007, which collectively comprise School District of the City of East Lansing's basic financial statements and issued our report thereon dated September 7, 2007. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered School District of the City of East Lansing's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District of the City of East Lansing's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District of the City of East Lansing's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

To the Board of Education  
School District of the City of East Lansing  
East Lansing, Michigan

September 7, 2007

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District of the City of East Lansing's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of School District of the City of East Lansing in a separate letter dated September 7, 2007.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer, Costenaro & Ellis, P.C.*

Certified Public Accountants



Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raeck  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
School District of the City of East Lansing  
East Lansing, Michigan

September 7, 2007

Compliance

We have audited the compliance of the School District of the City of East Lansing with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The School District of the City of East Lansing's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District of the City of East Lansing's management. Our responsibility is to express an opinion on the School District of the City of East Lansing's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District of the City of East Lansing's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District of the City of East Lansing's compliance with those requirements.

In our opinion, the School District of the City of East Lansing complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

To the Board of Education  
School District of the City of East Lansing  
East Lansing, Michigan

September 7, 2007

### Internal Control Over Compliance

The management of the School District of the City of East Lansing is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District of the City of East Lansing's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

To the Board of Education  
School District of the City of East Lansing  
East Lansing, Michigan

September 7, 2007

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of East Lansing as of and for the year ended June 30, 2007, and have issued our report thereon dated September 7, 2007. Our audit was performed for the purpose of forming an opinion on the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer, Costenaro & Ellis, P.C.*

Certified Public Accountants

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2006	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2007
<u>U.S. Department of Agriculture:</u>								
Passed through the Michigan Department of Education:								
Child Nutrition Cluster:								
National School Lunch Breakfast	10.553	061970	\$ 37,040	\$	\$ 33,481	\$ 3,559	\$ 3,559	\$
		071970	38,397			38,397	38,397	
			75,437		33,481	41,956	41,956	
National School Lunch	10.555	061950	49,822		43,994	5,828	5,828	
		061960	215,287		190,534	24,753	24,753	
		071950	47,526			47,526	47,526	
		071960	200,889			200,889	200,889	
			513,524		234,528	278,996	278,996	
Total Child Nutrition Cluster			588,961		268,009	320,952	320,952	
Food Distribution:								
Entitlement Commodities	10.550		64,321			64,321	64,321	
Bonus Commodities			156			156	156	
			64,477			64,477	64,477	
Total U.S. Department of Agriculture			653,438		268,009	385,429	385,429	
<u>U.S. Department of Education:</u>								
Passed through the Michigan Department of Education :								
Title I - Improving Basic Programs	84.010	061530-0506	431,843	92,050	431,842	92,050		
		061530-0607	44,324			29,254	44,324	15,070
		071530-0607	478,768			239,985	439,650	199,665
			954,935	92,050	431,842	361,289	483,974	214,735

The accompanying notes are an integral part of this schedule.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2006	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2007
<u>U.S. Department of Education (Continued):</u>								
Passed through the Michigan Department of Education (Concluded):								
Title V Part A - Innovative Programs	84.298	070250 0607	\$ 705	\$	\$	\$ 705	\$ 705	\$
Title II Part D - Enhancing Ed. Through Technology	84.318	064290 0506	3,769	144	3,769	144		
		064290 0607	5,114				4,696	4,696
		074290 0607	4,875				497	497
			13,758	144	3,769	144	5,193	5,193
Title III - Limited English Proficient	84.365A	050580 0506	15,824	4,812	15,171	4,812		
		060580 0506	35,193			3,684	3,684	
		060580 0607	31,509				29,628	29,628
		070580 0607	23,517					
			106,043	4,812	15,171	8,496	33,312	29,628
Title II Part A - Improving Teacher Quality	84.367	060520 0506	147,710	29,467	145,818	31,359	1,892	
		060520 0607	36,021			21,037	36,021	14,984
		070520 0607	182,050			13,914	89,471	75,557
			365,781	29,467	145,818	66,310	127,384	90,541
Total passed through Michigan Department of Education			1,441,222	126,473	596,600	436,944	650,568	340,097
Passed through Ingham Intermediate School District:								
Special Education Cluster:								
IDEA Pre-Primary Impaired	84.173	060460 0506	21,822	12,830	21,822	12,830		
		070460 0607	20,708			11,780	20,708	8,928
Total Special Education Cluster			42,530	12,830	21,822	24,610	20,708	8,928

The accompanying notes are an integral part of this schedule.



**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2006	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2007
<u>U.S. Department of Education (Concluded):</u>								
Passed through Potterville Public Schools								
Homeless	84.196A	062320 0506	\$ 150	\$ 150	\$ 150	\$ 150	\$	\$
		072320 0607	657				657	657
			807	150	150	150	657	657
Passed through the Michigan Department of Education:								
Katrina Hurricane Relief - For Displaced Students	84.938C	064120	1,552	1,133	1,133	1,552	419	
Carole M. White Physical Education Program	84.215F	Q215F050104	206,110	15,182	192,080	29,212	14,030	
		Q215F050104A	30,817			30,817	30,817	
		Q215F050104-06	41,769			9,926	20,609	10,683
			278,696	15,182	192,080	69,955	65,456	10,683
Total U.S. Department of Education			1,764,807	155,768	811,785	533,211	737,808	360,365
<u>U.S. Department of Health and Human Services:</u>								
Passed through Ingham Intermediate School District								
Medicaid Administrative Outreach	93.778		20,754			20,754	20,754	
Total Expenditures of Federal Awards			\$2,438,999	\$ 155,768	\$ 1,079,794	\$ 939,394	\$ 1,143,991	\$ 360,365

The accompanying notes are an integral part of this schedule.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of the School District of the City of East Lansing and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. Child Nutrition Cluster, CFDA (#10.553 and #10.555) were audited as major programs, representing 28% of expenditures. The District is a low risk auditee.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Section Auditors' Report (Form R7120) and the Grand Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Reconciliation of federal revenues reported on financial statements with expenditures per schedule of expenditures of federal awards:

Federal revenue, per financial statements:

General fund	\$ 758,562
Other nonmajor governmental funds	<u>385,429</u>
	<u><u>\$ 1,143,991</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**Section I - Summary of Auditors' Results**

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**Financial Statements**

Type of auditors' report issued: Unqualified

➤ Material weakness(es) identified:        Yes   X   No

➤ Significant deficiency(ies) identified that are not considered to be material weaknesses?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major programs:

➤ Material weakness(es) identified:        Yes   X   No

➤ Significant deficiency(ies) identified that are not considered to be material weaknesses?        Yes   X   None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?        Yes   X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 & 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?   X   Yes        No

**Section II - Financial Statement Findings**

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None

**Section III - Federal Award Findings and Questioned Costs**

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None

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2007**

There were no findings disclosed for the past two years.