

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

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

YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

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

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, 2008, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

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, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2008, 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 29, 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 31 through 50 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, Costeniser & Ellis, P.C.

September 30, 2008

School District of the City of East Lansing

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008



East Lansing Public Schools

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, 2008. 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.

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.

School District of the City of East Lansing

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008



East Lansing Public Schools

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, 2008



East Lansing Public Schools

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, 2008 and June 30, 2007:

	2008	2007
ASSETS:		
Current assets	\$ 13,185,662	\$ 14,004,880
Noncurrent assets	81,447,710	81,621,454
Total assets	<u>\$ 94,633,372</u>	<u>\$ 95,626,334</u>
LIABILITIES:		
Current liabilities	\$ 10,005,260	\$ 9,145,968
Long-term liabilities	76,636,512	81,295,173
Total liabilities	<u>86,641,772</u>	<u>90,441,141</u>
NET ASSETS (DEFICIT):		
Invested in capital assets, net of related debt	6,586,211	4,254,647
Restricted for capital projects (sinking fund)	3,370,468	2,715,176
Unrestricted	<u>(1,965,079)</u>	<u>(1,784,630)</u>
Total net assets	<u>7,991,600</u>	<u>5,185,193</u>
Total liabilities and net assets	<u>\$ 94,633,372</u>	<u>\$ 95,626,334</u>

Analysis of Financial Position

For the fiscal year ended June 30, 2008, the District's net assets increased by \$2,806,407. 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, 2008



East Lansing Public Schools

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, 2008 and June 30, 2007, the following was recorded as depreciation expense:

	2008	2007
Land improvements	\$ 386,532	\$ 330,616
Building and additions	1,827,980	1,813,221
Furniture and equipment	564,280	588,523
Transportation and equipment	63,341	61,441
Total	<u>\$ 2,842,133</u>	<u>\$ 2,793,801</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, 2008, \$2,703,738 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 \$139,211 for the fiscal year ended June 30, 2008.

3. Long-Term Debt

The District's total general long-term debt for the fiscal year ended June 30, 2008 decreased by \$4,590,164. 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, 2008



East Lansing Public Schools

For the fiscal year ended June 30, 2008 and June 30, 2007, the District-wide results of operation were:

	2008	% of total	2007	% of total
General revenues:				
Property taxes, levied for general operations	\$ 9,555,263	21.8	\$ 8,876,678	20.5
Property taxes, levied for debt service	7,700,437	17.5	7,268,631	16.8
Property taxes, levied for sinking fund	1,421,661	3.2	1,325,574	3.1
Investment earnings	628,800	1.4	822,182	1.9
State sources	19,474,634	44.4	20,108,615	46.4
County special education allocation	2,652,734	6.0	2,498,836	5.8
Other	322,812	0.8	368,993	0.8
Total general revenues	41,756,341	95.1	41,269,509	95.3
Program revenues:				
Charges for services	815,655	1.9	832,881	1.9
Operating grants	1,331,151	3.0	1,195,022	2.8
Total revenues	<u>\$ 43,903,147</u>	<u>100.0</u>	<u>\$ 43,297,412</u>	<u>100.0</u>
Function/program expenses:				
Instruction	\$ 20,231,103	49.2	\$ 19,068,233	48.5
Support services	12,572,418	30.6	11,895,634	30.3
Community services	23,094	0.1	16,079	0.0
Outgoing transfers and other transactions	610	0.0	-	0.0
Food services	954,989	2.3	924,004	2.4
Athletics	721,116	1.8	701,506	1.8
Interest on long-term debt	3,751,277	9.1	3,907,173	9.9
Unallocated depreciation	2,842,133	6.9	2,793,801	7.1
Total expenses	<u>\$ 41,096,740</u>	<u>100.0</u>	<u>\$ 39,306,430</u>	<u>100.0</u>

School District of the City of East Lansing

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008



East Lansing Public Schools

Significant revenues and expenditures are discussed in the segments below:

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, 2008 was approximately \$65,280, or .66% 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
2007 - 2008	0.7781	17.2219	7.0000	1.2860
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

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
2007 - 2008	\$ 837,649	\$ 8,527,797	\$ 7,588,636	\$ 1,384,420
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

School District of the City of East Lansing

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008



East Lansing Public Schools

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 2008 was \$8,565.

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

Fiscal year	Per pupil allowance	\$ increase from prior year
2007 - 2008	\$ 8,565	\$ 48
2006 - 2007	8,517	210
2005 - 2006	8,307	175
2004 - 2005	8,132	
2003 - 2004	8,132	

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 \$8,565 the District receives for its resident pupils.

In fiscal year 2003-04 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 of loss revenue to the District for fiscal year ended 2004. Thus, as indicated above, the flat increase in the per pupil allowance for fiscal year ended 2004 was actually a decrease in funding.

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:

Fiscal year	Actual blended student FTE	FTE change from prior year
2007 - 2008	3,399	(11)
2006 - 2007	3,410	(55)
2005 - 2006	3,465	(49)
2004 - 2005	3,514	(46)
2003 - 2004	3,560	(67)

School District of the City of East Lansing

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008



East Lansing Public Schools

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, 2008, the District received \$2,652,734. This amount represents an increase of \$153,898 over the prior fiscal year. The majority of this increase is due to additional property tax revenue, interest earnings, and a decrease in the countywide special education transportation costs.

5. Expenditure Comparison By Function

The following schedule provides a comparison of fund expenditures for fiscal years 2007-2008 and 2006-2007:

Function	2007 - 2008 fiscal year	%	2006 - 2007 fiscal year	%
Basic programs	\$ 16,375,504	49.4	\$ 16,338,057	50.0
Special education	3,213,807	9.7	3,211,830	9.8
Compensatory education	1,010,626	3.0	902,312	2.8
Total instruction	20,599,937	62.1	20,452,199	62.6
Pupil support services	2,073,426	6.3	2,283,400	7.0
Instructional staff support services	1,703,841	5.1	1,497,074	4.6
School administration	2,399,517	7.2	2,348,210	7.2
Total instructional support	6,176,784	18.6	6,128,684	18.8
General administration	385,703	1.2	434,601	1.3
Business office	673,548	2.1	666,990	2.1
Operations and maintenance	3,454,443	10.4	3,202,200	9.8
Pupil transportation	674,436	2.0	752,718	2.3
Central	1,171,598	3.5	1,001,273	3.1
Community services	23,094	0.1	16,079	0.0
Outgoing transfers and loan payments	14,519	0.0	13,909	0.0
Total general fund	33,174,062	100.0	32,668,653	100.0
Food service fund	954,992		924,004	
Athletic fund	721,114		701,506	
Debt service fund	7,953,023		7,804,988	
Sinking fund	885,469		900,703	
2000 capital projects fund	1,827,611		1,480,933	
Total	\$ 45,516,271		\$ 44,480,787	

School District of the City of East Lansing

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008



East Lansing Public Schools

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
2007 - 2008	\$ 33,192,901	\$ 33,105,021	-0.26%
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%

Five year average actual over (under) budget 0.07%

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
2007 - 2008	\$ 34,187,268	\$ 33,691,745	-1.45%
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%

Five year average actual over (under) budget -1.15%

School District of the City of East Lansing

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008



East Lansing Public Schools

Capital and Intangible Asset and Debt Administration

1. Capital and Intangible Assets

At June 30, 2008, the District had \$81,447,710 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 \$173,744 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:

	2008			2007
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 875,044	\$ -	\$ 875,044	\$ 875,044
Construction in progress	188,489	-	188,489	275,383
Land improvements	9,774,782	2,313,574	7,461,208	5,942,009
Building and additions	86,801,880	18,421,509	68,380,371	69,526,594
Furniture and equipment	7,090,324	3,288,389	3,801,935	4,163,887
Transportation equipment	798,876	548,545	250,331	313,672
Total	<u>\$ 105,529,395</u>	<u>\$ 24,572,017</u>	80,957,378	81,096,589
Issuance cost for bonds, net of amortization			<u>490,332</u>	<u>524,865</u>
Grand Total			<u>\$ 81,447,710</u>	<u>\$ 81,621,454</u>

2. Long-term Debt

At June 30, 2008, the District had \$72,735,300 in general obligation bonded debt outstanding versus \$76,583,947 at June 30, 2007.

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. For the year ended June 30, 2008 the District made a SBLF repayment of \$510,000 of which \$339,790 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

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008



East Lansing Public Schools

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 2009 but enrollment concerns remain as the District's resident enrollment has declined steadily over the years.
- **Foundation Allowance:** The per pupil foundation allowance the District receives from the State is anticipated to increase by \$56 or 0.65% for fiscal year 2009. 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 3.0% for fiscal year 2009.
- **Retirement Rate:** The State decreased the retirement rate to 16.54%, effective October 1, 2008, that is charged to districts to fund the retirement system. This represents a decrease of 0.18 percentage points from the rate ending September 30, 2008. 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:** All union contracts are currently settled through June 30, 2009 with the exception of the East Lansing Education Association (ELEA) contract. The District does, however, have a tentative agreement with the ELEA through June 30, 2009.

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.

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS	Governmental activities
CURRENT ASSETS:	
Cash	\$ 8,691,256
Investments	465,260
Receivables:	
Accounts receivable	30,696
Taxes receivable	65,180
Due from other governmental units	3,826,661
Inventories	54,562
Prepaid expenditures	52,047
TOTAL CURRENT ASSETS	13,185,662
NONCURRENT ASSETS:	
Issuance cost for bonds, net of amortization	490,332
Capital assets	105,529,395
Less accumulated depreciation	(24,572,017)
TOTAL NONCURRENT ASSETS	81,447,710
TOTAL ASSETS	\$ 94,633,372

	<u>Governmental activities</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 1,419,253
Accrued salaries and related items	3,599,331
Accrued interest	580,771
Deferred revenue	57,579
Due to other governmental units	5,254
Current portion of long-term obligations	3,968,910
Current portion of compensated absences and termination benefits	<u>374,162</u>
TOTAL CURRENT LIABILITIES	<u>10,005,260</u>
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	68,780,300
School bond loan fund	3,078,943
Noncurrent portion of compensated absences and termination benefits	<u>4,777,269</u>
TOTAL NONCURRENT LIABILITIES	<u>76,636,512</u>
TOTAL LIABILITIES	<u>86,641,772</u>
NET ASSETS:	
Invested in capital assets, net of related debt	6,586,211
Restricted for capital projects (sinking fund)	3,370,468
Unrestricted	<u>(1,965,079)</u>
TOTAL NET ASSETS	<u>7,991,600</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 94,633,372</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 20,231,103	\$ -	\$ 606,231	\$ (19,624,872)
Support services	12,572,418	105,448	254,343	(12,212,627)
Community services	23,094	-	23,094	-
Outgoing transfers and other transactions	610	-	-	(610)
Food services	954,989	515,942	447,483	8,436
Athletics	721,116	194,265	-	(526,851)
Interest on long-term debt	3,751,277	-	-	(3,751,277)
Unallocated depreciation	2,842,133	-	-	(2,842,133)
Total governmental activities	<u>\$ 41,096,740</u>	<u>\$ 815,655</u>	<u>\$ 1,331,151</u>	<u>(38,949,934)</u>
General revenues:				
Property taxes, levied for general purposes				9,555,263
Property taxes, levied for debt service				7,700,437
Property taxes, levied for sinking fund				1,421,661
Investment earnings				628,800
State sources				19,474,634
Intermediate sources				2,652,734
Other				322,812
Total general revenues				<u>41,756,341</u>
CHANGE IN NET ASSETS				2,806,407
NET ASSETS , beginning of year				<u>5,185,193</u>
NET ASSETS , end of year				<u><u>\$ 7,991,600</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>2000 Capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
ASSETS:					
Cash and cash equivalents	\$ 3,237,449	\$ 3,389,506	\$ 1,849,069	\$ 215,232	\$ 8,691,256
Investments	351,579	113,681	-	-	465,260
Receivables:					
Property taxes receivable	30,928	5,316	-	28,936	65,180
Accounts receivable	17,323	-	-	13,373	30,696
Due from other governmental units	3,819,868	-	-	6,793	3,826,661
Due from other funds	17,742	-	-	-	17,742
Inventories	17,206	-	-	37,356	54,562
Prepaid expenditures	38,881	-	-	13,166	52,047
TOTAL ASSETS	<u>\$ 7,530,976</u>	<u>\$ 3,508,503</u>	<u>\$ 1,849,069</u>	<u>\$ 314,856</u>	<u>\$ 13,203,404</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 257,344	\$ 138,035	\$ 994,046	\$ 29,828	\$ 1,419,253
Accrued salaries and related items	3,592,992	-	-	6,339	3,599,331
Due to other funds	-	-	-	17,742	17,742
Due to other governmental units	5,254	-	-	-	5,254
Deferred revenue	186,269	-	-	17,764	204,033
TOTAL LIABILITIES	<u>4,041,859</u>	<u>138,035</u>	<u>994,046</u>	<u>71,673</u>	<u>5,245,613</u>
FUND BALANCES:					
Reserved for inventories	17,206	-	-	-	17,206
Reserved for prepaid expenditures	38,881	-	-	-	38,881
Reserved for debt service	13,910	-	-	239,565	253,475
Reserved for capital outlay	-	3,370,468	855,023	-	4,225,491

See notes to financial statements

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>2000 Capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
FUND BALANCES (Concluded):					
Unreserved:					
Designated for deferred retirement incentives	\$ 537,819	\$ -	\$ -	\$ -	\$ 537,819
Designated for subsequent year expenditures	73,139	-	-	-	73,139
Undesignated	<u>2,808,162</u>	<u>-</u>	<u>-</u>	<u>3,618</u>	<u>2,811,780</u>
TOTAL FUND BALANCES	<u>3,489,117</u>	<u>3,370,468</u>	<u>855,023</u>	<u>243,183</u>	<u>7,957,791</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,530,976</u>	<u>\$ 3,508,503</u>	<u>\$ 1,849,069</u>	<u>\$ 314,856</u>	<u>\$ 13,203,404</u>
Total governmental fund balances					\$ 7,957,791
Amounts reported for governmental activities in the statement of net assets are different because:					
Value of amortized bond issuance costs					490,332
Capital assets used in governmental activities are not financial resources and are not reported in the funds					
The cost of the capital assets is				\$ 105,529,395	
Accumulated depreciation is				<u>(24,572,017)</u>	
					80,957,378
Revenue not recorded in the funds due to not being collected until after September 1, 2008:					
Special education payment due from IISD					115,742
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds payable					(72,749,210)
School bond loan payable including interest					(3,078,943)
Compensated absences and termination benefits					(5,151,431)
Accrued interest is not included as a liability in government funds, it is recorded when paid					(580,771)
Balance of taxes receivable at June 30, 2008 less allowance for doubtful accounts expected to be collected after September 1, 2008					<u>30,712</u>
Net assets of governmental activities					<u>\$ 7,991,600</u>

See notes to financial statements

SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>2000 Capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES:					
Local sources:					
Property taxes	\$ 9,552,366	\$ 1,407,609	\$ -	\$ 7,714,489	\$ 18,674,464
Tuition	7,794	-	-	-	7,794
M.S.U reimbursement	-	-	-	105,448	105,448
Investment earnings	218,241	133,152	101,218	176,189	628,800
Food sales, athletics, and community service	-	-	-	627,628	627,628
Other	285,663	-	29,355	82,579	397,597
Total local sources	10,064,064	1,540,761	130,573	8,706,333	20,441,731
State sources	19,474,634	-	-	44,100	19,518,734
Federal sources	883,669	-	-	403,383	1,287,052
Incoming transfers and other	2,652,480	-	-	-	2,652,480
Total revenues	33,074,847	1,540,761	130,573	9,153,816	43,899,997
EXPENDITURES:					
Current:					
Instruction	20,599,937	-	-	-	20,599,937
Supporting services	12,536,512	-	-	-	12,536,512
Food service activities	-	-	-	949,221	949,221
Athletic activities	-	-	-	721,114	721,114
Community service activities	23,094	-	-	-	23,094
Outgoing transfers and other transactions	610	-	-	-	610
Capital outlay	-	885,469	1,827,611	5,771	2,718,851

See notes to financial statements

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>2000 Capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):					
Debt service:					
Principal repayment	\$ 13,909	\$ -	\$ -	\$ 4,160,318	\$ 4,174,227
Interest	-	-	-	3,792,120	3,792,120
Bond issuance costs	-	-	-	585	585
	<u>33,174,062</u>	<u>885,469</u>	<u>1,827,611</u>	<u>9,629,129</u>	<u>45,516,271</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(99,215)</u>	<u>655,292</u>	<u>(1,697,038)</u>	<u>(475,313)</u>	<u>(1,616,274)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	12,432	-	-	-	12,432
Operating transfers from other funds	17,742	-	-	517,683	535,425
Operating transfers to other funds	<u>(517,683)</u>	<u>-</u>	<u>-</u>	<u>(17,742)</u>	<u>(535,425)</u>
	<u>(487,509)</u>	<u>-</u>	<u>-</u>	<u>499,941</u>	<u>12,432</u>
NET CHANGE IN FUND BALANCES	<u>(586,724)</u>	<u>655,292</u>	<u>(1,697,038)</u>	<u>24,628</u>	<u>(1,603,842)</u>
FUND BALANCES:					
Beginning 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>
End of year	<u>\$ 3,489,117</u>	<u>\$ 3,370,468</u>	<u>\$ 855,023</u>	<u>\$ 243,183</u>	<u>\$ 7,957,791</u>

See notes to financial statements

**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, 2008**

Net change in fund balances total governmental funds \$ (1,603,842)

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	(2,842,133)
Capital outlay	2,703,738
Proceeds from the sale of school property	(12,432)
Gain on disposal of capital assets	11,616

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	603,743
Accrued interest payable, end of the year	(580,771)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Payments on debt	4,192,683
Amortization of bond issuance costs	(34,533)
Amortization of deferred loss on refunding	(178,665)
Amortization of bond premium	207,312

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:

Deferred revenue, beginning of the year	(175,597)
Deferred revenue, end of the year	146,454

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 termination benefits, beginning of the year	5,520,265
Accrued compensated absences and termination benefits, end of the year	(5,151,431)

Change in net assets of governmental activities	\$ 2,806,407
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**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2008**

	<u>Agency Funds</u>
ASSETS:	
Cash	\$ 455,235
Accounts receivable	<u>7,903</u>
Total assets	<u><u>\$ 463,138</u></u>
LIABILITIES:	
Accounts payable	\$ 9,181
Due to student and other groups	<u>453,957</u>
Total liabilities	<u><u>\$ 463,138</u></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 certificate of substantial completion was dated March 1, 2006.

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>\$ 14,240,178</u></u>
Expenditures and transfers	<u><u>\$ 79,454,620</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, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

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 2007 to August 2008. 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.

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, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General fund:	
Operating - Non-homestead	17.2219
Supplemental - Homestead and non-homestead	0.7781
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.

9. Net Asset Reporting

In the computation of invested in capital assets, net of related debt, school bond loan fund and school bond revolving fund principal proceeds of \$2,967,312 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$111,631 has been included in the calculation of unrestricted net assets.

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.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

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.
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, 2008. The District does not consider these amendments to be significant.

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

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2008, the District had the following investments.

Investment type	Fair value	Weighted average maturity (years)	Fitch's rating	%
MBIA External Investment pool - CLASS	<u>\$ 235,533</u>	0.0027	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, 2008, the fair value of the District’s investments is the same as the value of the pool shares.

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, 2008, \$8,944,491 of the District’s bank balance of \$9,144,491 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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.

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

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

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.

At June 30, 2008, the carrying amounts are as follows:

Cash on hand	\$ 2,000
Deposits including fiduciary funds of \$455,235	9,374,218
Investments	235,533
	<hr/>
	\$ 9,611,751
	<hr/>

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

Cash agency fund	\$ 455,235
Cash - district-wide	8,691,256
Investments - district-wide	465,260
	<hr/>
	\$ 9,611,751
	<hr/>

NOTE 4 - RECEIVABLES

Receivables at June 30, 2008 consist of the following:

Other governmental units:

State aid	\$ 3,491,069
Federal revenue	172,931
Ingham Intermediate School District	162,661
	<hr/>
	\$ 3,826,661
	<hr/>

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, 2008 is as follows:

	Balance July 1, 2007	Additions	Reclassifications/ deletions	Balance June 30, 2008
Assets not being depreciated:				
Land	\$ 875,044	\$ -	\$ -	\$ 875,044
Construction in progress	275,383	-	86,894	188,489
	<u>1,150,427</u>	<u>-</u>	<u>86,894</u>	<u>1,063,533</u>
Other capital assets:				
Land improvements	7,869,051	1,905,731	-	9,774,782
Buildings and additions	86,120,123	681,757	-	86,801,880
Furniture and equipment	6,920,767	203,144	33,587	7,090,324
Vehicles	845,693		46,817	798,876
	<u>101,755,634</u>	<u>2,790,632</u>	<u>80,404</u>	<u>104,465,862</u>
Total other capital assets				
Accumulated depreciation:				
Land improvements	1,927,042	386,532	-	2,313,574
Building and improvements	16,593,529	1,827,980	-	18,421,509
Furniture and equipment	2,756,880	564,280	32,771	3,288,389
Vehicles	532,021	63,341	46,817	548,545
	<u>21,809,472</u>	<u>2,842,133</u>	<u>79,588</u>	<u>24,572,017</u>
Total accumulated depreciation				
Net other capital assets	<u>79,946,162</u>	<u>(51,501)</u>	<u>816</u>	<u>79,893,845</u>
Net capital assets	<u>\$ 81,096,589</u>	<u>\$ (51,501)</u>	<u>\$ 87,710</u>	<u>\$ 80,957,378</u>

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

Depreciation for the fiscal year ended June 30, 2008 amounted to \$2,842,133. 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, 2008 are as follows:

2000 general obligation bonds due in annual installments of \$1,750,000 through May 1, 2010, with interest at 4.55% to 4.80%.	\$ 3,500,000
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%.	13,915,000
\$115,000 to \$3,045,000 through May 1, 2030, with interest at 3.00% to 5.00%.	55,155,000
Less: Loss on bond refunding	(3,235,334)
Plus: Premium on 2005 issuance	<u>3,400,634</u>
Total general obligation	72,735,300
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.	3,078,943
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.	13,910
Employee compensated absences and severance benefits	<u>5,151,431</u>
Total general long-term debt	<u><u>\$ 80,979,584</u></u>

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, 2008, \$68,265,000 of bonds outstanding are considered defeased.

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

NOTE 6 - LONG-TERM DEBT (Continued)

The annual requirements to amortize the long-term obligations as of June 30, 2008, including interest of \$38,545,300 are as follows:

Year ending June 30,	Principal	Interest	Total
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	4,675,000	2,765,000	7,440,000
2014 - 2018	15,145,000	11,114,000	26,259,000
2019 - 2023	14,785,000	7,521,500	22,306,500
2024 - 2028	15,145,000	3,767,500	18,912,500
2029 - 2030	5,995,000	449,000	6,444,000
	72,583,910	38,545,300	111,129,210
Loss on bond refunding	(3,235,334)	-	(3,235,334)
Unamortized premium on bond issuance	3,400,634	-	3,400,634
Accumulated compensated absences and severance benefits	5,151,431	-	5,151,431
Due to school bond loan fund	3,078,943	-	3,078,943
	<u>\$ 80,979,584</u>	<u>\$ 38,545,300</u>	<u>\$ 119,524,884</u>

Borrowing from the State of Michigan - The school bond loans payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates ranging from 4.25% - 4.75% for the School Bond Loan Fund notes have been assessed for the year ended June 30, 2008. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.00 mills. The school district is required to levy 7.00 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 7.00 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule.

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

NOTE 6 - LONG-TERM DEBT (Concluded)

An amount of \$239,565 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, 2008:

	<u>Compensated absences</u>	<u>School bond loan fund</u>	<u>Bonds and other debt</u>	<u>Total</u>
Balance, July 1, 2007	\$ 5,520,265	\$ 3,437,717	\$ 76,611,766	\$ 85,569,748
Additions	123,477	151,226	-	274,703
Deletions	<u>(492,311)</u>	<u>(510,000)</u>	<u>(3,862,556)</u>	<u>(4,864,867)</u>
Balance, June 30, 2008	5,151,431	3,078,943	72,749,210	80,979,584
Less current portion	<u>(374,162)</u>	<u>-</u>	<u>(3,968,910)</u>	<u>(4,343,072)</u>
Total due after one year	<u><u>\$ 4,777,269</u></u>	<u><u>\$ 3,078,943</u></u>	<u><u>\$ 68,780,300</u></u>	<u><u>\$ 76,636,512</u></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, 2008 was approximately \$138,000. Future operating lease commitments are as follows:

<u>Year ending June 30,</u>	<u>Copier lease</u>
2009	<u><u>\$ 17,250</u></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, 2008 was 17.74% of payroll through September 30, 2007, and 16.72% effective October 1, 2007 through June 30, 2008. 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, 2008, 2007 and 2006 were \$3,308,648, \$3,326,735 and \$3,008,080, 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, 2008 are as follows:

<u>Receivable fund</u>	<u>Amount</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	<u>\$ 17,742</u>	Food service fund	<u>\$ 17,742</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, 2008 or any of the prior three years.

NOTE 11 - TRANSFERS

The general fund transferred \$517,683 to the athletic fund to subsidize operations. The school lunch fund transferred \$17,742 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, 2008**

	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES:				
Local sources	\$ 9,675,818	\$ 9,910,358	\$ 10,064,064	\$ 153,706
State sources	19,478,309	19,592,225	19,474,634	(117,591)
Federal sources	838,340	1,045,210	883,669	(161,541)
Incoming transfers and other	2,315,822	2,635,738	2,652,480	16,742
Total revenues	<u>32,308,289</u>	<u>33,183,531</u>	<u>33,074,847</u>	<u>(108,684)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	16,375,250	16,441,438	16,375,504	65,934
Added needs	4,374,316	4,346,952	4,224,433	122,519
Total instruction	<u>20,749,566</u>	<u>20,788,390</u>	<u>20,599,937</u>	<u>188,453</u>
Supporting services:				
Pupil	2,203,783	2,132,088	2,073,426	58,662
Instructional staff	1,703,089	1,839,186	1,703,841	135,345
General administration	375,254	383,900	385,703	(1,803)
School administration	2,416,492	2,410,712	2,399,517	11,195
Business	704,489	686,351	673,548	12,803
Operation/maintenance	3,268,911	3,503,872	3,454,443	49,429
Pupil transportation	644,699	662,593	674,436	(11,843)
Central	1,149,430	1,212,763	1,171,598	41,165
Total supporting services	<u>12,466,147</u>	<u>12,831,465</u>	<u>12,536,512</u>	<u>294,953</u>
Community services	31,415	35,820	23,094	12,726
Debt service	13,910	13,910	13,909	1
Outgoing transfers and other transactions	-	-	610	(610)
Total expenditures	<u>33,261,038</u>	<u>33,669,585</u>	<u>33,174,062</u>	<u>495,523</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(952,749)</u>	<u>(486,054)</u>	<u>(99,215)</u>	<u>386,839</u>
OTHER FINANCING SOURCES (USES):				
Sale of school property	4,000	9,370	12,432	3,062
Operating transfers from other funds	79,572	-	17,742	17,742
Operating transfers to other funds	(471,600)	(517,683)	(517,683)	-
Total other financing uses	<u>(388,028)</u>	<u>(508,313)</u>	<u>(487,509)</u>	<u>20,804</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,340,777)</u>	<u>\$ (994,367)</u>	<u>(586,724)</u>	<u>\$ 407,643</u>
FUND BALANCE:				
Beginning of year			4,075,841	
End of year			<u>\$ 3,489,117</u>	

ADDITIONAL INFORMATION

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2008**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Total nonmajor governmental funds</u>
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 4,603	\$ 210,629	\$ 215,232
Accounts receivable	13,373	-	13,373
Delinquent taxes receivable	-	28,936	28,936
Due from other governmental units	6,793	-	6,793
Prepaid expenditures	13,166	-	13,166
Inventories	37,356	-	37,356
TOTAL ASSETS	<u><u>\$ 75,291</u></u>	<u><u>\$ 239,565</u></u>	<u><u>\$ 314,856</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 29,828	\$ -	\$ 29,828
Accrued salaries and related items	6,339	-	6,339
Due to other funds	17,742	-	17,742
Deferred revenue	17,764	-	17,764
TOTAL LIABILITIES	<u>71,673</u>	<u>-</u>	<u>71,673</u>
FUND BALANCES:			
Reserved for debt service	-	239,565	239,565
Unreserved, undesignated	3,618	-	3,618
TOTAL FUND BALANCES	<u>3,618</u>	<u>239,565</u>	<u>243,183</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 75,291</u></u>	<u><u>\$ 239,565</u></u>	<u><u>\$ 314,856</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, 2008**

	Special revenue	Debt service	Total nonmajor governmental funds
REVENUES:			
Local sources:			
Property taxes	\$ -	\$ 7,714,489	\$ 7,714,489
M.S.U. reimbursement	-	105,448	105,448
Investment earnings	-	176,189	176,189
Food sales and admissions	627,628	-	627,628
Other	82,579	-	82,579
Total local sources	710,207	7,996,126	8,706,333
State sources	44,100	-	44,100
Federal sources	403,383	-	403,383
Total revenues	1,157,690	7,996,126	9,153,816
EXPENDITURES:			
Current:			
Food service activities	949,221	-	949,221
Athletic activities	721,114	-	721,114
Capital outlay	5,771	-	5,771
Debt service:			
Principal repayment	-	4,160,318	4,160,318
Interest expense	-	3,792,120	3,792,120
Bond issuance costs	-	585	585
Total expenditures	1,676,106	7,953,023	9,629,129
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(518,416)	43,103	(475,313)
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	517,683	-	517,683
Operating transfers to other funds	(17,742)	-	(17,742)
Total other financing sources	499,941	-	499,941
NET CHANGE IN FUND BALANCES	(18,475)	43,103	24,628
FUND BALANCES:			
Beginning of year	22,093	196,462	218,555
End of year	\$ 3,618	\$ 239,565	\$ 243,183

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
YEAR ENDED JUNE 30, 2008**

	Final budget	Actual	Variance with final budget- positive (negative)
LOCAL SOURCES:			
Property taxes	\$ 9,396,368	\$ 9,552,366	\$ 155,998
Tuition	6,748	7,794	1,046
Investment earnings	222,500	218,241	(4,259)
Other local revenue	284,742	285,663	921
TOTAL LOCAL SOURCES	9,910,358	10,064,064	153,706
STATE SOURCES:			
Foundation grant	13,297,307	13,179,705	(117,602)
Special education	1,581,949	1,581,949	-
Other state revenue	4,712,969	4,712,980	11
TOTAL STATE SOURCES	19,592,225	19,474,634	(117,591)
FEDERAL SOURCES:			
Title I	577,566	516,399	(61,167)
Title II - improving teacher quality	286,090	183,241	(102,849)
Other federal revenue	181,554	184,029	2,475
TOTAL FEDERAL SOURCES	1,045,210	883,669	(161,541)
INCOMING TRANSFERS AND OTHER TRANSACTIONS:			
Special education	2,625,738	2,630,377	4,639
Other	10,000	22,103	12,103
TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS	2,635,738	2,652,480	16,742
TOTAL REVENUES	33,183,531	33,074,847	(108,684)
OTHER FINANCING SOURCES:			
Sale of school property	9,370	12,432	3,062
Operating transfers from other funds	-	17,742	17,742
TOTAL OTHER FINANCING SOURCES	9,370	30,174	20,804
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 33,192,901	\$ 33,105,021	\$ (87,880)

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2008**

	Final budget	Actual	Variance with final budget- positive (negative)
INSTRUCTION:			
Basic programs:			
Elementary:			
Salaries	\$ 5,953,936	\$ 5,948,552	\$ 5,384
Benefits	2,567,081	2,553,756	13,325
Purchased services	2,425	562	1,863
Supplies and materials	278,086	281,117	(3,031)
Other expenses	131,057	121,954	9,103
Capital outlay	36,150	32,494	3,656
Total elementary	8,968,735	8,938,435	30,300
Middle school:			
Salaries	1,603,235	1,601,020	2,215
Benefits	699,241	696,016	3,225
Purchased services	700	793	(93)
Supplies and materials	48,019	48,465	(446)
Other expenses	43,270	39,222	4,048
Capital outlay	8,947	2,324	6,623
Total middle school	2,403,412	2,387,840	15,572
High school:			
Salaries	3,324,445	3,320,517	3,928
Benefits	1,427,953	1,406,796	21,157
Purchased services	10,200	10,174	26
Supplies and materials	137,234	135,374	1,860
Other expenses	122,462	141,309	(18,847)
Capital outlay	13,066	14,452	(1,386)
Total high school	5,035,360	5,028,622	6,738
Summer school:			
Salaries	26,355	16,468	9,887
Benefits	6,717	4,139	2,578
Supplies and materials	859	-	859
Total summer school	33,931	20,607	13,324
Total basic programs	16,441,438	16,375,504	65,934

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2008**

	Final budget	Actual	Variance with final budget positive (negative)
INSTRUCTION (Concluded):			
Added needs:			
Special education:			
Salaries	\$ 1,831,353	\$ 1,812,807	\$ 18,546
Benefits	1,183,818	1,170,586	13,232
Purchased services	183,100	159,414	23,686
Supplies and materials	16,383	9,304	7,079
Other expenses	52,608	59,274	(6,666)
Capital outlay	9,000	2,422	6,578
Total special education	<u>3,276,262</u>	<u>3,213,807</u>	<u>62,455</u>
Compensatory education:			
Salaries	730,357	703,547	26,810
Benefits	296,754	285,876	10,878
Purchased services	9,469	243	9,226
Supplies and materials	30,216	18,718	11,498
Other expenses	3,894	2,242	1,652
Total compensatory education	<u>1,070,690</u>	<u>1,010,626</u>	<u>60,064</u>
Total added needs	<u>4,346,952</u>	<u>4,224,433</u>	<u>122,519</u>
TOTAL INSTRUCTION	<u>20,788,390</u>	<u>20,599,937</u>	<u>188,453</u>
SUPPORTING SERVICES:			
Pupil services:			
Salaries	1,429,393	1,410,655	18,738
Benefits	603,795	568,541	35,254
Purchased services	83,900	82,836	1,064
Supplies and materials	14,700	11,394	3,306
Other expenses	300	-	300
Total pupil services	<u>2,132,088</u>	<u>2,073,426</u>	<u>58,662</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2008**

	Final budget	Actual	Variance with final budget positive (negative)
SUPPORTING SERVICES (Continued) :			
Instructional staff services:			
Salaries	\$ 949,206	\$ 926,028	\$ 23,178
Benefits	441,862	415,897	25,965
Purchased services	120,326	79,929	40,397
Supplies and materials	151,425	115,445	35,980
Other expenses	176,367	166,542	9,825
Total instructional staff	<u>1,839,186</u>	<u>1,703,841</u>	<u>135,345</u>
General administration:			
Salaries	197,803	197,804	(1)
Benefits	86,195	85,277	918
Purchased services	81,062	84,082	(3,020)
Supplies and materials	10,100	9,626	474
Other expenses	8,740	8,914	(174)
Total general administration	<u>383,900</u>	<u>385,703</u>	<u>(1,803)</u>
School administration:			
Salaries	1,636,593	1,629,347	7,246
Benefits	672,534	668,717	3,817
Purchased services	41,866	44,056	(2,190)
Supplies and materials	24,165	27,939	(3,774)
Other expenses	28,567	21,856	6,711
Capital outlay	6,987	7,602	(615)
Total school administration	<u>2,410,712</u>	<u>2,399,517</u>	<u>11,195</u>
Business services:			
Salaries	308,940	306,434	2,506
Benefits	148,627	145,565	3,062
Purchased services	39,042	38,522	520
Supplies and materials	37,000	33,382	3,618
Other expenses	152,242	149,449	2,793
Capital outlay	500	196	304
Total business services	<u>686,351</u>	<u>673,548</u>	<u>12,803</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2008**

	Final budget	Actual	Variance with final budget positive (negative)
SUPPORTING SERVICES (Concluded):			
Operations and maintenance:			
Salaries	\$ 317,879	\$ 316,239	\$ 1,640
Benefits	189,805	184,666	5,139
Purchased services	348,308	355,547	(7,239)
Supplies and materials	1,119,918	1,110,192	9,726
Other expenses	1,492,562	1,454,373	38,189
Capital outlay	35,400	33,426	1,974
Total operations and maintenance	3,503,872	3,454,443	49,429
Transportation:			
Salaries	307,558	301,362	6,196
Benefits	169,795	167,517	2,278
Purchased services	33,240	57,955	(24,715)
Supplies and materials	78,000	79,535	(1,535)
Other expenses	74,000	68,067	5,933
Total transportation	662,593	674,436	(11,843)
Central services:			
Salaries	535,832	540,185	(4,353)
Benefits	216,981	215,178	1,803
Purchased services	199,804	163,627	36,177
Supplies and materials	23,900	20,015	3,885
Other expenses	93,280	86,227	7,053
Capital outlay	142,966	146,366	(3,400)
Total central services	1,212,763	1,171,598	41,165
TOTAL SUPPORTING SERVICES	12,831,465	12,536,512	294,953

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2008**

	Final budget	Actual	Variance with final budget positive (negative)
COMMUNITY SERVICES:			
Purchased services	\$ 23,065	\$ 13,866	\$ 9,199
Supplies and materials	12,755	7,848	4,907
Other expenses	-	1,380	(1,380)
TOTAL COMMUNITY SERVICES	35,820	23,094	12,726
OUTGOING TRANSFERS AND OTHER TRANSACTIONS:			
Debt service	13,910	13,909	1
Payments to other governmental units	-	610	(610)
TOTAL OUTGOING TRANSFERS OTHER TRANSACTIONS	13,910	14,519	(609)
TOTAL EXPENDITURES	33,669,585	33,174,062	495,523
OTHER FINANCING USES:			
Operating transfers to other funds	517,683	517,683	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 34,187,268	\$ 33,691,745	\$ 495,523

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008**

	Food Service	Athletic	Totals
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 4,356	\$ 247	\$ 4,603
Accounts receivable	11,946	1,427	13,373
Due from other governmental units	6,793	-	6,793
Prepaid expenditures	3,403	9,763	13,166
Inventories	37,356	-	37,356
TOTAL ASSETS	\$ 63,854	\$ 11,437	\$ 75,291
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 22,334	\$ 7,494	\$ 29,828
Accrued salaries and related items	6,013	326	6,339
Due to other funds	17,742	-	17,742
Deferred revenue	17,764	-	17,764
TOTAL LIABILITIES	63,853	7,820	71,673
FUND BALANCES:			
Unreserved/undesignated	1	3,617	3,618
TOTAL FUND BALANCES	1	3,617	3,618
TOTAL LIABILITIES AND FUND BALANCES	\$ 63,854	\$ 11,437	\$ 75,291

**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, 2008**

	Food Service	Athletic	Totals
REVENUES:			
Sales	\$ 515,942	\$ -	\$ 515,942
State aid	44,100	-	44,100
Federal aid	403,383	-	403,383
Admissions	-	111,686	111,686
Other	-	82,579	82,579
	<hr/>	<hr/>	<hr/>
Total revenues	963,425	194,265	1,157,690
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Salaries	255,402	430,990	686,392
Benefits	129,439	119,702	249,141
Supplies and materials	450,127	52,847	502,974
Capital outlay	5,771	-	5,771
Other expenses	114,253	117,575	231,828
	<hr/>	<hr/>	<hr/>
Total expenditures	954,992	721,114	1,676,106
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,433	(526,849)	(518,416)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	-	517,683	517,683
Operating transfers to other funds	(17,742)	-	(17,742)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(17,742)	517,683	499,941
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	(9,309)	(9,166)	(18,475)
	<hr/>	<hr/>	<hr/>
FUND BALANCES:			
Beginning of year	9,310	12,783	22,093
	<hr/>	<hr/>	<hr/>
End of year	\$ 1	\$ 3,617	\$ 3,618
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008**

	<u>2000 Debt</u>	<u>2005 Debt</u>	<u>Series B 2005 Debt</u>	<u>Total Nonmajor</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 42,912	\$ 87,535	\$ 80,182	\$ 210,629
Delinquent taxes receivable	<u>5,602</u>	<u>12,072</u>	<u>11,262</u>	<u>28,936</u>
TOTAL ASSETS	<u>\$ 48,514</u>	<u>\$ 99,607</u>	<u>\$ 91,444</u>	<u>\$ 239,565</u>
FUND BALANCES				
FUND BALANCES:				
Reserved for debt service	<u>\$ 48,514</u>	<u>\$ 99,607</u>	<u>\$ 91,444</u>	<u>\$ 239,565</u>

**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, 2008**

	<u>2000 Debt</u>	<u>2005 Debt</u>	<u>Series B 2005 Debt</u>	<u>Total Nonmajor</u>
REVENUES:				
Local sources:				
Property taxes	\$ 1,516,782	\$ 3,218,440	\$ 2,979,267	\$ 7,714,489
M.S.U reimbursement	-	105,448	-	105,448
Interest	39,643	82,605	53,941	176,189
	<u>1,556,425</u>	<u>3,406,493</u>	<u>3,033,208</u>	<u>7,996,126</u>
EXPENDITURES:				
Redemption of bonds	1,282,744	2,666,146	211,428	4,160,318
Interest on bonded debt	263,306	720,367	2,808,447	3,792,120
Agent fees	137	223	225	585
	<u>1,546,187</u>	<u>3,386,736</u>	<u>3,020,100</u>	<u>7,953,023</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>10,238</u>	<u>19,757</u>	<u>13,108</u>	<u>43,103</u>
FUND BALANCES:				
Beginning of year	<u>38,276</u>	<u>79,850</u>	<u>78,336</u>	<u>196,462</u>
End of year	<u>\$ 48,514</u>	<u>\$ 99,607</u>	<u>\$ 91,444</u>	<u>\$ 239,565</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
CAPITAL PROJECTS FUND – SINKING FUND
DETAILS OF EXPENDITURES
YEAR ENDED JUNE 30, 2008**

EXPENDITURES:

Donley Elementary	\$ 106,084
Glencairn Elementary	27,122
Marble Elementary	249,666
Pinecrest Elementary	12,788
Red Cedar Elementary	407,595
Whitehills Elementary	682
MacDonald Middle School	35,838
East Lansing High School	23,526
Timberlane Facility	4,767
Athletic Fields	<u>17,401</u>
Total expenditures	<u><u>\$ 885,469</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
2000 CAPITAL PROJECTS FUND
DETAILS OF EXPENDITURES
YEAR ENDED JUNE 30, 2008**

MacDonald Middle School:	
Technology	<u>\$ 15,995</u>
East Lansing High School:	
Furnishings	26,913
Technology	72,144
Remodeling	844,869
Site development	616,257
Architectural fess and other costs	<u>145,667</u>
Total East Lansing High School	<u>1,705,850</u>
Administrative:	
Furnishings	<u>3,400</u>
Pool:	
Furnishings	13,985
Remodeling	4,886
Architectural fees and other costs	<u>83,495</u>
Total pool	<u>102,366</u>
Total expenditures	<u><u>\$ 1,827,611</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
FIDUCIARY FUND – AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2008**

	Balance 7/1/07	Additions	Deductions	Balance 6/30/08
East Lansing High School	\$ 264,160	\$ 497,967	\$ 460,381	\$ 301,746
MacDonald Middle School	32,023	80,551	84,814	27,760
Donley Elementary School	4,184	20,337	13,235	11,286
Glencairn Elementary School	9,687	16,803	17,833	8,657
Marble Elementary School	20,332	38,224	34,048	24,508
Pinecrest Elementary School	10,090	28,563	24,906	13,747
Red Cedar Elementary School	6,836	24,659	22,763	8,732
Whitehills Elementary School	11,378	28,459	27,676	12,161
Other	43,050	34,940	32,630	45,360
	<u>\$ 401,740</u>	<u>\$ 770,503</u>	<u>\$ 718,286</u>	<u>\$ 453,957</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COMBINED DEBT SERVICE REQUIREMENTS
JUNE 30, 2008**

Year ending June 30,	2000 Debt	2005 Debt	2005 Series B Debt	Combined
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>\$ 3,750,250</u>	<u>\$ 15,962,975</u>	<u>\$ 91,402,075</u>	<u>\$ 111,115,300</u>

SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
2000 DEBT
JUNE 30, 2008

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.

2000 Debt

Calendar year	Principal due May 1,	Interest due		Total due annually
		November 1	May 1	
2009	\$ 1,750,000	\$ 83,125	\$ 83,125	\$ 1,916,250
2010	<u>1,750,000</u>	<u>42,000</u>	<u>42,000</u>	<u>1,834,000</u>
Total 2000 bonded debt	<u>\$ 3,500,000</u>	<u>\$ 125,125</u>	<u>\$ 125,125</u>	<u>\$ 3,750,250</u>

The above bonds have interest rates from 4.55% to 4.80%. The amount of the original bond 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)
JUNE 30, 2008**

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.

2005 Debt (refunding of 1991 and 1996 debt)

Calendar year	Principal due May 1,	Interest due		Total due annually
		November 1	May 1	
2009	\$ 2,090,000	282,037	282,038	\$ 2,654,075
2010	2,250,000	240,237	240,238	2,730,475
2011	2,415,000	203,675	203,675	2,822,350
2012	2,585,000	161,412	161,413	2,907,825
2013	2,795,000	103,250	103,250	3,001,500
2014	1,780,000	33,375	33,375	1,846,750
Total 2000 bonded debt	<u>\$ 13,915,000</u>	<u>\$ 1,023,986</u>	<u>\$ 1,023,989</u>	<u>\$ 15,962,975</u>

The above bonds have interest rates from 3.00% to 5.00%. The amount of the original bond 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)
JUNE 30, 2008**

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

2005 Debt Series B (refunding of 2000 debt)

Calendar year	Principal due May 1,	Interest due		Total due annually
		November 1	May 1	
2009	\$ 115,000	1,377,150	\$ 1,377,150	\$ 2,869,300
2010	115,000	1,375,138	1,375,137	2,865,275
2011	1,875,000	1,373,125	1,373,125	4,621,250
2012	1,880,000	1,326,250	1,326,250	4,532,500
2013	1,880,000	1,279,250	1,279,250	4,438,500
2014	2,270,000	1,232,250	1,232,250	4,734,500
2015	2,710,000	1,175,500	1,175,500	5,061,000
2016	2,750,000	1,107,750	1,107,750	4,965,500
2017	2,795,000	1,039,000	1,039,000	4,873,000
2018	2,840,000	969,125	969,125	4,778,250
2019	2,880,000	898,125	898,125	4,676,250
2020	2,920,000	826,125	826,125	4,572,250
2021	2,960,000	753,125	753,125	4,466,250
2022	2,995,000	679,125	679,125	4,353,250
2023	3,030,000	604,250	604,250	4,238,500
2024	3,040,000	528,500	528,500	4,097,000
2025	3,045,000	452,500	452,500	3,950,000
2026	3,025,000	376,375	376,375	3,777,750
2027	3,005,000	300,750	300,750	3,606,500
2028	3,030,000	225,625	225,625	3,481,250
2029	3,010,000	149,875	149,875	3,309,750
2030	2,985,000	74,625	74,625	3,134,250
Total 2000 bonded debt	<u>\$ 55,155,000</u>	<u>\$ 18,123,538</u>	<u>\$ 18,123,537</u>	<u>\$ 91,402,075</u>

The above bonds have interest rates from 3.00% to 5.00%. The amount of the original bond issue was \$55,475,000.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
INVESTMENT SCHEDULE
JUNE 30, 2008**

	<u>Interest rate</u>	<u>Amount</u>
General fund:		
Bank of America	2.00%	\$ 229,727
Michigan Class Pool	2.54%	<u>121,852</u>
		<u>351,579</u>
 Sinking fund:		
Michigan Class Pool	2.54%	<u>113,681</u>
 Total investments		<u><u>\$ 465,260</u></u>

SCHOOL DISTRICT OF THE CITY OF EAST LANSING
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2008

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Walter P. Maner, Jr. (1921-2004)
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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

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, 2008, which collectively comprise School District of the City of East Lansing's basic financial statements and issued our report thereon dated September 30, 2008. 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 the 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 opinions 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.

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 30, 2008.

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, Costeniser & Ellis, P.C.

September 30, 2008



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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

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, 2008. 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, 2008.

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 School District of the City of East Lansing's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District of the City of East Lansing'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.

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, 2008, and have issued our report thereon dated September 30, 2008. Our audit was performed for the purpose of forming opinions 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.

September 30, 2008

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue July 1, 2007	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue June 30, 2008
<u>U.S. Department of Agriculture:</u>								
Passed through the Michigan Department of Education:								
Child Nutrition Cluster:								
National School Lunch Breakfast	10.553	071970	\$ 43,060	\$ -	\$ 38,397	\$ 4,663	\$ 4,663	\$ -
		081970	54,158	-	-	54,158	54,158	-
			97,218		38,397	58,821	58,821	-
National School Lunch	10.555	071950	52,966	-	47,526	5,440	5,440	-
		071960	225,161	-	200,889	24,272	24,272	-
		081950	46,553	-	-	46,553	46,553	-
		081960	219,760	-	-	219,760	219,760	-
			544,440		248,415	296,025	296,025	-
Total Child Nutrition Cluster			641,658		286,812	354,846	354,846	-
Food Distribution:								
Entitlement Commodities	10.550		47,533	-	-	47,533	47,533	-
Bonus Commodities			1,004	-	-	1,004	1,004	-
			48,537	-	-	48,537	48,537	-
Total U.S. Department of Agriculture			690,195	-	286,812	403,383	403,383	-

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, 2008**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue July 1, 2007	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue June 30, 2008
<u>U.S. Department of Education:</u>								
Passed through the Michigan Department of Education :								
Title I - Improving Basic Programs	84.010	061530-0607	\$ 44,324	\$ 15,070	\$ 44,324	\$ 15,070	\$ -	\$ -
		071530-0607	474,925	199,665	439,650	199,665	-	-
		081530-0708	577,566	-	-	396,238	516,399	120,161
			<u>1,096,815</u>	<u>214,735</u>	<u>483,974</u>	<u>610,973</u>	<u>516,399</u>	<u>120,161</u>
Title V Part A - Innovative Programs	84.298	080250 0708	<u>623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Title II Part D - Enhancing Ed. Through Technology	84.318	064290 0607	5,114	4,696	4,696	4,696	-	-
		074290 0607	4,732	497	497	3,165	2,668	-
		084290 0708	6,172	-	-	3,024	5,128	2,104
			<u>16,018</u>	<u>5,193</u>	<u>5,193</u>	<u>10,885</u>	<u>7,796</u>	<u>2,104</u>
Title III - Limited English Proficient	84.365A	060580 0607	31,509	29,628	29,628	29,628	-	-
		070580 0607	19,680	-	-	6,337	6,337	-
		080580 0708	62,910	-	-	53,032	62,910	9,878
			<u>114,099</u>	<u>29,628</u>	<u>29,628</u>	<u>88,997</u>	<u>69,247</u>	<u>9,878</u>
Title II Part A - Improving Teacher Quality	84.367	060520 0607	36,021	14,984	36,021	14,984	-	-
		070520 0607	180,477	75,557	89,471	94,766	19,209	-
		080520 0708	253,550	-	-	134,359	156,236	21,877
			<u>470,048</u>	<u>90,541</u>	<u>125,492</u>	<u>244,109</u>	<u>175,445</u>	<u>21,877</u>
Total passed through Michigan Department of Education			<u>1,697,603</u>	<u>340,097</u>	<u>644,287</u>	<u>954,964</u>	<u>768,887</u>	<u>154,020</u>

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, 2008**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue July 1, 2007	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue June 30, 2008
<u>U.S. Department of Education (Continued):</u>								
Passed through Ingham Intermediate School District:								
Special Education Cluster:								
Special Education Grants to State	84.027A	080440 0708	\$ 4,500	\$ -	\$ -	\$ 4,500	\$ 4,500	\$ -
IDEA Pre-Primary Impaired	84.173	070460 0607	20,708	8,928	20,708	8,928	-	-
		080460 0708	19,866	-	-	-	19,866	19,866
			40,574	8,928	20,708	8,928	19,866	19,866
Total Special Education Cluster			45,074	8,928	20,708	13,428	24,366	19,866
Passed through Potterville Public Schools								
Homeless	84.196A	072320 0607	657	657	657	657	-	-
		082320 0708	450	-	-	-	450	450
			1,107	657	657	657	450	450
Passed through the Michigan Department of Education:								
Carole M. White Physical Education Program	84.215F	Q215F050104-06	41,769	10,683	20,609	31,843	21,160	-
		Q215F050104-07	41,769	-	-	26,969	39,374	12,405
			83,538	10,683	20,609	58,812	60,534	12,405
Total U.S. Department of Education			1,827,322	360,365	686,261	1,027,861	854,237	186,741
<u>U.S. Department of Health and Human Services:</u>								
Passed through Ingham Intermediate School District								
Medicaid Administrative Outreach	93.778		29,432	-	-	23,377	29,432	6,055
Total Expenditures of Federal Awards			\$ 2,546,949	\$ 360,365	\$ 973,073	\$ 1,454,621	\$ 1,287,052	\$ 192,796

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, 2008.**

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. Title I, CFDA (#84.010) was audited as the major program, representing 40% 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	\$ 883,670
Other nonmajor governmental funds	<u>403,383</u>
	<u><u>\$ 1,287,053</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008.**

Section I - Summary of Auditors' Results

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
84.010	Title I - Improving Basic Programs

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

None

Section III - Federal Award Findings and Questioned Costs

None

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008.**

There were no findings disclosed for the past two years.