

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

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

YEAR ENDED JUNE 30, 2009

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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, 2009, 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, 2009, 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 17, 2009, 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 30, 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 32 through 51 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.

Manes Costeiran PC

September 17, 2009

School District of the City of East Lansing

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009



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, 2009. 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, 2009



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.

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, 2009



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, 2009 and June 30, 2008:

	2009	2008
ASSETS:		
Current assets	\$ 10,763,055	\$ 13,185,662
Noncurrent assets	81,238,973	81,447,710
Total assets	<u>\$ 92,002,028</u>	<u>\$ 94,633,372</u>
LIABILITIES:		
Current liabilities	\$ 9,395,619	\$ 10,005,260
Long-term liabilities	71,613,713	76,636,512
Total liabilities	<u>81,009,332</u>	<u>86,641,772</u>
NET ASSETS (DEFICIT):		
Invested in capital assets, net of related debt	9,866,505	6,586,211
Restricted for capital projects (sinking fund)	2,981,551	3,370,468
Unrestricted	<u>(1,855,360)</u>	<u>(1,965,079)</u>
Total net assets	<u>10,992,696</u>	<u>7,991,600</u>
Total liabilities and net assets	<u>\$ 92,002,028</u>	<u>\$ 94,633,372</u>

Analysis of Financial Position

For the fiscal year ended June 30, 2009, the District's net assets increased by \$3,001,096. 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, 2009



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, 2009 and June 30, 2008, the following was recorded as depreciation expense:

	<u>2009</u>	<u>2008</u>
Land improvements	\$ 439,831	\$ 386,532
Building and additions	1,864,151	1,827,980
Furniture and equipment	518,621	564,280
Transportation and equipment	<u>68,501</u>	<u>63,341</u>
Total	<u>\$ 2,891,104</u>	<u>\$ 2,842,133</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, 2009, \$2,716,900 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 \$174,204 for the fiscal year ended June 30, 2009.

3. Long-Term Debt

The District's total general long-term debt for the fiscal year ended June 30, 2009 decreased by \$4,871,997. 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, 2009



For the fiscal year ended June 30, 2009 and June 30, 2008, the District-wide results of operation were:

	<u>2009</u>	<u>% of total</u>	<u>2008</u>	<u>% of total</u>
General revenues:				
Property taxes, levied for general operations	\$ 8,524,328	19.3	\$ 9,555,263	21.8
Property taxes, levied for debt service	7,595,222	17.2	7,700,437	17.5
Property taxes, levied for sinking fund	1,385,881	3.1	1,421,661	3.2
Investment earnings	161,852	0.4	628,800	1.4
State sources	19,780,955	44.9	19,474,634	44.4
Federal ARRA sources - unrestricted	1,268,175	2.9	-	0.0
County special education allocation	2,647,715	6.0	2,652,734	6.0
Other	442,581	1.1	322,812	0.8
Total general revenues	41,806,709	94.9	41,756,341	95.1
Program revenues:				
Charges for services	814,337	1.8	815,655	1.9
Operating grants	1,473,146	3.3	1,331,151	3.0
Total revenues	<u>\$ 44,094,192</u>	<u>100.0</u>	<u>\$ 43,903,147</u>	<u>100.0</u>
Function/program expenses:				
Instruction	\$ 20,324,001	49.5	\$ 20,231,103	49.2
Support services	12,475,720	30.4	12,572,418	30.6
Community services	19,890	0.0	23,094	0.1
Outgoing transfers and other transactions	50,000	0.1	610	0.0
Food services	994,847	2.4	954,989	2.3
Athletics	736,934	1.8	721,116	1.8
Interest on long-term debt	3,600,600	8.8	3,751,277	9.1
Unallocated depreciation	2,891,104	7.0	2,842,133	6.9
Total expenses	<u>\$ 41,093,096</u>	<u>100.0</u>	<u>\$ 41,096,740</u>	<u>100.0</u>

School District of the City of East Lansing

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009



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, 2009 was approximately \$64,000, or .70% of the total General Fund levy.

The following schedule summarizes the millages levied for the past five years (beginning with fiscal year 2008-2009 commercial personal property is subject to 6.0000 mills per changes to the State of Michigan property tax system.

Fiscal year	All property supplemental operating mills levied	Non-PRE (comm. personal) operating mills levied	All property debt service mills levied	All property building & site mills levied
2008- 2009	0.7047	17.2953	7.0000	1.2860
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

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

Fiscal year	All property supplemental operating mills levied	Non-PRE (comm personal) operating mills levied	All property debt service mills levied	All property building & site mills levied
2008 - 2009	\$ 777,623	\$ 8,322,536	\$ 7,770,101	\$ 1,419,077
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

School District of the City of East Lansing

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009



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 2009 was \$8,621.

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

<u>Fiscal year</u>	<u>Per pupil allowance</u>	<u>\$ increase from prior year</u>
2008 - 2009	\$ 8,621	\$ 56
2007 - 2008	8,565	48
2006 - 2007	8,517	210
2005 - 2006	8,307	175
2004 - 2005	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 \$8,621 the District receives for its resident pupils.

In fiscal year 2008-09 the State of Michigan enacted a pro-ration to the State School Aid Fund in order to balance the State's budget. The pro-ration of the per pupil allowance equaled approximately \$1,268,000 of reduced revenue from the State to the District for fiscal year ended 2009. However, the reduction in the per pupil allowance was offset by a corresponding increase in federal funding via the American Recovery and Reinvestment Act of 2009.

3. Student Enrollment

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

<u>Fiscal year</u>	<u>Actual blended student FTE</u>	<u>FTE change from prior year</u>
2008 - 2009	3,409	10
2007 - 2008	3,399	(11)
2006 - 2007	3,410	(55)
2005 - 2006	3,465	(49)
2004 - 2005	3,514	(46)

School District of the City of East Lansing

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009



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, 2009, the District received \$2,647,715. This amount represents a decrease of \$5,019 over the prior fiscal year. The majority of this decrease is due to a decrease in property tax revenue 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 2008-2009 and 2007-2008:

Function	2008 - 2009	%	2007 - 2008	%
	fiscal year		fiscal year	
Basic programs	\$ 16,373,456	48.7	\$ 16,375,504	49.4
Special education	3,374,909	10.0	3,213,807	9.7
Compensatory education	1,134,641	3.4	1,010,626	3.0
Total instruction	20,883,006	62.1	20,599,937	62.1
Pupil support services	2,270,818	6.8	2,073,426	6.3
Instructional staff support services	1,652,006	4.9	1,703,841	5.1
School administration	2,359,318	7.0	2,399,517	7.2
Total instructional support	6,282,142	18.7	6,176,784	18.6
General administration	379,897	1.1	385,703	1.2
Business office	600,980	1.9	673,548	2.1
Operations and maintenance	3,434,675	10.2	3,454,443	10.4
Pupil transportation	812,433	2.4	674,436	2.0
Central	1,117,002	3.3	1,171,598	3.5
Community services	19,890	0.1	23,094	0.1
Outgoing transfers and loan payments	63,909	0.2	14,519	0.0
Total general fund	33,593,934	100.0	33,174,062	100.0
Food service fund	994,847		954,992	
Athletic fund	736,934		721,114	
Debt service fund	7,899,348		7,953,023	
Sinking fund	1,221,015		885,469	
2000 capital projects fund	1,338,633		1,827,611	
Total	\$ 45,784,711		\$ 45,516,271	

School District of the City of East Lansing

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009



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
2008 - 2009	\$ 33,748,130	\$ 33,672,271	-0.22%
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%

Five year average actual over (under) budget -0.02%

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
2008 - 2009	\$ 34,516,077	\$ 34,129,952	-1.12%
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%

Five year average actual over (under) budget -1.17%

School District of the City of East Lansing

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009



Capital and Intangible Asset and Debt Administration

1. Capital and Intangible Assets

At June 30, 2009, the District had \$81,238,973 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 \$208,737 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:

	2009			2008
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 875,044	\$ -	\$ 875,044	\$ 875,044
Construction in progress	-	-	-	188,489
Land improvements	11,419,144	2,753,405	8,665,739	7,461,208
Building and additions	87,777,892	20,285,660	67,492,232	68,380,371
Furniture and equipment	7,208,668	3,807,010	3,401,658	3,801,935
Transportation equipment	965,547	617,046	348,501	250,331
Total	<u>\$ 108,246,295</u>	<u>\$ 27,463,121</u>	80,783,174	80,957,378
Issuance cost for bonds, net of amortization			<u>455,799</u>	<u>490,332</u>
Grand Total			<u>\$ 81,238,973</u>	<u>\$ 81,447,710</u>

2. Long-term Debt

At June 30, 2009, the District had \$68,751,654 in general obligation bonded debt outstanding versus \$72,735,300 at June 30, 2008.

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, 2009 the District made a SBLF repayment of \$459,000 of which \$204,674 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, 2009



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 2010 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 be stable for fiscal year 2010 for budget planning purposes. The struggling Michigan economy and its impact on the School Aid Fund 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. Although the District's health insurance premiums are flat for fiscal year 2010, the rising cost of health insurance remains a concern.
- **Retirement Rate:** The State increased the retirement rate to 16.94%, effective October 1, 2009, that is charged to districts to fund the retirement system. This represents an increase of 0.40 percentage points from the rate ending September 30, 2009. It is anticipated that the higher rates are on the horizon as the number of retirees increase.
- **County Special Education Allocation:** The revenue the District receives from the county special education funding system is largely driven by property values. The taxable values of property within the county are projected to be flat or decline over the next few years.
- 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, 2010 with the exception of the East Lansing Educational Support Personnel Association (ELEPSA) contract.

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, 2009**

ASSETS	<u>Governmental activities</u>
CURRENT ASSETS:	
Cash	\$ 3,403,151
Investments	2,991,600
Receivables:	
Accounts receivable	85,781
Interest receivable	403
Taxes receivable	66,356
Due from other governmental units	4,110,951
Inventories	71,858
Prepaid expenditures	<u>32,955</u>
TOTAL CURRENT ASSETS	<u>10,763,055</u>
NONCURRENT ASSETS:	
Issuance cost for bonds, net of amortization	455,799
Capital assets	108,246,295
Less accumulated depreciation	<u>(27,463,121)</u>
TOTAL NONCURRENT ASSETS	<u>81,238,973</u>
TOTAL ASSETS	<u><u>\$ 92,002,028</u></u>

	<u>Governmental activities</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 470,000
Accrued salaries and related items	3,782,154
Accrued interest	552,459
Deferred revenue	85,119
Due to other governmental units	12,013
Current portion of long-term obligations	4,115,000
Current portion of compensated absences and termination benefits	<u>378,874</u>
TOTAL CURRENT LIABILITIES	<u>9,395,619</u>
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	64,636,654
School bond loan fund	2,763,507
Noncurrent portion of compensated absences and termination benefits	<u>4,213,552</u>
TOTAL NONCURRENT LIABILITIES	<u>71,613,713</u>
TOTAL LIABILITIES	<u>81,009,332</u>
NET ASSETS:	
Invested in capital assets, net of related debt	9,866,505
Restricted for capital projects (sinking fund)	2,981,551
Unrestricted	<u>(1,855,360)</u>
TOTAL NET ASSETS	<u>10,992,696</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 92,002,028</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 20,324,001	\$ -	\$ 740,054	\$ (19,583,947)
Support services	12,475,720	105,448	217,013	(12,153,259)
Community services	19,890	-	19,827	(63)
Outgoing transfers and other transactions	50,000	-	-	(50,000)
Food services	994,847	511,590	496,252	12,995
Athletics	736,934	197,299	-	(539,635)
Interest on long-term debt	3,600,600	-	-	(3,600,600)
Unallocated depreciation	2,891,104	-	-	(2,891,104)
Total governmental activities	<u>\$ 41,093,096</u>	<u>\$ 814,337</u>	<u>\$ 1,473,146</u>	<u>(38,805,613)</u>
General revenues:				
Property taxes, levied for general purposes				8,524,328
Property taxes, levied for debt service				7,595,222
Property taxes, levied for sinking fund				1,385,881
Investment earnings				161,852
State sources				19,780,955
Federal ARRA stabilization - unrestricted				1,268,175
Intermediate sources				2,647,715
Other				<u>442,581</u>
Total general revenues				<u>41,806,709</u>
CHANGE IN NET ASSETS				3,001,096
NET ASSETS, beginning of year				<u>7,991,600</u>
NET ASSETS, end of year				<u>\$ 10,992,696</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 2,196,578	\$ 975,301	\$ 231,272	\$ 3,403,151
Investments	862,902	2,128,698	-	2,991,600
Receivables:				
Property taxes receivable	32,072	5,321	28,963	66,356
Accounts receivable	39,408	175	46,198	85,781
Interest	-	403	-	403
Due from other governmental units	4,104,158	-	6,793	4,110,951
Due from other funds	52,723	195	1,061	53,979
Inventories	22,938	-	48,920	71,858
Prepaid expenditures	16,785	-	16,170	32,955
TOTAL ASSETS	<u><u>\$ 7,327,564</u></u>	<u><u>\$ 3,110,093</u></u>	<u><u>\$ 379,377</u></u>	<u><u>\$ 10,817,034</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 309,662	\$ 128,542	\$ 31,796	\$ 470,000
Accrued salaries and related items	3,757,639	-	24,515	3,782,154
Due to other funds	1,256	-	52,723	53,979
Due to other governmental units	12,013	-	-	12,013
Deferred revenue	215,558	-	16,589	232,147
TOTAL LIABILITIES	<u><u>4,296,128</u></u>	<u><u>128,542</u></u>	<u><u>125,623</u></u>	<u><u>4,550,293</u></u>
FUND BALANCES:				
Reserved for inventories	22,938	-	-	22,938
Reserved for prepaid expenditures	16,785	-	-	16,785
Reserved for debt service	-	-	90,672	90,672
Reserved for capital outlay	-	2,981,551	163,082	3,144,633

See notes to financial statements

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
FUND BALANCES (Concluded):				
Unreserved:				
Designated for subsequent years expenditures	\$ 103,357	\$ -	\$ -	\$ 103,357
Designated for deferred retirement incentives	278,418	-	-	278,418
Undesignated	2,609,938	-	-	2,609,938
TOTAL FUND BALANCES	<u>3,031,436</u>	<u>2,981,551</u>	<u>253,754</u>	<u>6,266,741</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,327,564</u>	<u>\$ 3,110,093</u>	<u>\$ 379,377</u>	<u>\$ 10,817,034</u>
Total governmental fund balances				\$ 6,266,741
Amounts reported for governmental activities in the statement of net assets are different because:				
Value of amortized bond issuance costs				455,799
Capital assets used in governmental activities are not financial resources and are not reported in the funds				
The cost of the capital assets is			\$ 108,246,295	
Accumulated depreciation is			<u>(27,463,121)</u>	
				80,783,174
Revenue not recorded in the funds due to not being collected until after September 1, 2009:				
Special education payment due from IISD				118,720
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(68,751,654)
School bond loan payable including interest				(2,763,507)
Compensated absences and termination benefits				(4,592,426)
Accrued interest is not included as a liability in government funds, it is recorded when paid				(552,459)
Balance of taxes receivable at June 30, 2009 less allowance for doubtful accounts expected to be collected after September 1, 2009				<u>28,308</u>
Net assets of governmental activities				<u><u>\$ 10,992,696</u></u>

SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ 8,526,732	\$ 1,385,881	\$ 7,595,222	\$ 17,507,835
Tuition	6,939	-	-	6,939
M.S.U reimbursement	-	-	105,448	105,448
Investment earnings	59,156	46,220	56,476	161,852
Food sales, athletics, and community service	-	-	618,784	618,784
Other	<u>395,619</u>	<u>(3)</u>	<u>130,106</u>	<u>525,722</u>
Total local sources	8,988,446	1,432,098	8,506,036	18,926,580
State sources	19,780,955	-	48,172	19,829,127
Federal sources	2,245,069	-	448,080	2,693,149
Incoming transfers and other	<u>2,644,760</u>	<u>-</u>	<u>-</u>	<u>2,644,760</u>
Total revenues	<u>33,659,230</u>	<u>1,432,098</u>	<u>9,002,288</u>	<u>44,093,616</u>
EXPENDITURES:				
Current:				
Instruction	20,883,006	-	-	20,883,006
Supporting services	12,627,129	-	-	12,627,129
Food service activities	-	-	982,041	982,041
Athletic activities	-	-	736,934	736,934
Community service activities	19,890	-	-	19,890
Outgoing transfers and other transactions	50,000	-	-	50,000
Capital outlay	-	1,221,015	1,351,439	2,572,454

See notes to financial statements

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):				
Debt service:				
Principal repayment	\$ 13,909	\$ -	\$ 4,159,674	\$ 4,173,583
Interest	-	-	3,738,951	3,738,951
Bond issuance costs	-	-	723	723
Total expenditures	<u>33,593,934</u>	<u>1,221,015</u>	<u>10,969,762</u>	<u>45,784,711</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>65,296</u>	<u>211,083</u>	<u>(1,967,474)</u>	<u>(1,691,095)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	45	-	-	45
Operating transfers from other funds	12,996	-	1,136,018	1,149,014
Operating transfers to other funds	<u>(536,018)</u>	<u>(600,000)</u>	<u>(12,996)</u>	<u>(1,149,014)</u>
Total other financing sources (uses)	<u>(522,977)</u>	<u>(600,000)</u>	<u>1,123,022</u>	<u>45</u>
NET CHANGE IN FUND BALANCES	(457,681)	(388,917)	(844,452)	(1,691,050)
FUND BALANCES:				
Beginning of year	<u>3,489,117</u>	<u>3,370,468</u>	<u>1,098,206</u>	<u>7,957,791</u>
End of year	<u>\$ 3,031,436</u>	<u>\$ 2,981,551</u>	<u>\$ 253,754</u>	<u>\$ 6,266,741</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, 2009**

Net change in fund balances total governmental funds \$ (1,691,050)

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	(2,891,104)
Capital outlay	2,716,900

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	580,771
Accrued interest payable, end of the year	(552,459)

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	4,140,781
Amortization of bond issuance costs	(34,533)
Amortization of deferred loss on refunding	(178,665)
Amortization of bond premium	207,312
Long-term interest on school bond loan fund	143,564

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 change, beginning of the year	(146,454)
Deferred revenue change, end of the year	147,028

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	5,151,431
Accrued compensated absences and termination benefits, end of the year	<u>(4,592,426)</u>

Change in net assets of governmental activities	<u><u>\$ 3,001,096</u></u>
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**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2009**

	<u>Agency Funds</u>
ASSETS:	
Cash	\$ 415,951
Accounts receivable	<u>7,330</u>
Total assets	<u><u>\$ 423,281</u></u>
LIABILITIES:	
Accounts payable	\$ 4,914
Due to student and other groups	<u>418,367</u>
Total liabilities	<u><u>\$ 423,281</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 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.

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 \$1,600,000	<u><u>\$ 14,886,870</u></u>
Expenditures and transfers	<u><u>\$ 80,793,253</u></u>

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

**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, 2009, the foundation allowance was based on pupil membership counts taken in February and September of 2008.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October 2008 to August 2009. 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)

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

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, 2009, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.7047
Principal Residence and Industrial Personal Property	0.7047
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	7.0000
Sinking fund:	
PRE, Non-PRE, Commercial Personal Property	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 \$2,762,637 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$870 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, 2009. The District does not consider these amendments to be significant.

The Organization evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through the auditors' opinion date.

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

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2009, the District had the following investments.

Investment type	Fair value	Weighted average maturity (years)	Fitch's rating	%
MBIA External Investment pool - CLASS	<u>\$ 1,249,069</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, 2009, 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, 2009, \$3,827,190 of the District’s bank balance of \$4,827,190 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, 2009, the carrying amounts are as follows:

Cash on hand	\$ 75
Deposits including fiduciary funds of \$415,951	3,819,027
Investments	<u>2,991,600</u>
	<u><u>\$ 6,810,702</u></u>

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

Cash agency fund	\$ 415,951
Cash - district-wide	3,403,151
Investments - district-wide	<u>2,991,600</u>
	<u><u>\$ 6,810,702</u></u>

NOTE 4 - RECEIVABLES

Receivables at June 30, 2009 consist of the following:

Other governmental units:

State aid	\$ 2,527,437
Federal revenue	1,448,884
Ingham Intermediate School District	<u>134,630</u>
	<u><u>\$ 4,110,951</u></u>

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

No allowance for doubtful accounts is considered necessary.

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

NOTE 5 - CAPITAL ASSETS

A summary of changes in the District's capital assets at June 30, 2009 is as follows:

	Balance July 1, 2008	Additions	Reclassifications/ deletions	Balance June 30, 2009
Assets not being depreciated:				
Land	\$ 875,044	\$ -	\$ -	\$ 875,044
Construction in progress	188,489	-	188,489	-
	<u>1,063,533</u>	<u>-</u>	<u>188,489</u>	<u>875,044</u>
Other capital assets:				
Land improvements	9,774,782	1,644,362	-	11,419,144
Buildings and additions	86,801,880	976,012	-	87,777,892
Furniture and equipment	7,090,324	118,344		7,208,668
Vehicles	798,876	166,671		965,547
	<u>104,465,862</u>	<u>2,905,389</u>	<u>-</u>	<u>107,371,251</u>
Accumulated depreciation:				
Land improvements	2,313,574	439,831	-	2,753,405
Building and improvements	18,421,509	1,864,151	-	20,285,660
Furniture and equipment	3,288,389	518,621		3,807,010
Vehicles	548,545	68,501		617,046
	<u>24,572,017</u>	<u>2,891,104</u>	<u>-</u>	<u>27,463,121</u>
Net other capital assets	<u>79,893,845</u>	<u>14,285</u>	<u>-</u>	<u>79,908,130</u>
Net capital assets	<u>\$ 80,957,378</u>	<u>\$ 14,285</u>	<u>\$ 188,489</u>	<u>\$ 80,783,174</u>

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

Depreciation for the fiscal year ended June 30, 2009 amounted to \$2,891,104. 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, 2009 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%.	\$ 1,750,000
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%.	11,825,000
2005 Series B general obligation bonds due in annual installments of \$115,000 to \$3,045,000 through May 1, 2030, with interest at 3.00% to 5.00%.	55,040,000
Less: Loss on bond refunding	(3,056,668)
Plus: Premium on 2005 issuance	<u>3,193,322</u>
Total general obligation	68,751,654
Borrowing from the State of Michigan School Bond Loan Fund including interest due at the times determined by the State Treasurer, interest at 5.75% at June 30, 2009.	2,763,507
Employee compensated absences and severance benefits	<u>4,592,426</u>
Total general long-term debt	<u><u>\$ 76,107,587</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, 2009, \$66,210,000 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, 2009, including interest of \$35,060,675 are as follows:

Year ending June 30,	Principal	Interest	Total
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	4,050,000	2,531,250	6,581,250
2015 - 2019	13,975,000	10,379,000	24,354,000
2020 - 2024	14,945,000	6,782,250	21,727,250
2025 - 2029	15,115,000	3,010,250	18,125,250
2030	2,985,000	149,250	3,134,250
	68,615,000	35,060,675	103,675,675
Loss on bond refunding	(3,056,668)	-	(3,056,668)
Unamortized premium on bond issuance	3,193,322	-	3,193,322
Accumulated compensated absences and severance benefits	4,592,426	-	4,592,426
Due to school bond loan fund	2,763,507	-	2,763,507
	<u>\$ 76,107,587</u>	<u>\$ 35,060,675</u>	<u>\$ 111,168,262</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 4.125% - 6.125% for the School Bond Loan Fund notes have been assessed for the year ended June 30, 2009. 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 \$90,672 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, 2009:

	<u>Compensated absences</u>	<u>School bond loan fund</u>	<u>Bonds and other debt</u>	<u>Total</u>
Balance, July 1, 2008	\$ 5,151,431	\$ 3,078,943	\$ 72,749,210	\$ 80,979,584
Additions	130,710	143,564	-	274,274
Deletions	<u>(689,715)</u>	<u>(459,000)</u>	<u>(3,997,556)</u>	<u>(5,146,271)</u>
Balance, June 30, 2009	4,592,426	2,763,507	68,751,654	76,107,587
Less current portion	<u>(378,874)</u>	<u>-</u>	<u>(4,115,000)</u>	<u>(4,493,874)</u>
Total due after one year	<u><u>\$ 4,213,552</u></u>	<u><u>\$ 2,763,507</u></u>	<u><u>\$ 64,636,654</u></u>	<u><u>\$ 71,613,713</u></u>

NOTE 7 - OPERATING LEASES

The District leases copy machines under an operating lease agreement with the lease starting September 1, 2008 and ending June 30, 2013, with monthly payments of approximately \$3,400 a month. Expense for copy lease for the year ended June 30, 2009 was approximately \$47,670. Future operating lease commitments are as follows:

<u>Year ending June 30,</u>	<u>Copier lease</u>
2010	\$ 40,560
2011	40,560
2012	40,560
2013	<u>40,560</u>
	<u><u>\$ 162,240</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. Members joining the system on or after July 1, 2008 contribute at the following graduated rate: 3% of the first \$5,000, 3.6% of \$5,001 through \$15,000 and 6.4% 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, 2009 was 16.72% of payroll through September 30, 2008, and 16.54% effective October 1, 2008 through June 30, 2009. 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, 2009, 2008 and 2007 were \$3,262,682, \$3,308,648 and \$3,326,735, 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, 2009 are as follows:

<u>Receivable fund</u>	<u>Amount</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	\$ 52,723	General Fund	\$ 1,061
2000 Debt Fund	206	Capital Projects Funds	195
2005 Debt Fund (91/96)	443	Athletic Fund	5,863
2005 Debt Fund (2000)	412	Food Service Fund	46,860
Sinking Fund	195		
	<u>\$ 53,979</u>		<u>\$ • 53,979</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, 2009 or any of the prior three years.

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

NOTE 11 - TRANSFERS

The general fund transferred \$536,018 to the athletic fund to subsidize operations. The school lunch fund transferred \$12,996 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. Additionally, \$600,000 was transferred from the sinking fund to the 2000 capital projects fund (included in other nonmajor governmental funds) for remodeling at the High School.

NOTE 12 - THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

For the year ended June 30, 2009 the District reported revenue of \$1,268,175 in ARRA funds which was intended to off-set a shortage in the State of Michigan foundation funding. It is uncertain if the District will receive ARRA funds in the future.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2009**

	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES:				
Local sources	\$ 9,461,895	\$ 9,098,010	\$ 8,988,446	\$ (109,564)
State sources	20,837,878	19,940,402	19,780,955	(159,447)
Federal sources	963,789	2,015,091	2,245,069	229,978
Incoming transfers and other	2,428,086	2,666,288	2,644,760	(21,528)
Total revenues	<u>33,691,648</u>	<u>33,719,791</u>	<u>33,659,230</u>	<u>(60,561)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	16,699,514	16,402,455	16,373,456	28,999
Added needs	4,443,895	4,557,329	4,509,550	47,779
Total instruction	<u>21,143,409</u>	<u>20,959,784</u>	<u>20,883,006</u>	<u>76,778</u>
Supporting services:				
Pupil	2,237,854	2,293,716	2,270,818	22,898
Instructional staff	1,711,496	1,785,011	1,652,006	133,005
General administration	371,985	384,068	379,897	4,171
School administration	2,419,467	2,347,336	2,359,318	(11,982)
Business	656,461	616,437	600,980	15,457
Operation/maintenance	3,469,529	3,538,803	3,434,675	104,128
Pupil transportation	650,901	824,227	812,433	11,794
Central	1,131,062	1,108,718	1,117,002	(8,284)
Total supporting services	<u>12,648,755</u>	<u>12,898,316</u>	<u>12,627,129</u>	<u>271,187</u>
Community services	<u>36,312</u>	<u>41,519</u>	<u>19,890</u>	<u>21,629</u>
Debt service	<u>13,910</u>	<u>13,910</u>	<u>13,909</u>	<u>1</u>
Outgoing transfers and other transactions		<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total expenditures	<u>33,842,386</u>	<u>33,963,529</u>	<u>33,593,934</u>	<u>369,595</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(150,738)</u>	<u>(243,738)</u>	<u>65,296</u>	<u>309,034</u>
OTHER FINANCING SOURCES (USES):				
Sale of school property	1,000	1,000	45	(955)
Operating transfers from other funds	50,000	27,339	12,996	(14,343)
Operating transfers to other funds	<u>(521,809)</u>	<u>(552,548)</u>	<u>(536,018)</u>	<u>16,530</u>
Total other financing uses	<u>(470,809)</u>	<u>(524,209)</u>	<u>(522,977)</u>	<u>1,232</u>
NET CHANGE IN FUND BALANCE	<u>\$ (621,547)</u>	<u>\$ (767,947)</u>	<u>(457,681)</u>	<u>\$ 310,266</u>
FUND BALANCE:				
Beginning of year			<u>3,489,117</u>	
End of year			<u>\$ 3,031,436</u>	

ADDITIONAL INFORMATION

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2009**

	Special revenue	Debt service	2000 capital projects	Total nonmajor governmental funds
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ -	\$ 60,648	\$ 170,624	\$ 231,272
Accounts receivable	46,198	-	-	46,198
Delinquent taxes receivable	-	28,963	-	28,963
Due from other governmental units	6,793	-	-	6,793
Due from other funds	-	1,061	-	1,061
Prepaid expenditures	16,170	-	-	16,170
Inventories	48,920	-	-	48,920
TOTAL ASSETS	<u><u>\$ 118,081</u></u>	<u><u>\$ 90,672</u></u>	<u><u>\$ 170,624</u></u>	<u><u>\$ 379,377</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 24,254	\$ -	\$ 7,542	\$ 31,796
Accrued salaries and related items	24,515	-	-	24,515
Due to other funds	52,723	-	-	52,723
Deferred revenue	16,589	-	-	16,589
TOTAL LIABILITIES	<u>118,081</u>	<u>-</u>	<u>7,542</u>	<u>125,623</u>
FUND BALANCES:				
Reserved for debt service	-	90,672	-	90,672
Reserved for capital outlay	<u>-</u>	<u>-</u>	<u>163,082</u>	<u>163,082</u>
TOTAL FUND BALANCES	<u>-</u>	<u>90,672</u>	<u>163,082</u>	<u>253,754</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 118,081</u></u>	<u><u>\$ 90,672</u></u>	<u><u>\$ 170,624</u></u>	<u><u>\$ 379,377</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, 2009**

	<u>Special revenue</u>	<u>Debt service</u>	<u>2000 capital projects</u>	<u>Total nonmajor governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ -	\$ 7,595,222	\$ -	\$ 7,595,222
M.S.U. reimbursement	-	105,448	-	105,448
Investment earnings	-	49,785	6,691	56,476
Food sales and admissions	618,784	-	-	618,784
Other	<u>90,105</u>	<u>-</u>	<u>40,001</u>	<u>130,106</u>
Total local sources	708,889	7,750,455	46,692	8,506,036
State sources	48,172	-	-	48,172
Federal sources	<u>448,080</u>	<u>-</u>	<u>-</u>	<u>448,080</u>
Total revenues	<u>1,205,141</u>	<u>7,750,455</u>	<u>46,692</u>	<u>9,002,288</u>
EXPENDITURES:				
Current:				
Food service activities	982,041	-	-	982,041
Athletic activities	736,934	-	-	736,934
Capital outlay	12,806	-	1,338,633	1,351,439
Debt service:				
Principal repayment	-	4,159,674	-	4,159,674
Interest expense	-	3,738,951	-	3,738,951
Bond issuance costs	<u>-</u>	<u>723</u>	<u>-</u>	<u>723</u>
Total expenditures	<u>1,731,781</u>	<u>7,899,348</u>	<u>1,338,633</u>	<u>10,969,762</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(526,640)</u>	<u>(148,893)</u>	<u>(1,291,941)</u>	<u>(1,967,474)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	536,018	-	600,000	1,136,018
Operating transfers to other funds	<u>(12,996)</u>	<u>-</u>	<u>-</u>	<u>(12,996)</u>
Total other financing sources	<u>523,022</u>	<u>-</u>	<u>600,000</u>	<u>1,123,022</u>
NET CHANGE IN FUND BALANCES	(3,618)	(148,893)	(691,941)	(844,452)
FUND BALANCES:				
Beginning of year	<u>3,618</u>	<u>239,565</u>	<u>855,023</u>	<u>1,098,206</u>
End of year	<u>\$ -</u>	<u>\$ 90,672</u>	<u>\$ 163,082</u>	<u>\$ 253,754</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
YEAR ENDED JUNE 30, 2009**

	Final budget	Actual	Variance with final budget- positive (negative)
LOCAL SOURCES:			
Property taxes	\$ 8,661,276	\$ 8,526,732	\$ (134,544)
Tuition	7,339	6,939	(400)
Investment earnings	60,000	59,156	(844)
Other local revenue	369,395	395,619	26,224
TOTAL LOCAL SOURCES	9,098,010	8,988,446	(109,564)
STATE SOURCES:			
Foundation grant	13,530,825	13,624,671	93,846
Special education	1,481,395	1,481,395	-
Other state revenue	4,928,182	4,674,889	(253,293)
TOTAL STATE SOURCES	19,940,402	19,780,955	(159,447)
FEDERAL SOURCES:			
Title I	725,729	666,301	(59,428)
Title II - improving teacher quality	296,722	225,744	(70,978)
State stabilization fund	906,550	1,268,175	361,625
Other federal revenue	86,090	84,849	(1,241)
TOTAL FEDERAL SOURCES	2,015,091	2,245,069	229,978
INCOMING TRANSFERS AND OTHER TRANSACTIONS:			
Special education	2,654,368	2,596,970	(57,398)
Other	11,920	47,790	35,870
TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS	2,666,288	2,644,760	(21,528)
TOTAL REVENUES	33,719,791	33,659,230	(60,561)
OTHER FINANCING SOURCES:			
Sale of school property	1,000	45	(955)
Operating transfers from other funds	27,339	12,996	(14,343)
TOTAL OTHER FINANCING SOURCES	28,339	13,041	(15,298)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 33,748,130	\$ 33,672,271	\$ (75,859)

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2009**

	Final budget	Actual	Variance with final budget- positive (negative)
INSTRUCTION:			
Basic programs:			
Elementary:			
Salaries	\$ 5,881,072	\$ 5,871,446	\$ 9,626
Benefits	2,528,214	2,491,844	36,370
Purchased services	30,100	25,166	4,934
Supplies and materials	129,936	123,398	6,538
Other expenses	120,229	119,833	396
Capital outlay	35,071	25,043	10,028
Total elementary	<u>8,724,622</u>	<u>8,656,730</u>	<u>67,892</u>
Middle school:			
Salaries	1,657,748	1,652,190	5,558
Benefits	725,888	718,703	7,185
Purchased services	14,610	10,747	3,863
Supplies and materials	39,480	38,027	1,453
Other expenses	25,212	26,714	(1,502)
Capital outlay	5,052	1,233	3,819
Total middle school	<u>2,467,990</u>	<u>2,447,614</u>	<u>20,376</u>
High school:			
Salaries	3,452,945	3,442,535	10,410
Benefits	1,480,032	1,469,378	10,654
Purchased services	32,900	28,789	4,111
Supplies and materials	112,317	130,142	(17,825)
Other expenses	107,514	180,096	(72,582)
Capital outlay	17,875	12,671	5,204
Total high school	<u>5,203,583</u>	<u>5,263,611</u>	<u>(60,028)</u>
Summer school:			
Salaries	5,031	4,416	615
Benefits	1,229	1,085	144
Total summer school	<u>6,260</u>	<u>5,501</u>	<u>759</u>
Total basic programs	<u>16,402,455</u>	<u>16,373,456</u>	<u>28,999</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2009**

	Final budget	Actual	Variance with final budget positive (negative)
INSTRUCTION (Concluded):			
Added needs:			
Special education:			
Salaries	\$ 1,914,922	\$ 1,902,930	\$ 11,992
Benefits	1,221,564	1,232,376	(10,812)
Purchased services	160,600	170,416	(9,816)
Supplies and materials	10,900	7,507	3,393
Other expenses	60,000	61,680	(1,680)
Capital outlay	2,500	-	2,500
Total special education	<u>3,370,486</u>	<u>3,374,909</u>	<u>(4,423)</u>
Compensatory education:			
Salaries	799,632	776,160	23,472
Benefits	324,315	326,007	(1,692)
Purchased services	13,760	31	13,729
Supplies and materials	40,636	24,167	16,469
Other expenses	8,500	8,276	224
Total compensatory education	<u>1,186,843</u>	<u>1,134,641</u>	<u>52,202</u>
Total added needs	<u>4,557,329</u>	<u>4,509,550</u>	<u>47,779</u>
TOTAL INSTRUCTION	<u>20,959,784</u>	<u>20,883,006</u>	<u>76,778</u>
SUPPORTING SERVICES:			
Pupil services:			
Salaries	1,591,434	1,575,149	16,285
Benefits	658,182	654,303	3,879
Purchased services	29,600	29,007	593
Supplies and materials	14,500	12,359	2,141
Total pupil services	<u>2,293,716</u>	<u>2,270,818</u>	<u>22,898</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2009**

	Final budget	Actual	Variance with final budget positive (negative)
SUPPORTING SERVICES (Continued) :			
Instructional staff services:			
Salaries	\$ 979,018	\$ 953,047	\$ 25,971
Benefits	411,507	408,889	2,618
Purchased services	131,738	80,702	51,036
Supplies and materials	133,614	100,443	33,171
Other expenses	129,134	108,925	20,209
Total instructional staff	<u>1,785,011</u>	<u>1,652,006</u>	<u>133,005</u>
General administration:			
Salaries	193,977	193,977	-
Benefits	88,529	87,500	1,029
Purchased services	83,562	81,602	1,960
Supplies and materials	10,500	9,548	952
Other expenses	7,500	7,270	230
Total general administration	<u>384,068</u>	<u>379,897</u>	<u>4,171</u>
School administration:			
Salaries	1,549,452	1,557,914	(8,462)
Benefits	634,125	625,887	8,238
Purchased services	105,890	113,170	(7,280)
Supplies and materials	32,020	37,667	(5,647)
Other expenses	19,100	18,129	971
Capital outlay	6,749	6,551	198
Total school administration	<u>2,347,336</u>	<u>2,359,318</u>	<u>(11,982)</u>
Business services:			
Salaries	315,219	311,067	4,152
Benefits	154,894	152,480	2,414
Purchased services	103,524	97,489	6,035
Supplies and materials	36,000	34,955	1,045
Other expenses	5,300	4,054	1,246
Capital outlay	1,500	935	565
Total business services	<u>616,437</u>	<u>600,980</u>	<u>15,457</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2009**

	Final budget	Actual	Variance with final budget positive (negative)
SUPPORTING SERVICES (Concluded):			
Operations and maintenance:			
Salaries	\$ 322,163	\$ 317,900	\$ 4,263
Benefits	180,584	179,038	1,546
Purchased services	1,845,478	1,807,126	38,352
Supplies and materials	1,132,771	1,085,903	46,868
Other expenses	500	255	245
Capital outlay	57,307	44,453	12,854
Total operations and maintenance	<u>3,538,803</u>	<u>3,434,675</u>	<u>104,128</u>
Transportation:			
Salaries	323,679	325,014	(1,335)
Benefits	176,403	172,440	3,963
Purchased services	108,981	112,810	(3,829)
Supplies and materials	70,800	58,119	12,681
Other expenses	1,000	686	314
Capital outlay	143,364	143,364	-
Total transportation	<u>824,227</u>	<u>812,433</u>	<u>11,794</u>
Central services:			
Salaries	535,375	532,117	3,258
Benefits	216,732	209,747	6,985
Purchased services	239,163	250,272	(11,109)
Supplies and materials	14,500	11,879	2,621
Other expenses	22,248	21,560	688
Capital outlay	80,700	91,427	(10,727)
Total central services	<u>1,108,718</u>	<u>1,117,002</u>	<u>(8,284)</u>
TOTAL SUPPORTING SERVICES	<u>12,898,316</u>	<u>12,627,129</u>	<u>271,187</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2009**

	Final budget	Actual	Variance with final budget positive (negative)
COMMUNITY SERVICES:			
Purchased services	\$ 24,804	\$ 10,134	\$ 14,670
Supplies and materials	16,715	9,466	7,249
Other expenses	-	290	(290)
TOTAL COMMUNITY SERVICES	41,519	19,890	21,629
OUTGOING TRANSFERS AND OTHER TRANSACTIONS:			
Debt service	13,910	13,909	1
Payments to other governmental units	50,000	50,000	-
TOTAL OUTGOING TRANSFERS AND OTHER TRANSACTIONS	63,910	63,909	1
TOTAL EXPENDITURES	33,963,529	33,593,934	369,595
OTHER FINANCING USES:			
Operating transfers to other funds	552,548	536,018	16,530
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 34,516,077	\$ 34,129,952	\$ 386,125

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

ASSETS	Food Service	Athletic	Totals
ASSETS:			
Accounts receivable	\$ 46,198	\$ -	\$ 46,198
Due from other governmental units	6,793	-	6,793
Prepaid expenditures	6,407	9,763	16,170
Inventories	48,920	-	48,920
TOTAL ASSETS	\$ 108,318	\$ 9,763	\$ 118,081
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 24,254	\$ -	\$ 24,254
Accrued salaries and related items	20,615	3,900	24,515
Due to other funds	46,860	5,863	52,723
Deferred revenue	16,589	-	16,589
TOTAL LIABILITIES	108,318	9,763	118,081
FUND BALANCES:			
Unreserved/undesignated	-	-	-
TOTAL FUND BALANCES	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 108,318	\$ 9,763	\$ 118,081

**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, 2009**

	Food Service	Athletic	Totals
REVENUES:			
Sales	\$ 511,590	\$ -	\$ 511,590
State aid	48,172	-	48,172
Federal aid	448,080	-	448,080
Admissions	-	107,194	107,194
Other	-	90,105	90,105
	<u>1,007,842</u>	<u>197,299</u>	<u>1,205,141</u>
Total revenues			
EXPENDITURES:			
Salaries	262,880	440,708	703,588
Benefits	117,785	123,672	241,457
Supplies and materials	479,811	45,590	525,401
Capital outlay	12,806	-	12,806
Other expenses	121,565	126,964	248,529
	<u>994,847</u>	<u>736,934</u>	<u>1,731,781</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,995</u>	<u>(539,635)</u>	<u>(526,640)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	-	536,018	536,018
Operating transfers to other funds	(12,996)	-	(12,996)
	<u>(12,996)</u>	<u>536,018</u>	<u>523,022</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCES	(1)	(3,617)	(3,618)
FUND BALANCES:			
Beginning of year	<u>1</u>	<u>3,617</u>	<u>3,618</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

	<u>2000 Debt</u>	<u>2005 Debt</u>	<u>Series B 2005 Debt</u>	<u>Total Nonmajor</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 20,549	\$ 20,034	\$ 20,065	\$ 60,648
Due from other governmental funds	206	443	412	1,061
Delinquent taxes receivable	<u>7,425</u>	<u>10,382</u>	<u>11,156</u>	<u>28,963</u>
TOTAL ASSETS	<u><u>\$ 28,180</u></u>	<u><u>\$ 30,859</u></u>	<u><u>\$ 31,633</u></u>	<u><u>\$ 90,672</u></u>
FUND BALANCES				
FUND BALANCES:				
Reserved for debt service	<u><u>\$ 28,180</u></u>	<u><u>\$ 30,859</u></u>	<u><u>\$ 31,633</u></u>	<u><u>\$ 90,672</u></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, 2009**

	<u>2000 Debt</u>	<u>2005 Debt</u>	<u>Series B 2005 Debt</u>	<u>Total Nonmajor</u>
REVENUES:				
Local sources:				
Property taxes	\$ 1,946,015	\$ 2,691,638	\$ 2,957,569	\$ 7,595,222
M.S.U reimbursement	-	105,448	-	105,448
Interest	14,176	20,466	15,143	49,785
Total revenues	<u>1,960,191</u>	<u>2,817,552</u>	<u>2,972,712</u>	<u>7,750,455</u>
EXPENDITURES:				
Redemption of bonds	1,788,123	2,179,979	191,572	4,159,674
Interest on bonded debt	192,127	706,096	2,840,728	3,738,951
Agent fees	275	225	223	723
Total expenditures	<u>1,980,525</u>	<u>2,886,300</u>	<u>3,032,523</u>	<u>7,899,348</u>
EXCESS OF EXPENDITURES OVER REVENUES	(20,334)	(68,748)	(59,811)	(148,893)
FUND BALANCES:				
Beginning of year	<u>48,514</u>	<u>99,607</u>	<u>91,444</u>	<u>239,565</u>
End of year	<u>\$ 28,180</u>	<u>\$ 30,859</u>	<u>\$ 31,633</u>	<u>\$ 90,672</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
CAPITAL PROJECTS FUND – SINKING FUND
DETAILS OF EXPENDITURES
YEAR ENDED JUNE 30, 2009**

EXPENDITURES:

Donley Elementary	\$ 45,463
Glencairn Elementary	157,864
Marble Elementary	632,753
Pinecrest Elementary	13,686
Red Cedar Elementary	102,563
Whitehills Elementary	62,730
MacDonald Middle School	56,647
East Lansing High School	98,519
Timberlane Facility	18,505
Athletic Fields	<u>32,285</u>
 Total expenditures	 <u><u>\$ 1,221,015</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
2000 CAPITAL PROJECTS FUND
DETAILS OF EXPENDITURES
YEAR ENDED JUNE 30, 2009**

MacDonald Middle School:	
Technology	<u>\$ 17,592</u>
East Lansing High School:	
Furnishings	29,184
Technology	51,028
Remodeling	657,747
Site development	404,237
Audit fees	1,000
Architectural fess and other costs	<u>168,960</u>
Total East Lansing High School	<u>1,312,156</u>
Pool:	
Furnishings	5,312
Remodeling	<u>3,573</u>
Total pool	<u>8,885</u>
Total expenditures	<u><u>\$ 1,338,633</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, 2009**

	Balance 7/1/08	Additions	Deductions	Balance 6/30/09
East Lansing High School	\$ 301,746	\$ 406,703	\$ 436,498	\$ 271,951
MacDonald Middle School	27,760	45,412	45,598	27,574
Donley Elementary School	11,286	42,437	41,996	11,727
Glencairn Elementary School	8,657	21,077	20,218	9,516
Marble Elementary School	24,508	43,342	41,304	26,546
Pinecrest Elementary School	13,747	23,518	29,840	7,425
Red Cedar Elementary School	8,732	28,650	28,631	8,751
Whitehills Elementary School	12,161	33,796	35,248	10,709
Other	45,360	33,076	34,268	44,168
	<u>\$ 453,957</u>	<u>\$ 678,011</u>	<u>\$ 713,601</u>	<u>\$ 418,367</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COMBINED DEBT SERVICE REQUIREMENTS
JUNE 30, 2009**

Year ending June 30,	2000 Debt	2005 Debt	2005 Series B Debt	Combined
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>\$ 1,834,000</u>	<u>\$ 13,308,900</u>	<u>\$ 88,532,775</u>	<u>\$ 103,675,675</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
2000 DEBT
JUNE 30, 2009**

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	
2010	1,750,000	42,000	42,000	1,834,000
Total 2000 bonded debt	<u>\$ 1,750,000</u>	<u>\$ 42,000</u>	<u>\$ 42,000</u>	<u>\$ 1,834,000</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, 2009**

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	
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	<u>1,780,000</u>	<u>33,375</u>	<u>33,375</u>	<u>1,846,750</u>
Total 2000 bonded debt	<u>\$ 11,825,000</u>	<u>\$ 741,949</u>	<u>\$ 741,951</u>	<u>\$ 13,308,900</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, 2009**

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	
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>\$ 55,040,000</u>	<u>\$ 16,746,388</u>	<u>\$ 16,746,387</u>	<u>\$ 88,532,775</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, 2009**

	<u>Interest rate</u>	<u>Amount</u>
General fund:		
Bank of America	0.50%	\$ 734,368
Michigan Class Pool	0.34%	<u>128,534</u>
		<u>862,902</u>
 Sinking fund:		
Certificate of Deposit - Irwin Union	0.71%	503,412
Certificate of Deposit - Flagstar	0.57%	504,751
Michigan Class Pool	0.34%	<u>1,120,535</u>
		<u>2,128,698</u>
 Total investments		 <u><u>\$ 2,991,600</u></u>

SCHOOL DISTRICT OF THE CITY OF EAST LANSING
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2009

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**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, 2009, which collectively comprise School District of the City of East Lansing's basic financial statements and issued our report thereon dated September 17, 2009. 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 17, 2009.

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.

Maney Costerian PC

September 17, 2009

**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, 2009. 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, 2009.

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 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, 2009, and have issued our report thereon dated September 17, 2009. 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.

Manes Costerian PC

September 17, 2009

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue July 1, 2008	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue June 30, 2009
U.S. Department of Agriculture:								
Passed through the Michigan Department of Education:								
Child Nutrition Cluster:								
Non-cash assistance (commodities):								
National School Lunch Program	10.555		\$ 54,256	\$ -	\$ -	\$ 54,256	\$ 54,256	\$ -
Cash assistance:								
National School Lunch - Breakfast	10.553	081970	59,987	-	54,158	5,829	5,829	-
		091970	63,923	-	-	63,923	63,923	-
			123,910		54,158	69,752	69,752	-
National School Lunch	10.555	081950	53,076	-	46,553	6,523	6,523	-
		081960	250,362	-	219,761	30,601	30,601	-
		081965	694	-	-	694	694	-
		091950	49,308	-	-	49,308	49,308	-
		091960	236,946	-	-	236,946	236,946	-
			590,386		266,314	324,072	324,072	-
Total Child Nutrition Cluster			768,552	-	320,472	448,080	448,080	-
Total U.S. Department of Agriculture			768,552	-	320,472	448,080	448,080	-

The accompanying notes are an integral part of this schedule.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue July 1, 2008	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue June 30, 2009
U.S. Department of Education:								
Passed through the Michigan Department of Education:								
Title I - Improving Basic Programs	84.010	081530-0708	\$ 577,566	\$ 120,161	\$ 516,399	\$ 138,905	\$ 18,744	\$ -
		091530-0809	706,985	-	-	536,545	647,557	111,012
			<u>1,284,551</u>	<u>120,161</u>	<u>516,399</u>	<u>675,450</u>	<u>666,301</u>	<u>111,012</u>
Title V Part A - Innovative Programs	84.298	090250 0809	<u>693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>693</u>	<u>693</u>
Title II Part D - Enhancing Ed. Through Technology	84.318	084290 0708	6,172	2,104	5,128	2,104	-	-
		094290 0809	<u>7,381</u>	<u>-</u>	<u>-</u>	<u>4,743</u>	<u>6,654</u>	<u>1,911</u>
			<u>13,553</u>	<u>2,104</u>	<u>5,128</u>	<u>6,847</u>	<u>6,654</u>	<u>1,911</u>
Title III - Limited English Proficient	84.365A	080580 0708	62,910	9,878	62,910	9,878	-	-
		090580 0809	<u>40,551</u>	<u>-</u>	<u>-</u>	<u>32,501</u>	<u>40,104</u>	<u>7,603</u>
			<u>103,461</u>	<u>9,878</u>	<u>62,910</u>	<u>42,379</u>	<u>40,104</u>	<u>7,603</u>
Title II Part A - Improving Teacher Quality	84.367	080520 0708	253,550	21,877	156,236	29,438	7,561	-
		090520 0809	<u>281,780</u>	<u>-</u>	<u>-</u>	<u>182,185</u>	<u>211,529</u>	<u>29,344</u>
			<u>535,330</u>	<u>21,877</u>	<u>156,236</u>	<u>211,623</u>	<u>219,090</u>	<u>29,344</u>
State Fiscal Stabilization Fund (ARRA)	84.394	092525 0809	<u>1,268,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,268,175</u>	<u>1,268,175</u>
Total passed through Michigan Department of Education			<u>3,205,763</u>	<u>154,020</u>	<u>740,673</u>	<u>936,299</u>	<u>2,201,017</u>	<u>1,418,738</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
YEAR ENDED JUNE 30, 2009**

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, 2009
U.S. Department of Education (Continued):								
Passed through Ingham Intermediate School District:								
Special Education Cluster:								
Special Education Grants to State	84.027A	090440 0809	\$ 400	\$ -	\$ -	\$ 400	\$ 400	\$ -
IDEA Pre-Primary Impaired	84.173	080460 0708	19,866	19,866	19,866	19,866	-	-
		090460 0809	28,623	-	-	-	28,623	28,623
			48,489	19,866	19,866	19,866	28,623	28,623
Total Special Education Cluster			48,889	19,866	19,866	20,266	29,023	28,623
Passed through Potterville Public Schools								
Homeless	84.196A	082320 0708	450	450	450	450	-	-
		092320 0809	1,523	-	-	-	1,523	1,523
			1,973	450	450	450	1,523	1,523
Passed through the Michigan Department of Education:								
Carole M. White Physical Education Program	84.215F	Q215F050104-07	41,769	12,405	39,374	12,405	-	-
Total U.S. Department of Education			3,298,394	186,741	800,363	969,420	2,231,563	1,448,884
U.S. Department of Health and Human Services:								
Passed through Ingham Intermediate School District								
Medicaid Administrative Outreach	93.778		42,938	6,055	29,432	19,561	13,506	-
Total Expenditures of Federal Awards			\$ 4,109,884	\$ 192,796	\$ 1,150,267	\$ 1,437,061	\$ 2,693,149	\$ 1,448,884

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
YEAR ENDED JUNE 30, 2009**

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. State Fiscal Stabilization Fund, CFDA (#84.394) was audited as the major program, representing 47% 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 Grant 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	\$ 2,245,069
Other nonmajor governmental funds	<u>448,080</u>
	<u><u>\$ 2,693,149</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

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) indentified: _____ 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
84.394	State Fiscal Stabilization Fund

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
YEAR ENDED JUNE 30, 2009**

There were no findings disclosed for the past two years.