

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

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

**YEAR ENDED JUNE 30, 2010**

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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 the School District of the City of East Lansing, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the School District of the City of East Lansing as of June 30, 2010, 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 24, 2010, on our consideration of the 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 50 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Maney Costeiran PC*

September 24, 2010

## **BASIC FINANCIAL STATEMENTS**

# School District of the City of East Lansing

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## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010



East Lansing Public Schools

The School District of the City of East Lansing is a K-12 public school district located in Ingham and Clinton Counties, Michigan. The Management's Discussion and Analysis (MD&A), a requirement of Governmental Accounting Standards Board (GASB) Statement 34, is intended to be the School District of the City of East Lansing's management's review of financial performance for the year ended June 30, 2010. 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 information about how *governmental funds* were financed in the short-term as well as what remains for future spending and looks 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**

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## **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010**



East Lansing Public Schools

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

The fund financial statements provide detailed information about the most significant funds of the District - not the District as a whole. Certain funds are required to be established by State law or by bond covenants. Others funds are created in order to help control and manage their activities. The fund level statements of the District use an accounting method called modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

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, 2010



East Lansing Public Schools

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

The Statement of Net Assets provides the perspective of the District as a whole. The following schedule summarizes the net assets as of June 30, 2010 and June 30, 2009:

	2010	2009
ASSETS:		
Current assets	\$ 12,351,607	\$ 10,763,055
Noncurrent assets	78,854,408	81,238,973
Total assets	<u>\$ 91,206,015</u>	<u>\$ 92,002,028</u>
LIABILITIES:		
Current liabilities	\$ 10,456,424	\$ 9,395,619
Long-term liabilities	66,188,633	71,613,713
Total liabilities	<u>76,645,057</u>	<u>81,009,332</u>
NET ASSETS (DEFICIT):		
Invested in capital assets, net of related debt	11,954,776	9,866,505
Restricted for capital projects (sinking fund)	3,844,239	2,981,551
Unrestricted	<u>(1,238,057)</u>	<u>(1,855,360)</u>
Total net assets	<u>14,560,958</u>	<u>10,992,696</u>
Total liabilities and net assets	<u>\$ 91,206,015</u>	<u>\$ 92,002,028</u>

### Analysis of Financial Position

For the fiscal year ended June 30, 2010, the District's net assets increased by \$3,568,262. 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, 2010



East Lansing Public Schools

The District records depreciation expense on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, when applicable. For the fiscal year ended June 30, 2010 and June 30, 2009, the following was recorded as depreciation expense:

	2010	2009
Land improvements	\$ 515,209	\$ 439,831
Building and additions	1,889,944	1,864,151
Furniture and equipment	502,893	518,621
Transportation and equipment	68,401	68,501
Total	<u>\$ 2,976,447</u>	<u>\$ 2,891,104</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, 2010, \$626,415 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 \$2,350,032 for the fiscal year ended June 30, 2010.

### 3. Long-Term Debt

The District's total general long-term debt for the fiscal year ended June 30, 2010 decreased by \$5,028,708. 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, 2010



East Lansing Public Schools

For the fiscal year ended June 30, 2010 and June 30, 2009, the District-wide results of operation were:

	2010	% of total	2009	% of total
General revenues:				
Property taxes, levied for general operations	\$ 9,272,581	20.9	\$ 8,524,328	19.3
Property taxes, levied for debt service	7,934,305	17.9	7,595,222	17.2
Property taxes, levied for sinking fund	1,457,590	3.3	1,385,881	3.1
Investment earnings	43,152	0.1	161,852	0.4
State sources	18,953,923	42.8	19,780,955	44.9
Federal ARRA sources - unrestricted	955,951	2.2	1,268,175	2.9
County special education allocation	2,597,148	5.9	2,647,715	6.0
Other	328,011	0.7	442,581	1.1
Total general revenues	41,542,661	93.8	41,806,709	94.9
Program revenues:				
Charges for services	828,259	1.9	814,337	1.8
Operating grants	1,922,158	4.3	1,473,146	3.3
Total revenues	\$ 44,293,078	100.0	\$ 44,094,192	100.0
Function/program expenses:				
Instruction	\$ 20,608,762	50.6	\$ 20,324,001	49.5
Support services	11,950,650	29.3	12,475,720	30.4
Community services	20,353	0.0	19,890	0.0
Outgoing transfers and other transactions	979,918	2.4	50,000	0.1
Food services	652,110	1.6	994,847	2.4
Athletics	92,813	0.2	736,934	1.8
Interest on long-term debt	3,443,763	8.5	3,600,600	8.8
Unallocated depreciation	2,976,447	7.4	2,891,104	7.0
Total expenses	\$ 40,724,816	100.0	\$ 41,093,096	100.0

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010



East Lansing Public Schools

Significant revenues and expenditures are discussed in the segments below:

### 1. Property Taxes

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

The District receives settlements from Ingham and Clinton counties on all outstanding *real* property taxes at the end of each fiscal year. The amount of unpaid *personal* property taxes at June 30, 2010 was approximately \$123,000, or 1.30% 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
2009 - 2010	0.7028	17.2972	7.0000	1.2860
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

The following schedule summarizes 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
2009 - 2010	\$ 790,693	\$ 8,611,315	\$ 7,921,156	\$ 1,446,828
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

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010



East Lansing Public Schools

### 2. State Sources

Per the State School Aid Act the State of Michigan funds school districts on a per pupil allowance based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count (the fourth Wednesday of September) and 25% of the prior year's supplemental count (the second Wednesday of February). The District's per pupil allowance for fiscal year 2010 was \$8,153.

The following schedule summarizes the District's per pupil allowance over the past five years (figures through 2008-2009 include the 20j hold harmless amount, which was not included in the 2009-2010 allowance):

Fiscal year	Per pupil allowance	\$ increase/(decrease) from prior year
2009 - 2010	\$ 8,153	\$ (468)
2008 - 2009	8,621	56
2007 - 2008	8,565	48
2006 - 2007	8,517	210
2005 - 2006	8,307	175

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 \$8,153 the District receives for its resident pupils.

In fiscal year 2009-10, 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 \$956,000 of reduced revenue from the State to the District for fiscal year ended 2010. 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:

Fiscal year	Actual blended student FTE	FTE change from prior year
2009 - 2010	3,445	36
2008 - 2009	3,409	10
2007 - 2008	3,399	(11)
2006 - 2007	3,410	(55)
2005 - 2006	3,465	(49)

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010



East Lansing Public Schools

### 4. County Special Education Allocation

The District receives an allocation, based on a funding system, from Ingham Intermediate School District to assist with the education of students with special needs. For the fiscal year ended June 30, 2010, the District received \$2,597,148. This amount represents a decrease of \$50,567 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 2009-2010 and 2008-2009:

Function	2009-2010 fiscal year	%	2008-2009 fiscal year	%
Basic programs	\$ 16,713,349	49.9	\$ 16,373,456	48.7
Special education	3,196,076	9.6	3,374,909	10.0
Compensatory education	1,114,541	3.3	1,134,641	3.4
Total instruction	21,023,966	62.8	20,883,006	62.1
Pupil support services	2,244,982	6.7	2,270,818	6.8
Instructional staff support services	2,289,247	6.8	1,652,006	4.9
School administration	2,228,862	6.7	2,359,318	7.0
Total instructional support	6,763,091	20.2	6,282,142	18.7
General administration	382,894	1.1	379,897	1.1
Business office	440,367	1.3	600,980	1.9
Operations and maintenance	3,208,594	9.6	3,434,675	10.2
Pupil transportation	629,914	1.9	812,433	2.4
Central	584,932	1.7	1,117,002	3.3
Community services	20,353	0.1	19,890	0.1
Outgoing transfers and loan payments	438,010	1.3	63,909	0.2
Total general fund	33,492,121	100.0	33,593,934	100.0
Food service fund	979,918		994,847	
Athletic fund	652,110		736,934	
Debt service fund	8,055,479		7,899,348	
Sinking fund	608,146		1,221,015	
2000 capital projects fund	46,504		1,338,633	
Total	\$ 43,834,278		\$ 45,784,711	

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010



East Lansing Public Schools

### General Fund Budgetary Highlights

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

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

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

Fiscal year	Revenues and Other Financing Sources		
	Budget	Actual	Variance
2009 - 2010	\$ 33,589,721	\$ 33,534,520	-0.16%
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%

Five year average actual over (under) budget -0.14%

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
2009 - 2010	\$ 33,830,292	\$ 33,492,121	-1.00%
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%

Five year average actual over (under) budget -1.24%

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010



East Lansing Public Schools

### Capital and Intangible Asset and Debt Administration

#### 1. Capital and Intangible Assets

At June 30, 2010, the District had \$78,854,408 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 \$2,384,565 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:

	2010			2009
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 875,044	\$ -	\$ 875,044	\$ 875,044
Land improvements	11,732,120	3,268,614	8,463,506	8,665,739
Building and additions	88,018,236	22,175,604	65,842,632	67,492,232
Furniture and equipment	7,253,468	4,309,903	2,943,565	3,401,658
Transportation equipment	955,142	646,747	308,395	348,501
Total	<u>\$ 108,834,010</u>	<u>\$ 30,400,868</u>	78,433,142	80,783,174
Issuance cost for bonds, net of amortization			<u>421,266</u>	<u>455,799</u>
Grand Total			<u>\$ 78,854,408</u>	<u>\$ 81,238,973</u>

#### 2. Long-term Debt

At June 30, 2010, the District had \$64,608,007 in general obligation bonded debt outstanding versus \$68,751,654 at June 30, 2009.

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, 2010 the District made a SBLF repayment of \$625,000 of which \$471,012 was for principal.

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

# School District of the City of East Lansing

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## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010



East Lansing Public Schools

### Factors Bearing on the District's Future

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

- **Enrollment:** State Aid Foundation revenue received is driven by the District's blended student enrollment. The District is anticipating a slight increase in enrollment for fiscal year 2011 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 2011 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. The rising cost of health insurance remains a concern.
- **Retirement Rate:** The State increased the retirement rate to 19.41%, effective October 1, 2010, that is charged to districts to fund the retirement system. This represents an increase of 14.58 percentage points from the rate ending September 30, 2010. 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 decline over the next few years.
- **Employee Contracts:** Union contracts except for East Lansing Education Association and East Lansing Educational Support Personnel Association remain unsettled for fiscal year 2010-11.

### 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.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

<b>ASSETS</b>	<b>Governmental activities</b>
<b>CURRENT ASSETS:</b>	
Cash	\$ 6,859,208
Investments	1,252,001
Receivables:	
Accounts receivable	31,834
Interest receivable	1,018
Taxes receivable	73,259
Due from other governmental units	4,018,402
Inventories	67,593
Prepaid expenditures	48,292
<b>TOTAL CURRENT ASSETS</b>	<b>12,351,607</b>
<b>NONCURRENT ASSETS:</b>	
Issuance cost for bonds, net of amortization	421,266
Capital assets	108,834,010
Less accumulated depreciation	(30,400,868)
<b>TOTAL NONCURRENT ASSETS</b>	<b>78,854,408</b>
<b>TOTAL ASSETS</b>	<b>\$ 91,206,015</b>

	<b>Governmental activities</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 383,220
Accrued salaries and related items	4,124,525
Accrued interest	526,247
Deferred revenue	71,054
Due to other governmental units	11,132
Note payable	450,000
Current portion of long-term obligations	4,290,000
Current portion of compensated absences and termination benefits	600,246
<b>TOTAL CURRENT LIABILITIES</b>	<b>10,456,424</b>
<b>NONCURRENT LIABILITIES:</b>	
Noncurrent portion of long-term obligations	60,318,007
School bond loan fund	2,293,650
Noncurrent portion of compensated absences and termination benefits	3,576,976
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>66,188,633</b>
<b>TOTAL LIABILITIES</b>	<b>76,645,057</b>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	11,954,776
Restricted for capital projects (sinking fund)	3,844,239
Unrestricted	(1,238,057)
<b>TOTAL NET ASSETS</b>	<b>14,560,958</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 91,206,015</b>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 20,608,762	\$ -	\$ 724,973	\$ (19,883,789)
Support services	11,950,650	105,448	612,823	(11,232,379)
Community services	20,353	-	19,672	(681)
Food services	979,918	508,711	564,690	93,483
Athletics	652,110	214,100	-	(438,010)
Capital projects	92,813	-	-	(92,813)
Interest on long-term debt	3,443,763	-	-	(3,443,763)
Unallocated depreciation	2,976,447	-	-	(2,976,447)
Total governmental activities	<u>\$ 40,724,816</u>	<u>\$ 828,259</u>	<u>\$ 1,922,158</u>	<u>(37,974,399)</u>
General revenues:				
Property taxes, levied for general purposes				9,272,581
Property taxes, levied for debt service				7,934,305
Property taxes, levied for sinking fund				1,457,590
Investment earnings				43,152
State sources				18,953,923
Federal ARRA stabilization - unrestricted				955,951
Intermediate sources				2,597,148
Other				328,011
Total general revenues				<u>41,542,661</u>
<b>CHANGE IN NET ASSETS</b>				3,568,262
<b>NET ASSETS, beginning of year</b>				<u>10,992,696</u>
<b>NET ASSETS, end of year</b>				<u><u>\$ 14,560,958</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

		<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	\$	3,818,798	\$ 2,788,765	\$ 251,645	\$ 6,859,208
Investments		128,835	1,123,166	-	1,252,001
Receivables:					
Property taxes receivable		61,303	1,856	10,100	73,259
Accounts receivable		25,106	-	6,728	31,834
Interest		-	1,018	-	1,018
Due from other governmental units		4,011,856	-	6,546	4,018,402
Due from other funds		499	-	-	499
Inventories		27,352	-	40,241	67,593
Prepaid expenditures		41,663	-	6,629	48,292
TOTAL ASSETS	\$	8,115,412	\$ 3,914,805	\$ 321,889	\$ 12,352,106
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$	253,841	\$ 70,566	\$ 58,813	\$ 383,220
Accrued salaries and related items		4,100,144	-	24,381	4,124,525
Accrued interest payable		647	-	-	647
Due to other funds		-	-	499	499
Due to other governmental units		11,132	-	-	11,132
Deferred revenue		225,813	-	19,154	244,967
Note payable		450,000	-	-	450,000
TOTAL LIABILITIES		5,041,577	70,566	102,847	5,214,990
FUND BALANCES:					
Reserved for inventories		27,352	-	-	27,352
Reserved for prepaid expenditures		41,663	-	-	41,663
Reserved for debt service		-	-	93,565	93,565

See notes to financial statements

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>FUND BALANCES (Concluded):</b>				
Reserved for capital outlay	\$ -	\$ 3,844,239	\$ 116,824	\$ 3,961,063
Unreserved:				
Designated for deferred retirement incentives	1,032,319	-	-	1,032,319
Undesignated	1,972,501	-	8,653	1,981,154
<b>TOTAL FUND BALANCES</b>	<u>3,073,835</u>	<u>3,844,239</u>	<u>219,042</u>	<u>7,137,116</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 8,115,412</u>	<u>\$ 3,914,805</u>	<u>\$ 321,889</u>	<u>\$ 12,352,106</u>
<b>Total governmental fund balances</b>				\$ 7,137,116
Amounts reported for governmental activities in the statement of net assets are different because:				
Value of amortized bond issuance costs				421,266
Capital assets used in governmental activities are not financial resources and are not reported in the funds				
The cost of the capital assets is			\$ 108,834,010	
Accumulated depreciation is			<u>(30,400,868)</u>	
				78,433,142
Revenue not recorded in the funds due to not being collected until after September 1st:				
Special education payment due from IISD				117,791
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(64,608,007)
School bond loan payable including interest				(2,293,650)
Compensated absences and termination benefits				(4,177,222)
Accrued interest is not included as a liability in government funds, it is recorded when paid				(525,600)
Balance of taxes receivable at June 30th less allowance for doubtful accounts expected to be collected after September 1st				<u>56,122</u>
<b>Net assets of governmental activities</b>				<u>\$ 14,560,958</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 9,244,767	\$ 1,457,590	\$ 7,934,305	\$ 18,636,662
M.S.U reimbursement	-	-	105,448	105,448
Investment earnings	11,043	13,244	18,865	43,152
Food sales, athletics, and community service	-	-	603,242	603,242
Other	<u>322,758</u>	<u>-</u>	<u>122,558</u>	<u>445,316</u>
Total local sources	9,578,568	1,470,834	8,784,418	19,833,820
State sources	18,953,923	-	54,236	19,008,159
Federal sources	2,313,419	-	508,654	2,822,073
Incoming transfers and other	<u>2,600,341</u>	<u>-</u>	<u>-</u>	<u>2,600,341</u>
Total revenues	<u>33,446,251</u>	<u>1,470,834</u>	<u>9,347,308</u>	<u>44,264,393</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	21,023,966	-	-	21,023,966
Supporting services	12,009,792	-	-	12,009,792
Food service activities	-	-	975,624	975,624
Athletic activities	-	-	652,110	652,110
Community service activities	20,353	-	-	20,353
Capital outlay	-	608,146	50,798	658,944

See notes to financial statements

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>EXPENDITURES (Concluded):</b>				
Debt service:				
Principal repayment	\$ -	\$ -	\$ 4,586,012	\$ 4,586,012
Interest	-	-	3,468,738	3,468,738
Bond issuance costs	-	-	729	729
	<u>33,054,111</u>	<u>608,146</u>	<u>9,734,011</u>	<u>43,396,268</u>
Total expenditures				
	<u>392,140</u>	<u>862,688</u>	<u>(386,703)</u>	<u>868,125</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	450	-	1,800	2,250
Transfers from other funds	87,819	-	438,010	525,829
Transfers to other funds	(438,010)	-	(87,819)	(525,829)
	<u>(349,741)</u>	<u>-</u>	<u>351,991</u>	<u>2,250</u>
Total other financing sources (uses)				
	<u>42,399</u>	<u>862,688</u>	<u>(34,712)</u>	<u>870,375</u>
<b>NET CHANGE IN FUND BALANCES</b>				
<b>FUND BALANCES:</b>				
Beginning of year	<u>3,031,436</u>	<u>2,981,551</u>	<u>253,754</u>	<u>6,266,741</u>
End of year	<u>\$ 3,073,835</u>	<u>\$ 3,844,239</u>	<u>\$ 219,042</u>	<u>\$ 7,137,116</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 TO GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

**Net change in fund balances total governmental funds** \$ 870,375

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	(2,976,447)
Capital outlay	626,415

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	552,459
Accrued interest payable, end of the year	(525,600)

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	4,586,012
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, beginning of the year	870
Long-term interest on school bond loan fund, end of the year	(2,025)

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	(147,028)
Deferred revenue change, end of the year	173,913

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	4,592,426
Accrued compensated absences and termination benefits, end of the year	(4,177,222)

<b>Change in net assets of governmental activities</b>	<b>\$ 3,568,262</b>
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**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2010**

	<b><u>Agency Funds</u></b>
<b>ASSETS:</b>	
Cash	\$ 450,127
Accounts receivable	<u>10,860</u>
Total assets	<u><u>\$ 460,987</u></u>
<b>LIABILITIES:</b>	
Accounts payable	\$ 10,609
Due to student and other groups	<u>450,378</u>
Total liabilities	<u><u>\$ 460,987</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>\$ 14,887,116</u></u>
Expenditures and transfers	<u><u>\$ 80,839,757</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, 2010, the foundation allowance was based on pupil membership counts taken in February and September of 2009.

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 2009 to August 2010. 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, 2010, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General fund:	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.7028
Principal Residence and Industrial Personal Property	0.7028
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 \$2,291,625 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$2,025 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, 2010. 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, 2010, the District had the following investments.

<b>Investment type</b>	<b>Fair value</b>	<b>Weighted average maturity (years)</b>	<b>Standard &amp; Poor's rating</b>	<b>%</b>
MBIA External Investment pool - CLASS	<u>\$ 1,252,001</u>	0.0027	AAAm	<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, 2010, 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, 2010, \$6,621,400 of the District’s bank balance of \$7,358,981 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, 2010, the carrying amounts are as follows:

Cash on hand	\$ 75
Deposits including fiduciary funds of \$450,127	7,309,260
Investments	<u>1,252,001</u>
	<u><u>\$ 8,561,336</u></u>

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

Cash - agency fund	\$ 450,127
Cash - district-wide	6,859,208
Investments - district-wide	<u>1,252,001</u>
	<u><u>\$ 8,561,336</u></u>

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2010 consist of the following:

Other governmental units:

State aid	\$ 3,447,586
Federal revenue	436,666
Ingham Intermediate School District	<u>134,150</u>
	<u><u>\$ 4,018,402</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, 2010 is as follows:

	Balance July 1, 2009	Additions	Reclassifications/ deletions	Balance June 30, 2010
Assets not being depreciated:				
Land	\$ 875,044	\$ -	\$ -	\$ 875,044
Other capital assets:				
Land improvements	11,419,144	312,976	-	11,732,120
Buildings and additions	87,777,892	240,344	-	88,018,236
Furniture and equipment	7,208,668	44,800	-	7,253,468
Vehicles	965,547	28,295	38,700	955,142
Total other capital assets	107,371,251	626,415	38,700	107,958,966
Accumulated depreciation:				
Land improvements	2,753,405	515,209	-	3,268,614
Building and improvements	20,285,660	1,889,944	-	22,175,604
Furniture and equipment	3,807,010	502,893	-	4,309,903
Vehicles	617,046	68,401	38,700	646,747
Total accumulated depreciation	27,463,121	2,976,447	38,700	30,400,868
Net other capital assets	79,908,130	(2,350,032)	-	77,558,098
Net capital assets	\$ 80,783,174	\$ (2,350,032)	\$ -	\$ 78,433,142

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

Depreciation for the fiscal year ended June 30, 2010 amounted to \$2,976,447. 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 - NOTE PAYABLE**

At June 30, 2010, the District has a note payable outstanding of \$450,000. The note has an interest rate of 2.50% and matures September 24, 2010. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
\$ -	\$ 450,000	\$ -	\$ 450,000

**NOTE 7 - 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, 2010 are as follows:

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%.	\$ 9,575,000
2005 Series B general obligation bonds due in annual installments of \$1,875,000 to \$3,045,000 through May 1, 2030, with interest at 3.00% to 5.00%.	54,925,000
Less: Loss on bond refunding	(2,878,004)
Plus: Premium on 2005 issuance	<u>2,986,011</u>
Total general obligation	64,608,007
Borrowing from the State of Michigan School Bond Loan Fund including interest due at the times determined by the State Treasurer, interest at 5.375% at June 30, 2010.	2,293,650
Employee compensated absences and severance benefits	<u>4,177,222</u>
Total general long-term debt	<u>\$ 71,078,879</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, 2010, \$63,970,000 of bonds outstanding are considered defeased.

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

**NOTE 7 - LONG-TERM DEBT (Continued)**

The District entered into two 2010 voluntary termination benefit arrangements with certain employees. The agreements provide for a total payment to each individual of \$30,000. This amount is paid out over 3 equal payments. There are currently 22 employees entitled to future payments totaling \$660,000. The liability has been recorded at the face amount, as the discounted present value approximates the face amount of the liability.

The annual requirements to amortize the long-term obligations as of June 30, 2010, including interest of \$31,745,925 are as follows:

Year ending June 30,	Principal	Interest	Total
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	2,710,000	2,351,000	5,061,000
2015 - 2019	14,185,000	9,680,250	23,865,250
2020 - 2024	15,070,000	6,035,000	21,105,000
2025 - 2029	15,055,000	2,254,500	17,309,500
	64,500,000	31,745,925	96,245,925
Loss on bond refunding	(2,878,004)	-	(2,878,004)
Unamortized premium on bond issuance	2,986,011	-	2,986,011
Accumulated compensated absences and severance benefits	4,177,222	-	4,177,222
Due to school bond loan fund	2,293,650	-	2,293,650
	<u>\$ 71,078,879</u>	<u>\$ 31,745,925</u>	<u>\$ 102,824,804</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 5.375% - 5.750% for the School Bond Loan Fund notes have been assessed for the year ended June 30, 2010. 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 7 - LONG-TERM DEBT (Concluded)**

An amount of \$93,565 is available in the debt service funds to service the general obligation debt.

The following is a summary of long-term obligations for the District for the year ended June 30, 2010:

	<u>Compensated absences</u>	<u>School bond loan fund</u>	<u>Bonds and other debt</u>	<u>Total</u>
Balance, July 1, 2009	\$ 4,592,426	\$ 2,763,507	\$ 68,751,654	\$ 76,107,587
Additions	660,000	155,143	-	815,143
Deletions	<u>(1,075,204)</u>	<u>(625,000)</u>	<u>(4,143,647)</u>	<u>(5,843,851)</u>
Balance, June 30, 2010	4,177,222	2,293,650	64,608,007	71,078,879
Less current portion	<u>(600,246)</u>	<u>-</u>	<u>(4,290,000)</u>	<u>(4,890,246)</u>
Total due after one year	<u><u>\$ 3,576,976</u></u>	<u><u>\$ 2,293,650</u></u>	<u><u>\$ 60,318,007</u></u>	<u><u>\$ 66,188,633</u></u>

**NOTE 8 - 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, 2010 was approximately \$40,560. Future operating lease commitments are as follows:

<u>Year ending June 30,</u>	<u>Copier lease</u>
2011	\$ 40,560
2012	40,560
2013	<u>40,560</u>
	<u><u>\$ 121,680</u></u>

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

**NOTE 9 - 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, 2010 was 16.54% of payroll through September 30, 2009, and 16.94% effective October 1, 2009 through June 30, 2010. 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 years ended June 30, 2010, 2009 and 2008 were \$3,218,984, \$3,262,682, and \$3,308,648, 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 10 - INTERFUND RECEIVABLES AND PAYABLES**

Amounts due to and from other funds at June 30, 2010 are as follows:

Receivable fund	Amount	Payable fund	Amount
General Fund	\$ 499	2000 Debt Fund	\$ 275
		2005 Debt Fund (91/96)	112
		2005 Debt Fund (2000)	112
	<u>\$ 499</u>		<u>\$ 499</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 11 - 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, 2010 or any of the prior three years.

**NOTE 12 - TRANSFERS**

The general fund transferred \$438,010 to the athletic fund to subsidize operations. The school lunch fund transferred \$87,819 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.

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

**NOTE 13 - THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)**

For the year ended June 30, 2010 the District reported revenue of \$955,951 in unrestricted 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 unrestricted ARRA funds in the future.

**NOTE 14 - FUTURE ACCOUNTING STANDARDS**

Effective for the year ending June 30, 2011, the District will be required to implement new accounting standards that revise the classification of fund balance and the definition of special revenue funds. As a result, athletic activities will be included in the general fund rather than a separate fund.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2010**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>REVENUES:</b>				
Local sources	\$ 9,716,064	\$ 9,588,505	\$ 9,578,568	\$ (9,937)
State sources	18,259,575	18,941,584	18,953,923	12,339
Federal sources	3,010,598	2,386,038	2,313,419	(72,619)
Incoming transfers and other	2,666,368	2,583,094	2,600,341	17,247
Total revenues	33,652,605	33,499,221	33,446,251	(52,970)
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	16,744,120	16,746,026	16,713,349	32,677
Added needs	4,504,816	4,290,073	4,310,617	(20,544)
Total instruction	21,248,936	21,036,099	21,023,966	12,133
Supporting services:				
Pupil	2,282,234	2,288,166	2,244,982	43,184
Instructional staff	1,715,444	2,366,540	2,289,247	77,293
General administration	357,507	367,754	382,894	(15,140)
School administration	2,257,090	2,238,088	2,228,862	9,226
Business	597,029	429,605	440,367	(10,762)
Operation/maintenance	3,458,027	3,327,431	3,208,594	118,837
Pupil transportation	631,450	628,440	629,914	(1,474)
Central	1,096,215	656,662	584,932	71,730
Total supporting services	12,394,996	12,302,686	12,009,792	292,894
Community services	44,019	40,860	20,353	20,507
Total expenditures	33,687,951	33,379,645	33,054,111	325,534
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(35,346)</b>	<b>119,576</b>	<b>392,140</b>	<b>272,564</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of school property	1,000	500	450	(50)
Transfers from other funds	81,000	90,000	87,819	(2,181)
Transfers to other funds	(491,809)	(450,647)	(438,010)	12,637
Total other financing uses	(409,809)	(360,147)	(349,741)	10,406
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (445,155)</b>	<b>\$ (240,571)</b>	<b>42,399</b>	<b>\$ 282,970</b>
<b>FUND BALANCE:</b>				
Beginning of year			3,031,436	
End of year			<u>\$ 3,073,835</u>	

## **ADDITIONAL INFORMATION**

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2010**

	<b>Special revenue</b>	<b>Debt service</b>	<b>2000 capital projects</b>	<b>Total nonmajor governmental funds</b>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 48,297	\$ 83,964	\$ 119,384	\$ 251,645
Accounts receivable	6,728	-	-	6,728
Delinquent taxes receivable	-	10,100	-	10,100
Due from other governmental units	6,546	-	-	6,546
Prepaid expenditures	6,629	-	-	6,629
Inventories	40,241	-	-	40,241
<b>TOTAL ASSETS</b>	<b>\$ 108,441</b>	<b>\$ 94,064</b>	<b>\$ 119,384</b>	<b>\$ 321,889</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 56,253	\$ -	\$ 2,560	\$ 58,813
Accrued salaries and related items	24,381	-	-	24,381
Due to other funds	-	499	-	499
Deferred revenue	19,154	-	-	19,154
<b>TOTAL LIABILITIES</b>	<b>99,788</b>	<b>499</b>	<b>2,560</b>	<b>102,847</b>
<b>FUND BALANCES:</b>				
Reserved for debt service	-	93,565	-	93,565
Reserved for capital outlay	-	-	116,824	116,824
Unreserved, undesignated	8,653	-	-	8,653
<b>TOTAL FUND BALANCES</b>	<b>8,653</b>	<b>93,565</b>	<b>116,824</b>	<b>219,042</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 108,441</b>	<b>\$ 94,064</b>	<b>\$ 119,384</b>	<b>\$ 321,889</b>

**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, 2010**

	<b>Special revenue</b>	<b>Debt service</b>	<b>2000 capital projects</b>	<b>Total nonmajor governmental funds</b>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ -	\$ 7,934,305	\$ -	\$ 7,934,305
M.S.U. reimbursement	-	105,448	-	105,448
Investment earnings	-	18,619	246	18,865
Food sales and admissions	603,242	-	-	603,242
Other	122,558	-	-	122,558
Total local sources	725,800	8,058,372	246	8,784,418
State sources	54,236	-	-	54,236
Federal sources	508,654	-	-	508,654
Total revenues	1,288,690	8,058,372	246	9,347,308
<b>EXPENDITURES:</b>				
Current:				
Food service activities	975,624	-	-	975,624
Athletic activities	652,110	-	-	652,110
Capital outlay	4,294	-	46,504	50,798
Debt service:				
Principal repayment	-	4,586,012	-	4,586,012
Interest expense	-	3,468,738	-	3,468,738
Bond issuance costs	-	729	-	729
Total expenditures	1,632,028	8,055,479	46,504	9,734,011
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(343,338)	2,893	(46,258)	(386,703)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	1,800	-	-	1,800
Transfers from other funds	438,010	-	-	438,010
Transfers to other funds	(87,819)	-	-	(87,819)
Total other financing sources	351,991	-	-	351,991
<b>NET CHANGE IN FUND BALANCES</b>	8,653	2,893	(46,258)	(34,712)
<b>FUND BALANCES:</b>				
Beginning of year	-	90,672	163,082	253,754
End of year	\$ 8,653	\$ 93,565	\$ 116,824	\$ 219,042

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
YEAR ENDED JUNE 30, 2010**

	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>LOCAL SOURCES:</b>			
Property taxes	\$ 9,260,166	\$ 9,244,767	\$ (15,399)
Investment earnings	12,100	11,043	(1,057)
Other local revenue	316,239	322,758	6,519
<b>TOTAL LOCAL SOURCES</b>	<b>9,588,505</b>	<b>9,578,568</b>	<b>(9,937)</b>
<b>STATE SOURCES:</b>			
Foundation grant	13,440,851	13,440,367	(484)
Special education	1,700,767	1,700,767	-
Other state revenue	3,799,966	3,812,789	12,823
<b>TOTAL STATE SOURCES</b>	<b>18,941,584</b>	<b>18,953,923</b>	<b>12,339</b>
<b>FEDERAL SOURCES:</b>			
Title I	883,934	880,058	(3,876)
Title II - improving teacher quality	203,175	164,037	(39,138)
State stabilization fund	955,951	955,951	-
Other federal revenue	342,978	313,373	(29,605)
<b>TOTAL FEDERAL SOURCES</b>	<b>2,386,038</b>	<b>2,313,419</b>	<b>(72,619)</b>
<b>INCOMING TRANSFERS AND OTHER TRANSACTIONS:</b>			
Special education	2,582,094	2,583,499	1,405
Other	1,000	16,842	15,842
<b>TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS</b>	<b>2,583,094</b>	<b>2,600,341</b>	<b>17,247</b>
<b>TOTAL REVENUES</b>	<b>33,499,221</b>	<b>33,446,251</b>	<b>(52,970)</b>
<b>OTHER FINANCING SOURCES:</b>			
Sale of school property	500	450	(50)
Transfers from other funds	90,000	87,819	(2,181)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>90,500</b>	<b>88,269</b>	<b>(2,231)</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 33,589,721</b>	<b>\$ 33,534,520</b>	<b>\$ (55,201)</b>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2010**

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
<b>INSTRUCTION:</b>			
Basic programs:			
Elementary:			
Salaries	\$ 6,011,528	\$ 6,032,314	\$ (20,786)
Benefits	2,627,384	2,608,557	18,827
Purchased services	31,471	21,830	9,641
Supplies and materials	200,937	201,596	(659)
Capital outlay	34,469	30,137	4,332
Other expenses	86,881	85,948	933
Total elementary	<u>8,992,670</u>	<u>8,980,382</u>	<u>12,288</u>
Middle school:			
Salaries	1,579,258	1,581,438	(2,180)
Benefits	705,476	716,626	(11,150)
Purchased services	16,708	12,999	3,709
Supplies and materials	46,266	45,217	1,049
Capital outlay	33,741	26,593	7,148
Other expenses	23,374	22,816	558
Total middle school	<u>2,404,823</u>	<u>2,405,689</u>	<u>(866)</u>
High school:			
Salaries	3,481,137	3,480,536	601
Benefits	1,542,250	1,549,387	(7,137)
Purchased services	42,285	32,385	9,900
Supplies and materials	120,218	111,051	9,167
Capital outlay	8,154	6,702	1,452
Other expenses	153,641	147,217	6,424
Total high school	<u>5,347,685</u>	<u>5,327,278</u>	<u>20,407</u>
Summer school:			
Benefits	<u>848</u>	<u>-</u>	<u>848</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2010**

	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>INSTRUCTION (Concluded):</b>			
Added needs:			
Special education:			
Salaries	\$ 1,806,359	\$ 1,808,135	\$ (1,776)
Benefits	1,113,505	1,129,871	(16,366)
Purchased services	167,081	173,017	(5,936)
Supplies and materials	8,977	6,607	2,370
Capital outlay	997	-	997
Other expenses	71,820	78,446	(6,626)
Total special education	3,168,739	3,196,076	(27,337)
Compensatory education:			
Salaries	747,999	752,106	(4,107)
Benefits	327,578	322,769	4,809
Purchased services	911	-	911
Supplies and materials	22,242	26,181	(3,939)
Capital outlay	4,058	4,068	(10)
Other expenses	18,546	9,417	9,129
Total compensatory education	1,121,334	1,114,541	6,793
Total added needs	4,290,073	4,310,617	(20,544)
<b>TOTAL INSTRUCTION</b>	21,036,099	21,023,966	12,133
<b>SUPPORTING SERVICES:</b>			
Pupil services:			
Salaries	1,561,956	1,548,623	13,333
Benefits	691,699	670,615	21,084
Purchased services	18,552	17,911	641
Supplies and materials	15,959	7,833	8,126
Total pupil services	2,288,166	2,244,982	43,184

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2010**

	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>SUPPORTING SERVICES (Continued) :</b>			
Instructional staff services:			
Salaries	\$ 1,355,765	\$ 1,342,875	\$ 12,890
Benefits	570,182	557,227	12,955
Purchased services	127,770	89,585	38,185
Supplies and materials	131,316	107,564	23,752
Capital outlay	1,596	425	1,171
Other expenses	179,911	191,571	(11,660)
Total instructional staff	<u>2,366,540</u>	<u>2,289,247</u>	<u>77,293</u>
General administration:			
Salaries	193,471	193,956	(485)
Benefits	85,893	88,077	(2,184)
Purchased services	72,031	86,747	(14,716)
Supplies and materials	8,778	6,161	2,617
Other expenses	7,581	7,953	(372)
Total general administration	<u>367,754</u>	<u>382,894</u>	<u>(15,140)</u>
School administration:			
Salaries	1,410,966	1,410,226	740
Benefits	590,512	590,878	(366)
Purchased services	181,353	183,623	(2,270)
Supplies and materials	26,729	22,674	4,055
Capital outlay	9,476	4,183	5,293
Other expenses	19,052	17,278	1,774
Total school administration	<u>2,238,088</u>	<u>2,228,862</u>	<u>9,226</u>
Business services:			
Salaries	231,468	245,496	(14,028)
Benefits	106,022	115,556	(9,534)
Purchased services	70,220	63,894	6,326
Supplies and materials	14,913	10,532	4,381
Capital outlay	698	-	698
Other expenses	6,284	4,889	1,395
Total business services	<u>429,605</u>	<u>440,367</u>	<u>(10,762)</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2010**

	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>SUPPORTING SERVICES (Concluded):</b>			
Operations and maintenance:			
Salaries	\$ 299,221	\$ 292,007	\$ 7,214
Benefits	178,101	174,165	3,936
Purchased services	1,735,534	1,711,284	24,250
Supplies and materials	1,107,742	1,028,737	79,005
Capital outlay	6,334	2,374	3,960
Other expenses	499	27	472
Total operations and maintenance	<u>3,327,431</u>	<u>3,208,594</u>	<u>118,837</u>
Transportation:			
Salaries	286,623	305,323	(18,700)
Benefits	181,386	183,005	(1,619)
Purchased services	97,090	85,410	11,680
Supplies and materials	62,344	55,761	6,583
Other expenses	997	415	582
Total transportation	<u>628,440</u>	<u>629,914</u>	<u>(1,474)</u>
Central services:			
Salaries	256,921	248,082	8,839
Benefits	115,263	105,678	9,585
Purchased services	224,423	183,774	40,649
Supplies and materials	8,877	3,982	4,895
Capital outlay	27,630	18,801	8,829
Other expenses	23,548	24,615	(1,067)
Total central services	<u>656,662</u>	<u>584,932</u>	<u>71,730</u>
<b>TOTAL SUPPORTING SERVICES</b>	<u>12,302,686</u>	<u>12,009,792</u>	<u>292,894</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2010**

	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>COMMUNITY SERVICES:</b>			
Purchased services	\$ 22,337	\$ 13,354	\$ 8,983
Supplies and materials	18,523	6,999	11,524
<b>TOTAL COMMUNITY SERVICES</b>	<b>40,860</b>	<b>20,353</b>	<b>20,507</b>
<b>TOTAL EXPENDITURES</b>	<b>33,379,645</b>	<b>33,054,111</b>	<b>325,534</b>
<b>OTHER FINANCING USES:</b>			
Transfers to other funds	450,647	438,010	12,637
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 33,830,292</b>	<b>\$ 33,492,121</b>	<b>\$ 338,171</b>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010**

	<b>Food Service</b>	<b>Athletic</b>	<b>Totals</b>
<b>ASSETS</b>			
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 44,643	\$ 3,654	\$ 48,297
Accounts receivable	6,728	-	6,728
Due from other governmental units	6,546	-	6,546
Prepaid expenditures	6,629	-	6,629
Inventories	40,241	-	40,241
<b>TOTAL ASSETS</b>	<b>\$ 104,787</b>	<b>\$ 3,654</b>	<b>\$ 108,441</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 56,253	\$ -	\$ 56,253
Accrued salaries and related items	20,727	3,654	24,381
Deferred revenue	19,154	-	19,154
<b>TOTAL LIABILITIES</b>	<b>96,134</b>	<b>3,654</b>	<b>99,788</b>
<b>FUND BALANCES:</b>			
Unreserved/undesignated	8,653	-	8,653
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 104,787</b>	<b>\$ 3,654</b>	<b>\$ 108,441</b>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2010**

	<b>Food Service</b>	<b>Athletic</b>	<b>Totals</b>
<b>REVENUES:</b>			
Sales	\$ 508,711	\$ -	\$ 508,711
State aid	54,236	-	54,236
Federal aid	508,654	-	508,654
Admissions	-	94,531	94,531
Other	2,989	119,569	122,558
	<hr/>	<hr/>	<hr/>
Total revenues	1,074,590	214,100	1,288,690
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES:</b>			
Salaries	150,953	400,790	551,743
Benefits	27,997	112,944	140,941
Supplies and materials	466,425	43,118	509,543
Capital outlay	4,294	-	4,294
Other expenses	330,249	95,258	425,507
	<hr/>	<hr/>	<hr/>
Total expenditures	979,918	652,110	1,632,028
	<hr/>	<hr/>	<hr/>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	94,672	(438,010)	(343,338)
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from sale of capital assets	1,800	-	1,800
Transfers from other funds	-	438,010	438,010
Transfers to other funds	(87,819)	-	(87,819)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(86,019)	438,010	351,991
	<hr/>	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCES</b>	8,653	-	8,653
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES:</b>			
Beginning of year	-	-	-
	<hr/>	<hr/>	<hr/>
End of year	\$ 8,653	\$ -	\$ 8,653
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NONMAJOR DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010**

	<u>2000 Debt</u>	<u>2005 Debt</u>	<u>Series B 2005 Debt</u>	<u>Total Nonmajor</u>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 25,960	\$ 28,963	\$ 29,041	\$ 83,964
Delinquent taxes receivable	<u>2,495</u>	<u>3,708</u>	<u>3,897</u>	<u>10,100</u>
<b>TOTAL ASSETS</b>	<u>\$ 28,455</u>	<u>\$ 32,671</u>	<u>\$ 32,938</u>	<u>\$ 94,064</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Due to other governmental funds	<u>\$ 275</u>	<u>\$ 112</u>	<u>\$ 112</u>	<u>\$ 499</u>
<b>FUND BALANCES:</b>				
Reserved for debt service	<u>28,180</u>	<u>32,559</u>	<u>32,826</u>	<u>93,565</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 28,455</u>	<u>\$ 32,671</u>	<u>\$ 32,938</u>	<u>\$ 94,064</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, 2010**

	<u>2000 Debt</u>	<u>2005 Debt</u>	<u>Series B 2005 Debt</u>	<u>Total Nonmajor</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 1,959,836	\$ 2,912,963	\$ 3,061,506	\$ 7,934,305
M.S.U reimbursement	-	105,448	-	105,448
Interest	5,440	7,990	5,189	18,619
	<u>1,965,276</u>	<u>3,026,401</u>	<u>3,066,695</u>	<u>8,058,372</u>
Total revenues				
<b>EXPENDITURES:</b>				
Redemption of bonds	1,850,581	2,465,987	269,444	4,586,012
Interest on bonded debt	114,419	558,488	2,795,831	3,468,738
Agent fees	276	226	227	729
	<u>1,965,276</u>	<u>3,024,701</u>	<u>3,065,502</u>	<u>8,055,479</u>
Total expenditures				
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	-	1,700	1,193	2,893
<b>FUND BALANCES:</b>				
Beginning of year	<u>28,180</u>	<u>30,859</u>	<u>31,633</u>	<u>90,672</u>
End of year	<u>\$ 28,180</u>	<u>\$ 32,559</u>	<u>\$ 32,826</u>	<u>\$ 93,565</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
CAPITAL PROJECTS FUND – SINKING FUND  
DETAILS OF EXPENDITURES  
YEAR ENDED JUNE 30, 2010**

EXPENDITURES:

Donley Elementary	\$ 15,622
Glencairn Elementary	10,537
Marble Elementary	24,261
Pinecrest Elementary	23,833
Red Cedar Elementary	41,824
Whitehills Elementary	18,296
MacDonald Middle School	25,065
East Lansing High School	222,965
Timberlane Facility	10,346
Service Center	2,513
Athletic Fields	<u>212,884</u>
 Total expenditures	 <u><u>\$ 608,146</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
2000 CAPITAL PROJECTS FUND  
DETAILS OF EXPENDITURES  
YEAR ENDED JUNE 30, 2010**

MacDonald Middle School:	
Architectural fess and other costs	\$      1,030
	<hr/>
East Lansing High School:	
Technology	4,197
Remodeling	11,992
Site development	19,112
Architectural fees and other costs	1,656
	<hr/>
Total East Lansing High School	36,957
	<hr/>
Timberlane Facility	
Furnishings	5,957
	<hr/>
Pool:	
Furnishings	2,560
	<hr/>
Total expenditures	\$      46,504
	<hr/> <hr/>

**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, 2010**

	<b>Balance 7/1/09</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/10</b>
East Lansing High School	\$ 271,951	\$ 369,305	\$ 348,236	\$ 293,020
MacDonald Middle School	27,574	71,606	74,813	24,367
Donley Elementary School	11,727	20,788	16,867	15,648
Glencairn Elementary School	9,516	15,651	13,915	11,252
Marble Elementary School	26,546	23,243	27,004	22,785
Pinecrest Elementary School	7,425	21,100	19,668	8,857
Red Cedar Elementary School	8,751	30,958	30,891	8,818
Whitehills Elementary School	10,709	35,072	31,487	14,294
Other	44,168	35,693	28,524	51,337
	<u>\$ 418,367</u>	<u>\$ 623,416</u>	<u>\$ 591,405</u>	<u>\$ 450,378</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
COMBINED DEBT SERVICE REQUIREMENTS  
JUNE 30, 2010**

<b>Year ending June 30,</b>	<b>2005 Debt</b>	<b>2005 Series B Debt</b>	<b>Combined</b>
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>\$ 10,578,425</u>	<u>\$ 85,667,500</u>	<u>\$ 96,245,925</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS  
2005 DEBT (REFUNDING OF 1991 AND 1996 DEBT)  
JUNE 30, 2010**

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	
2011	\$ 2,415,000	\$ 203,675	\$ 203,675	\$ 2,822,350
2012	2,585,000	161,412	161,413	2,907,825
2013	2,795,000	103,250	103,250	3,001,500
2014	1,780,000	33,375	33,375	1,846,750
Total 2000 bonded debt	<u>\$ 9,575,000</u>	<u>\$ 501,712</u>	<u>\$ 501,713</u>	<u>\$ 10,578,425</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, 2010**

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	
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>\$ 54,925,000</u>	<u>\$ 15,371,250</u>	<u>\$ 15,371,250</u>	<u>\$ 85,667,500</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, 2010**

	<u>Interest rate</u>	<u>Amount</u>
<b>General fund:</b>		
Michigan Class Pool	0.22%	<u>\$ 128,835</u>
<b>Sinking fund:</b>		
Michigan Class Pool	0.22%	<u>1,123,166</u>
 Total investments		 <u><u>\$ 1,252,001</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**  
**ADDITIONAL REPORTS REQUIRED BY**  
**OMB CIRCULAR A-133**  
**YEAR ENDED JUNE 30, 2010**

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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, 2010, which collectively comprise School District of the City of East Lansing's basic financial statements and issued our report thereon dated September 24, 2010. 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 deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 24, 2010.

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 Costeiran PC*

September 24, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**INDEPENDENT AUDITORS' REPORT**

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

Compliance

We have audited the School District of the City of East Lansing's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District of the City of East Lansing's major federal programs for the year ended June 30, 2010. The School District of the City of East Lansing's major federal programs are 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 each of its major federal programs 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. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District of the City of East Lansing's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, 2010, and have issued our report thereon dated September 24, 2010. Our audit was performed 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 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 management, the Board of Education, others within the District, 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.

*Maner Costeiran PC*

September 24, 2010

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2009	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2010
<u>U.S. Department of Agriculture:</u>								
Passed through the Michigan Department of Education:								
Child Nutrition Cluster:								
Non-Cash Assistance (Commodities):								
National School Lunch Program	10.550							
Entitlement			\$ 53,636	\$ -	\$ -	\$ 53,636	\$ 53,636	\$ -
Bonus			5,106	-	-	5,106	5,106	-
Total Non-Cash Assistance			58,742	-	-	58,742	58,742	-
Cash Assistance:								
National School Lunch - Breakfast	10.553	091970	70,246	-	63,923	6,323	6,323	-
		101970	81,073	-	-	81,073	81,073	-
			151,319	-	63,923	87,396	87,396	-
National School Lunch	10.555	091950	54,979	-	49,308	5,671	5,671	-
		091960	264,563	-	236,946	27,617	27,617	-
		101950	55,519	-	-	55,519	55,519	-
		101960	273,709	-	-	273,709	273,709	-
			648,770	-	286,254	362,516	362,516	-
Total Cash Assistance			800,089	-	350,177	449,912	449,912	-
Total Child Nutrition Cluster			858,831	-	350,177	508,654	508,654	-
Total U.S. Department of Agriculture			858,831	-	350,177	508,654	508,654	-

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, 2010**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2009	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2010
<u>U.S. Department of Education:</u>								
Passed through the Michigan Department of Education:								
Title I Cluster:								
Title I Part A - Improving Basic Programs	84.010	091530 0809	\$ 706,985	\$ 111,012	\$ 647,557	\$ 137,952	\$ 26,940	\$ -
		101530 0910	679,122	-	-	523,349	635,246	111,897
			1,386,107	111,012	647,557	661,301	662,186	111,897
ARRA Title I Part A - Improving Basic Programs	84.389	101535 0910	217,872	-	-	204,600	217,872	13,272
Total Title I Cluster			1,603,979	111,012	647,557	865,901	880,058	125,169
Title V Part A - Innovative Programs	84.298	090250 0809	693	693	693	693	-	-
Title II Part D Cluster:								
Title II Part D - Enhancing Ed. Through Technology	84.318	094290 0809	7,381	1,911	6,654	1,911	-	-
		104290 0910	727	-	-	727	727	-
			8,108	1,911	6,654	2,638	727	-
ARRA Title II Part D - Enhancing Education through Technology	84.386	104295 0910	11,316	-	-	6,066	6,443	377
Total Title II Part D Cluster			19,424	1,911	6,654	8,704	7,170	377
Title III - Limited English Proficient	84.365A	090580 0809	40,551	7,603	40,104	7,603	-	-
		100580 0910	35,479	-	-	-	10,357	10,357
			76,030	7,603	40,104	7,603	10,357	10,357
Title II Part A - Improving Teacher Quality	84.367	090520 0809	281,780	29,344	211,529	30,290	946	-
		100520 0910	250,186	-	-	143,680	155,921	12,241
			531,966	29,344	211,529	173,970	156,867	12,241

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, 2010**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2009	Prior year expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2010
<u>U.S. Department of Education (Concluded):</u>								
Passed through the Michigan Department of Education (Concluded):								
ARRA State Fiscal Stabilization Fund	84.394	092525 0809	\$ 1,268,175	\$ 1,268,175	\$ 1,268,175	\$ 1,268,175	\$ -	\$ -
		102525 0910	955,951	-	-	808,052	955,951	147,899
			2,224,126	1,268,175	1,268,175	2,076,227	955,951	147,899
Total passed through Michigan Department of Education			4,456,218	1,418,738	2,174,712	3,133,098	2,010,403	296,043
Passed through Ingham Intermediate School District:								
Special Education Cluster:								
IDEA Preschool	84.173	090460 0809	28,623	28,623	28,623	28,623	-	-
		100460 0910	20,364	-	-	-	18,598	18,598
			48,987	28,623	28,623	28,623	18,598	18,598
ARRA IDEA Flowthrough	84.391	100455 0910	233,659	-	-	116,566	225,144	108,578
ARRA IDEA Preschool	84.392	100465 0910	11,653	-	-	-	10,614	10,614
Total Special Education Cluster			294,299	28,623	28,623	145,189	254,356	137,790
Passed through Potterville Public Schools:								
Homeless	84.196A	092320 0809	1,523	1,523	1,523	1,523	-	-
Total U.S. Department of Education			4,752,040	1,448,884	2,204,858	3,279,810	2,264,759	433,833
<u>U.S. Department of Health and Human Services:</u>								
Passed through Ingham Intermediate School District:								
Medicaid Administrative Outreach	93.778		48,660	-	-	45,827	48,660	2,833
Total Expenditures of Federal Awards			\$ 5,659,531	\$ 1,448,884	\$ 2,555,035	\$ 3,834,291	\$ 2,822,073	\$ 436,666

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, 2010**

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), Title I Cluster (CFDA #84.010 & #84.389), and Child Nutrition Cluster (CFDA #10.550, #10.553, & #10.555) were audited as major programs, representing 83% 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:

Federal sources	\$ 2,313,419
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Other nonmajor governmental funds:

Federal sources	<u>508,654</u>
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	<u><u>\$ 2,822,073</u></u>
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**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**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
84.010, 84.389	Title I Cluster
10.550, 10.553, 10.555	Child Nutrition Cluster

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

      \$       300,000

Auditee qualified as low-risk auditee?

      X       Yes            No

**Section II - Financial Statement Findings**

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, 2010**

There were no findings disclosed for the past two years.