

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

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

**YEAR ENDED JUNE 30, 2012**

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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, 2012, 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, 2012, 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 August 29, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 16 and 48, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 supplementary information on pages 49 through 66 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Manes Costeiran PC*

August 29, 2012

# School District of the City of East Lansing

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## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012



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, 2012. 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, 2012**



**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 Assets and Liabilities. 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, 2012



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, 2012 and June 30, 2011:

	2012	2011
ASSETS:		
Current assets	\$ 7,719,088	\$ 12,970,942
Noncurrent assets	79,593,355	76,327,534
Total assets	<u>\$87,312,443</u>	<u>\$89,298,476</u>
LIABILITIES:		
Current liabilities	\$ 10,334,618	\$ 9,510,294
Long-term liabilities	56,656,666	61,490,528
Total liabilities	<u>66,991,284</u>	<u>71,000,822</u>
NET ASSETS:		
Invested in capital assets, net of related debt	15,497,918	13,775,355
Restricted for capital projects (sinking fund)	2,446,565	1,410,473
Unrestricted	2,376,676	3,111,826
Total net assets	<u>20,321,159</u>	<u>18,297,654</u>
Total liabilities and net assets	<u>\$87,312,443</u>	<u>\$89,298,476</u>

### Analysis of Financial Position

For the fiscal year ended June 30, 2012, the District's net assets increased by \$2,023,505. 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, 2012



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, 2012 and June 30, 2011, the following was recorded as depreciation expense:

	2012	2011
Land improvements	\$ 532,317	\$ 528,851
Building and improvements	1,899,450	1,899,571
Furniture and equipment	405,522	449,715
Vehicles	76,467	70,458
Total	<u>\$ 2,913,756</u>	<u>\$ 2,948,595</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, 2012, \$221,706 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 \$2,692,050 for the fiscal year ended June 30, 2012.

### 3. Long-Term Debt

The District's total general long-term debt for the fiscal year ended June 30, 2012 decreased by \$4,621,278. 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, 2012



East Lansing Public Schools

For the fiscal year ended June 30, 2012 and June 30, 2011, the District-wide results of operation were:

	2012	% of total	2011	% of total
General revenues:				
Property taxes, levied for general operations	\$ 8,125,955	18.4	\$ 8,780,107	19.8
Property taxes, levied for debt service	7,283,909	16.5	7,538,569	17.0
Property taxes, levied for sinking fund	1,328,526	3.0	1,365,512	3.1
Investment earnings	19,769	-	20,157	-
State sources	18,755,975	42.6	18,926,071	42.7
Federal sources - unrestricted	29,164	0.1	786,181	1.8
County special education allocation	3,683,971	8.4	2,558,236	5.8
Other	358,433	0.8	304,102	0.7
Total general revenues	39,585,702	89.8	40,278,935	90.9
Program revenues:				
Charges for services	821,673	1.9	820,563	1.9
Operating grants	3,659,793	8.3	3,174,101	7.2
Total revenues	\$44,067,168	100.0	\$ 44,273,599	100.0
Function/program expenses:				
Instruction	\$22,121,421	52.6	\$ 20,645,259	50.9
Support services	12,970,660	30.9	12,701,969	31.3
Community services	28,842	0.1	12,569	-
Food services	1,009,874	2.4	984,672	2.4
Interest on long-term debt	2,999,110	7.1	3,243,839	8.1
Unallocated depreciation	2,913,756	6.9	2,948,595	7.3
Total expenses	\$42,043,663	100.0	\$ 40,536,903	100.0

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012



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, 2012 was approximately \$46,000, or 0.56% of the total General Fund levy.

The following schedule summarizes the millages levied for the past five years (beginning with fiscal year 2007-2008 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
2011 - 2012	0.0000	18.0000	7.0000	1.2802
2010 - 2011	0.7622	17.2378	7.0000	1.2860
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

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
2011 - 2012	\$ -	\$ 8,263,591	\$ 7,279,392	\$ 1,321,976
2010 - 2011	815,603	8,144,395	7,536,245	1,376,110
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

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012



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 90% of the current year's fall count (the first Wednesday of October) and 10% of the prior year's supplemental count (the second Wednesday of February). The District's per pupil allowance for fiscal year 2012 was \$8,019.

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
2011 - 2012	\$ 8,019	\$ (118)
2010 - 2011	8,137	(16)
2009 - 2010	8,153	(468)
2008 - 2009	8,621	56
2007 - 2008	8,565	48

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 \$8,019 the District receives for its resident pupils.

### 3. Student Enrollment

The District's student enrollment figures have increased 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
2011 - 2012	3,477	10
2010 - 2011	3,467	22
2009 - 2010	3,445	36
2008 - 2009	3,409	10
2007 - 2008	3,399	(11)

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012



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, 2012, the District received \$2,554,454. This amount represents a decrease of \$3,782 over the prior fiscal year.

### 5. Expenditure Comparison By Function

The following schedule provides a comparison of fund expenditures and other financing sources for fiscal years 2011-2012 and 2010-2011:

Function	2011-2012 fiscal year	%	2010-2011 fiscal year	%
Basic programs	\$ 17,616,911	50.0	\$ 16,986,564	50.2
Special education	3,710,498	10.3	3,194,289	9.5
Compensatory education	1,025,784	2.9	969,615	2.9
Total instruction	22,353,193	63.2	21,150,468	62.6
Pupil support services	2,477,872	7.0	1,991,229	5.9
Instructional staff support services	2,117,478	6.0	2,317,832	6.9
School administration	2,371,158	6.7	2,279,930	6.7
Total instructional support	6,966,508	19.7	6,588,991	19.5
General administration	391,194	1.1	366,127	1.1
Business office	408,893	1.2	419,084	1.2
Operations and maintenance	3,162,135	9.1	3,354,943	9.9
Pupil transportation	830,611	2.4	762,231	2.3
Athletics	593,400	1.7	589,109	1.7
Central	486,407	1.4	576,993	1.7
Community services	28,842	0.1	12,569	-
Outgoing transfers and loan payments	17,960	0.1	-	-
Total general fund	35,239,143	100.0	33,820,515	100.0
Food service fund	1,073,129		1,043,767	
Debt service fund	9,820,250		7,593,143	
Sinking fund	309,607		306,545	
2000 capital projects fund	88,668		28,156	
Total	\$46,530,797		\$ 42,792,126	

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012



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
2011 - 2012	\$ 34,370,926	\$ 34,296,757	-0.22%
2010 - 2011	34,364,370	34,282,078	-0.24%
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%
Five year average actual over (under) budget			-0.22%

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
2011 - 2012	\$ 35,339,702	\$ 35,239,143	-0.28%
2010 - 2011	34,277,405	33,820,515	-1.33%
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%
Five year average actual over (under) budget			-1.04%

# School District of the City of East Lansing

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012



East Lansing Public Schools

### Capital and Intangible Assets and Debt Administration

#### 1. Capital and Intangible Assets

At June 30, 2012, the District had \$73,648,631 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 \$2,678,903 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:

	2012		2011	
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 875,044	\$ -	\$ 875,044	\$ 875,044
Land improvements	11,875,377	4,329,782	7,545,595	8,015,761
Building and additions	88,242,396	25,974,625	62,267,771	64,062,532
Furniture and equipment	7,481,595	5,165,140	2,316,455	2,667,111
Transportation equipment	1,037,558	793,672	243,886	320,353
Total	<u>\$ 109,511,970</u>	<u>\$ 36,263,219</u>	73,248,751	75,940,801
Issuance cost for bonds, net of amortization			<u>399,880</u>	<u>386,733</u>
Grand Total			<u>\$ 73,648,631</u>	<u>\$ 76,327,534</u>

#### 2. Long-term Debt

At June 30, 2012, the District had \$58,150,713 in general obligation bonded debt outstanding versus \$60,289,360 at June 30, 2011.

The District issued 2011 refunding bonds in the amount of \$2,355,000 in order to pay-off the entire balance outstanding for the School Bond Loan Fund (SBLF) program.

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, 2012



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 decrease in enrollment for fiscal year 2012. Enrollment concerns remain as the District's resident enrollment has declined over the years.
- **Foundation Allowance:** The per pupil foundation allowance the District receives from the State is anticipated to be frozen for fiscal year 2012. 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:** Senate Bill 1040 (H-3) has passed the House and Senate and awaits the Governor's signature. If the Governor signs the bill, the retirement rate will remain at 24.46%, rather than increasing to 27.37% effective October 1, 2012.
- **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:** All union contracts are unsettled as of July 1, 2012.

### Contacting the District's Financial Management

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



## **BASIC FINANCIAL STATEMENTS**

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

<b>ASSETS</b>	<b><u>Governmental activities</u></b>
<b>CURRENT ASSETS:</b>	
Cash	\$ 3,156,947
Receivables:	
Accounts receivable	30,129
Interest receivable	2,778
Taxes receivable	9,326
Due from other governmental units	4,329,862
Inventories	54,533
Prepaid expenditures	<u>135,513</u>
<b>TOTAL CURRENT ASSETS</b>	<u>7,719,088</u>
<b>NONCURRENT ASSETS:</b>	
Restricted cash - capital projects	5,944,724
Issuance cost for bonds, net of amortization	399,880
Capital assets	109,511,970
Less accumulated depreciation	<u>(36,263,219)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>79,593,355</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 87,312,443</u></u>

	<b>Governmental activities</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 224,997
Accrued salaries and related items	3,333,334
Accrued interest	468,916
Unearned revenue	446,269
Due to other governmental units	11,546
Note payable	800,000
Current portion of long-term obligations	4,675,000
Current portion of compensated absences and termination benefits	374,556
<b>TOTAL CURRENT LIABILITIES</b>	<b>10,334,618</b>
<b>NONCURRENT LIABILITIES:</b>	
Noncurrent portion of long-term obligations	53,475,713
Noncurrent portion of compensated absences and termination benefits	3,180,953
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>56,656,666</b>
<b>TOTAL LIABILITIES</b>	<b>66,991,284</b>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	15,497,918
Restricted for capital projects (sinking fund)	2,446,565
Unrestricted	2,376,676
<b>TOTAL NET ASSETS</b>	<b>20,321,159</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 87,312,443</b>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 22,121,421	\$ -	\$ 2,765,074	\$ (19,356,347)
Support services	12,970,660	329,474	259,300	(12,381,886)
Community services	28,842	-	28,842	-
Food services	1,009,874	492,199	606,577	88,902
Interest on long-term debt	2,999,110	-	-	(2,999,110)
Unallocated depreciation	2,913,756	-	-	(2,913,756)
Total governmental activities	<u>\$ 42,043,663</u>	<u>\$ 821,673</u>	<u>\$ 3,659,793</u>	<u>(37,562,197)</u>
General revenues:				
Property taxes, levied for general purposes				8,125,955
Property taxes, levied for debt service				7,283,909
Property taxes, levied for sinking fund				1,328,526
Investment earnings				19,769
State sources				18,755,975
Federal - unrestricted				29,164
Intermediate sources				3,683,971
Other				358,433
Total general revenues				<u>39,585,702</u>
<b>CHANGE IN NET ASSETS</b>				2,023,505
<b>NET ASSETS, beginning of year</b>				<u>18,297,654</u>
<b>NET ASSETS, end of year</b>				<u>\$ 20,321,159</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<b>General fund</b>	<b>Capital projects sinking fund</b>	<b>2005B Debt service fund</b>	<b>Other nonmajor governmental funds</b>	<b>Total governmental funds</b>
<b>ASSETS</b>					
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 2,966,031	\$ -	\$ 81,618	\$ 109,298	\$ 3,156,947
Receivables:					
Property taxes receivable	1,270	1,246	4,222	2,588	9,326
Accounts receivable	21,624	-	-	8,505	30,129
Interest	-	2,778	-	-	2,778
Due from other governmental units	4,322,623	-	-	7,239	4,329,862
Due from other funds	-	5,984	-	-	5,984
Inventories	12,355	-	-	42,178	54,533
Prepaid expenditures	128,331	-	-	7,182	135,513
Restricted cash and cash equivalents	-	5,944,724	-	-	5,944,724
<b>TOTAL ASSETS</b>	<b>\$ 7,452,234</b>	<b>\$ 5,954,732</b>	<b>\$ 85,840</b>	<b>\$ 176,990</b>	<b>\$ 13,669,796</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 184,736	\$ 8,167	\$ -	\$ 32,094	\$ 224,997
Accrued salaries and related items	3,333,254	-	-	80	3,333,334
Accrued interest payable	736	-	-	-	736
Due to other funds	5,984	-	-	-	5,984
Due to other governmental units	11,546	-	-	-	11,546
Unearned revenue	522,966	-	-	23,381	546,347
Note payable	800,000	-	-	-	800,000
<b>TOTAL LIABILITIES</b>	<b>4,859,222</b>	<b>8,167</b>	<b>-</b>	<b>55,555</b>	<b>4,922,944</b>
<b>FUND BALANCES:</b>					
Nonspendable:					
Inventories	12,355	-	-	42,178	54,533
Prepaid expenditures	128,331	-	-	7,182	135,513

See notes to financial statements.

	<u>General fund</u>	<u>Capital projects sinking fund</u>	<u>2005B Debt service fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>FUND BALANCES (Concluded):</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ 85,840	\$ 80,070	\$ 165,910
Capital outlay	-	2,446,565	-	-	2,446,565
Committed:					
Sinking fund	-	3,500,000	-	-	3,500,000
Assigned:					
Subsequent year expenditures	281,781	-	-	-	281,781
Unassigned general fund	2,170,545	-	-	-	2,170,545
Unassigned food service fund	-	-	-	(7,995)	(7,995)
<b>TOTAL FUND BALANCES</b>	<u>2,593,012</u>	<u>5,946,565</u>	<u>85,840</u>	<u>121,435</u>	<u>8,746,852</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 7,452,234</u>	<u>\$ 5,954,732</u>	<u>\$ 85,840</u>	<u>\$ 176,990</u>	<u>\$ 13,669,796</u>
<b>Total governmental fund balances</b>					\$ 8,746,852
Amounts reported for governmental activities in the statement of net assets are different because:					
Value of amortized bond issuance costs					399,880
Capital assets used in governmental activities are not financial resources and are not reported in the funds					
The cost of the capital assets is				\$ 109,511,970	
Accumulated depreciation is				<u>(36,263,219)</u>	73,248,751
Revenue not recorded in the funds due to not being collected until after September 1st:					
Special education payment due from IISD					100,078
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds payable					(58,150,713)
Compensated absences and termination benefits					(3,555,509)
Accrued interest is not included as a liability in government funds, it is recorded when paid					<u>(468,180)</u>
<b>Net assets of governmental activities</b>					<u>\$ 20,321,159</u>

See notes to financial statements.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Capital projects sinking fund</u>	<u>2005B Debt service fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>					
Local sources:					
Property taxes	\$ 8,125,955	\$ 1,328,526	\$ 4,520,053	\$ 2,763,856	\$ 16,738,390
Tuition	5,410	-	-	-	5,410
MSU reimbursement	-	-	-	105,448	105,448
Investment earnings	629	11,189	4,438	3,513	19,769
Food sales and athletics	249,826	-	-	492,199	742,025
Other	322,010	-	-	-	322,010
Total local sources	8,703,830	1,339,715	4,524,491	3,365,016	17,933,052
State sources	20,978,990	-	-	47,253	21,026,243
Federal sources	859,365	-	-	559,324	1,418,689
Incoming transfers and other	3,688,747	-	-	-	3,688,747
Total revenues	34,230,932	1,339,715	4,524,491	3,971,593	44,066,731
<b>EXPENDITURES:</b>					
Current:					
Instruction	22,353,193	-	-	-	22,353,193
Supporting services	12,839,148	-	-	-	12,839,148
Food service activities	-	-	-	1,000,592	1,000,592
Community service activities	28,842	-	-	-	28,842
Capital outlay	-	309,607	-	20,483	330,090

See notes to financial statements.

	<u>General Fund</u>	<u>Capital projects sinking fund</u>	<u>2005B Debt service fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>EXPENDITURES (Concluded):</b>					
Debt service:					
Principal repayment	\$ -	\$ -	\$ 1,880,000	\$ 4,847,819	\$ 6,727,819
Interest	-	-	2,652,500	375,108	3,027,608
Issuance costs	-	-	-	63,574	63,574
Other costs	-	-	225	1,024	1,249
Total expenditures	<u>35,221,183</u>	<u>309,607</u>	<u>4,532,725</u>	<u>6,308,600</u>	<u>46,372,115</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(990,251)</u>	<u>1,030,108</u>	<u>(8,234)</u>	<u>(2,337,007)</u>	<u>(2,305,384)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from issuance of refunding bonds	-	-	-	2,355,000	2,355,000
Proceeds from sale of capital assets	2,570	-	-	-	2,570
Transfers in	63,255	5,984	-	89,443	158,682
Transfers out	<u>(17,960)</u>	<u>-</u>	<u>-</u>	<u>(140,722)</u>	<u>(158,682)</u>
Total other financing sources (uses)	<u>47,865</u>	<u>5,984</u>	<u>-</u>	<u>2,303,721</u>	<u>2,357,570</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(942,386)</u>	<u>1,036,092</u>	<u>(8,234)</u>	<u>(33,286)</u>	<u>52,186</u>
<b>FUND BALANCES:</b>					
Beginning of year	<u>3,535,398</u>	<u>4,910,473</u>	<u>94,074</u>	<u>154,721</u>	<u>8,694,666</u>
End of year	<u>\$ 2,593,012</u>	<u>\$ 5,946,565</u>	<u>\$ 85,840</u>	<u>\$ 121,435</u>	<u>\$ 8,746,852</u>

See notes to financial statements.



**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

<b>Net change in fund balances total governmental funds</b>	\$ 52,186
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	(2,913,756)
Capital outlay	221,706
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	495,887
Accrued interest payable, end of the year	(468,180)
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:	
Proceeds from issuance of bonds	(2,355,000)
Payments on debt	6,727,819
Bond issuance costs	63,574
Amortization of bond issuance costs	(50,427)
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	1,240
Long-term interest on school bond loan fund, end of the year	-
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:	
Unearned revenue change, beginning of the year	(98,841)
Unearned revenue change, end of the year	100,078
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	3,774,081
Accrued compensated absences and termination benefits, end of the year	(3,555,509)
<b>Change in net assets of governmental activities</b>	<u><u>\$ 2,023,505</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2012**

	<u><b>Agency Funds</b></u>
<b>ASSETS:</b>	
Cash	\$ 471,514
	<u>                    </u>
Total assets	<u><u>\$ 471,514</u></u>
 <b>LIABILITIES:</b>	
Accounts payable	\$ 10,622
Due to student and other groups	460,892
	<u>                    </u>
Total liabilities	<u><u>\$ 471,514</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*.

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.

**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)**

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.

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.

The *2005B debt service* fund accounts for resources accumulated and payments made for principle and interest on the 2005B long-term general obligation debt.

**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)**

**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 activities in a special revenue fund.

The 2005 and 2011 *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>\$ 80,956,581</u></u>

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

**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).

**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 (Continued)**

**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.

**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, 2012, the foundation allowance was based on pupil membership counts taken in February and October of 2011.

**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 (Concluded)**

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 2011 to August 2012. 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, 2012, 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	6.0000
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	7.0000
Sinking fund:	
PRE, Non-PRE, Commercial Personal Property	1.2802

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 (Continued)**

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

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. Fund Balance

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance - amounts that are in non-spendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's Capital Projects and Debt Service fund balances are considered restricted.

**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)**

- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint. The Board of Education committed \$3,500,000 of sinking fund balance for the purpose of construction and renovation of K-6 buildings.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

The District has committed and adopted a minimum fund balance policy. In the general fund, the District strives to maintain an unassigned fund balance to be 8% of the actual GAAP basis expenditures and other financing sources and uses. Currently, the unassigned fund balance is slightly less than the 8% required by the minimum fund balance policy.

**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.

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

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

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

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

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2012. The District does not consider these amendments to be significant.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

As of June 30, 2012, the District had no investments.

**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.

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

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

**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, 2012, \$0 of the District's bank balance of \$9,753,262 was exposed to custodial credit risk because it was fully insured.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

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

At June 30, 2012, the carrying amounts are as follows:

Cash on hand	\$ 75
Deposits including fiduciary funds of \$471,514	9,573,110
	<u>\$ 9,573,185</u>

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

Cash - agency fund	\$ 471,514
Cash - district-wide	3,156,947
Restricted cash - capital projects	5,944,724
	<u>\$ 9,573,185</u>

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2012 consist of the following:

Other governmental units:

State aid	\$ 3,905,099
Federal revenue	286,595
Ingham Intermediate School District	137,660
Universities and colleges	508
	<u>\$ 4,329,862</u>

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

**NOTE 4 - RECEIVABLES (Concluded)**

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.

**NOTE 5 - CAPITAL ASSETS**

A summary of changes in the District's capital assets at June 30, 2012 is as follows:

	Balance July 1, 2011	Additions	Reclassifications/ deletions	Balance June 30, 2012
Assets not being depreciated:				
Land	\$ 875,044	\$ -	\$ -	\$ 875,044
Other capital assets:				
Land improvements	11,813,226	62,151	-	11,875,377
Buildings and additions	88,137,707	104,689	-	88,242,396
Furniture and equipment	7,426,729	54,866	-	7,481,595
Vehicles	1,037,558	-	-	1,037,558
Total other capital assets	108,415,220	221,706	-	108,636,926
Accumulated depreciation:				
Land improvements	3,797,465	532,317	-	4,329,782
Building and improvements	24,075,175	1,899,450	-	25,974,625
Furniture and equipment	4,759,618	405,522	-	5,165,140
Vehicles	717,205	76,467	-	793,672
Total accumulated depreciation	33,349,463	2,913,756	-	36,263,219
Net other capital assets	75,065,757	(2,692,050)	-	72,373,707
Net capital assets	\$ 75,940,801	\$ (2,692,050)	\$ -	\$ 73,248,751

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

Depreciation for the fiscal year ended June 30, 2012 amounted to \$2,913,756. 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, 2012, the District has a note payable outstanding of \$800,000. The note has an interest rate of 1.60% and matures September 28, 2012. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
\$ -	\$ 800,000	\$ -	\$ 800,000

**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, 2012 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%.	\$ 4,575,000
2005 Series B general obligation bonds due in annual installments of \$1,880,000 to \$3,045,000 through May 1, 2030, with interest at 3.00% to 5.00%.	51,170,000
2011 refunding general obligation bonds due in annual installments of \$755,000 to \$1,600,000 through May 1, 2015, with interest at 1.60% to 2.00%.	2,355,000
Less: Loss on bond refunding	(2,520,674)
Plus: Premium on 2005 issuance	2,571,387
Total general obligation	58,150,713
Employee compensated absences and termination benefits	3,555,509
Total general long-term debt	\$ 61,706,222

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, 2012, \$55,365,000 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. The remaining liability is recorded at the face amount of \$220,000 for the year ended June 30, 2012, 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, 2012, including interest of \$25,737,160 are as follows:

Year ending June 30,	Principal	Interest	Total
2013	\$ 4,675,000	\$ 2,809,080	\$ 7,484,080
2014	4,805,000	2,575,330	7,380,330
2015	4,310,000	2,383,000	6,693,000
2016	2,750,000	2,215,500	4,965,500
2017	2,795,000	2,078,000	4,873,000
2018 - 2022	14,595,000	8,251,250	22,846,250
2023 - 2027	15,145,000	4,524,750	19,669,750
2028 - 2030	9,025,000	900,250	9,925,250
	58,100,000	25,737,160	83,837,160
Loss on bond refunding	(2,520,674)	-	(2,520,674)
Unamortized premium on bond issuance	2,571,387	-	2,571,387
Accumulated compensated absences and termination benefits	3,555,509	-	3,555,509
	<u>\$ 61,706,222</u>	<u>\$ 25,737,160</u>	<u>\$ 87,443,382</u>

On September 14, 2011, the School District of the City of East Lansing issued general obligation bonds of \$2,355,000 with interest rates ranging from 1.60% to 2.00% to refund all of the District's outstanding school bond loan fund debt with interest rates from 5.00% to 5.375%. The bonds mature at various times through May 1, 2015. The general obligation bonds were issued and after paying issuance costs of \$63,574, the net proceeds were \$2,291,426. The net proceeds from the issuance of the general obligation bonds were used to pay-off the District's outstanding school bond loan fund debt in full and the debt was removed from the District's government-wide financial statements.

As a result of the refunding, the District reduced its total debt service requirements by \$180,486, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$150,113.



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

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

An amount of \$165,910 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, 2012:

	Compensated absences and termination benefits	School bond loan fund	Bonds and other debt	Total
Balance, July 1, 2011	\$ 3,774,081	\$ 2,264,059	\$ 60,289,360	\$ 66,327,500
Additions	173,812	24,488	2,355,000	2,553,300
Deletions	(392,384)	(2,288,547)	(4,493,647)	(7,174,578)
Balance, June 30, 2012	3,555,509	-	58,150,713	61,706,222
Less current portion	(374,556)	-	(4,675,000)	(5,049,556)
Total due after one year	<u>\$ 3,180,953</u>	<u>\$ -</u>	<u>\$ 53,475,713</u>	<u>\$ 56,656,666</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, 2012 was approximately \$40,560. Future operating lease commitments are as follows:

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

**NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**

Plan Description - The District participates in 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.

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

**NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS  
(Continued)**

The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. 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. It is also available at <http://www.michigan.gov/orsschools>.

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 MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPSERS who became a member of MPSERS after June 30, 2010 is a Pension Plus Member. The Pension Plus Plan pairs a guaranteed retirement income (defined benefit pension) with a flexible and transferable retirement savings (defined contribution) account.

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. For the period October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. In addition, the District is required to match 50% up to 1% of the employee's contribution in the Pension Plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS were equal to the required contribution for those years.

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

**NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS  
(Continued)**

The School District's contributions to MPSERS are as follows:

Contribution Period	Contribution Rate	
	Member	Pension Plus Member
October 1, 2011 - September 30, 2012	24.46%	23.23%
November 1, 2010 - September 30, 2011	20.66%	19.16%
October 1, 2010 - October 31, 2010	19.41%	17.91%
October 1, 2009 - September 30, 2010	16.94%	-
July 1, 2010 - September 30, 2010	-	15.44%

  

Fiscal Year Ending June 30,	Contributions to MPSERS
2012	\$ 4,378,591
2011	\$ 3,936,297
2010	\$ 3,218,984

Other Post-employment Benefits - Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. 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 of each retiree health care recipient. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit and were paid less than \$18,000 in the prior school year and members who were hired on or after July 1, 2010, with a starting salary of less than \$18,000 are required to contribute 1.5% of the members' compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account.

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retiree health care trust at MPSERS. As a result, the State has adjusted the contribution rate due on employees' wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus members. In March 2011, the Court of Claims granted the plaintiffs' motions for summary disposition finding that the mandatory 3% contribution violated both the U.S. and Michigan constitutions.

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

**NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS  
(Concluded)**

The State appealed the ruling to the Michigan Court of Appeals. The Court of Appeals accepted the appeal and ordered an expedited review. The Court of Appeals also granted the State's motion for a stay of proceedings and ordered that the 3% deduction continue to be collected and placed into an escrow account until further order of the Court.

On August 16, 2012 the State of Michigan Court of Appeals affirmed the trial court's orders granting summary dispositions in favor of the plaintiffs in each of the cases before it, terminating the stay ordered by this Court on March 18, 2011. The State of Michigan is reviewing the decision of the Michigan Court of Appeals regarding the 3% public school employee contribution to the Retiree Healthcare. While the State of Michigan is determining the next course of action, the Office of Retirement Services is instructing Michigan public school employers to continue withholding the 3% contribution. Should the plaintiffs prevail, the escrowed funds will be returned to the employees.

Pension recipients are generally eligible for Health Plan coverage and Dental Plan, Vision Plan and Hearing coverage.

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

**NOTE 10 - INTERFUND RECEIVABLES AND PAYABLES**

Amounts due to and from other funds at June 30, 2012 are as follows:

<u>Receivable fund</u>	<u>Amount</u>	<u>Payable fund</u>	<u>Amount</u>
Sinking fund	<u>\$ 5,984</u>	General fund	<u>\$ 5,984</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.

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

**NOTE 11 - RISK MANAGEMENT (Concluded)**

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, 2012 or any of the prior three years.

**NOTE 12 - TRANSFERS**

The school lunch fund transferred \$63,255 to the general fund. The transfer from the school lunch fund to the general fund was made to cover indirect costs for the current year paid for by the general fund that relate to school lunch activities such as utilities, lunch room monitors, and custodial services. The general fund transferred \$11,976 to the food service fund for previously incurred costs and transferred \$5,984 to the sinking fund as an adjustment for not levying hold harmless millage in 2012. The 2000 capital projects fund completed its activities and subsequently transferred the remaining fund balance of \$77,467 to the 2005 debt fund during the year ended June 30, 2012.

**NOTE 13 - SUBSEQUENT EVENT**

In July 2012, the District completed the sale of their transportation vehicles to a private transportation service provider as part of joining the transportation consortium operated by Ingham Intermediate School District. The consortium is expected to save the District money and the sale resulted in proceeds of \$274,207 received by the District in July 2012.

**NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

The District is currently evaluating the impact the following standards will have on the financial statements when adopted in future fiscal years 2013 through 2015.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued in December 2010. This statement incorporates into the GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure.

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

**NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS (Concluded)**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, was issued by the GASB in June 2011 and will be effective for the District's 2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued by the GASB in March 2012 and will be effective for the District's 2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement provides supplemental guidance when implanting GASB Statement 63.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June 2012 and will be effective for the District's 2015 fiscal year. The statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2012**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>REVENUES:</b>				
Local sources	\$ 8,739,195	\$ 8,744,651	\$ 8,703,830	\$ (40,821)
State sources	20,833,349	20,918,639	20,978,990	60,351
Federal sources	759,107	961,936	859,365	(102,571)
Incoming transfers and other	2,288,803	3,673,130	3,688,747	15,617
Total revenues	<u>32,620,454</u>	<u>34,298,356</u>	<u>34,230,932</u>	<u>(67,424)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	17,131,104	17,500,435	17,616,911	(116,476)
Added needs	4,177,071	4,777,396	4,736,282	41,114
Total instruction	<u>21,308,175</u>	<u>22,277,831</u>	<u>22,353,193</u>	<u>(75,362)</u>
Supporting services:				
Pupil	2,174,845	2,474,612	2,477,872	(3,260)
Instructional staff	2,061,582	2,208,740	2,117,478	91,262
General administration	341,939	380,853	391,194	(10,341)
School administration	2,211,665	2,369,805	2,371,158	(1,353)
Business	416,640	408,808	408,893	(85)
Operation/maintenance	3,163,883	3,165,281	3,162,135	3,146
Pupil transportation	636,278	868,567	830,611	37,956
Central	495,281	510,249	486,407	23,842
Athletics	618,244	605,816	593,400	12,416
Total supporting services	<u>12,120,357</u>	<u>12,992,731</u>	<u>12,839,148</u>	<u>153,583</u>
Community services	<u>27,375</u>	<u>39,324</u>	<u>28,842</u>	<u>10,482</u>
Payments to other governments	<u>-</u>	<u>11,856</u>	<u>-</u>	<u>11,856</u>
Total expenditures	<u>33,455,907</u>	<u>35,321,742</u>	<u>35,221,183</u>	<u>100,559</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(835,453)</u>	<u>(1,023,386)</u>	<u>(990,251)</u>	<u>33,135</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of school property	1,000	2,570	2,570	-
Transfers in	90,000	70,000	63,255	(6,745)
Transfers out	<u>(5,984)</u>	<u>(17,960)</u>	<u>(17,960)</u>	<u>-</u>
Total other financing sources (uses)	<u>85,016</u>	<u>54,610</u>	<u>47,865</u>	<u>(6,745)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (750,437)</u>	<u>\$ (968,776)</u>	<u>(942,386)</u>	<u>\$ 26,390</u>
<b>FUND BALANCE:</b>				
Beginning of year			3,535,398	
End of year			<u>\$ 2,593,012</u>	



## **ADDITIONAL SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
YEAR ENDED JUNE 30, 2012**

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
<b>LOCAL SOURCES:</b>			
Property taxes	\$ 8,176,304	\$ 8,125,955	\$ (50,349)
Tuition	1,260	5,410	4,150
Investment earnings	-	629	629
Other local revenue	324,957	322,010	(2,947)
Athletics	242,130	249,826	7,696
<b>TOTAL LOCAL SOURCES</b>	<u>8,744,651</u>	<u>8,703,830</u>	<u>(40,821)</u>
<b>STATE SOURCES:</b>			
Foundation grant	14,308,633	14,334,643	26,010
Special education	1,427,944	1,427,944	-
Other state revenue	5,182,062	5,216,403	34,341
<b>TOTAL STATE SOURCES</b>	<u>20,918,639</u>	<u>20,978,990</u>	<u>60,351</u>
<b>FEDERAL SOURCES:</b>			
Title I	588,324	542,925	(45,399)
Title II - improving teacher quality	253,949	210,995	(42,954)
Education jobs fund	29,165	29,165	-
Other federal revenue	90,498	76,280	(14,218)
<b>TOTAL FEDERAL SOURCES</b>	<u>961,936</u>	<u>859,365</u>	<u>(102,571)</u>
<b>INCOMING TRANSFERS AND OTHER TRANSACTIONS:</b>			
Special education	3,634,047	3,644,132	10,085
Other	39,083	44,615	5,532
<b>TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS</b>	<u>3,673,130</u>	<u>3,688,747</u>	<u>15,617</u>
<b>TOTAL REVENUES</b>	<u>34,298,356</u>	<u>34,230,932</u>	<u>(67,424)</u>
<b>OTHER FINANCING SOURCES:</b>			
Sale of school property	2,570	2,570	-
Transfers in	70,000	63,255	(6,745)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>72,570</u>	<u>65,825</u>	<u>(6,745)</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>\$ 34,370,926</u>	<u>\$ 34,296,757</u>	<u>\$ (74,169)</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2012**

	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>INSTRUCTION:</b>			
Basic programs:			
Elementary:			
Salaries	\$ 5,909,357	\$ 5,965,250	\$ (55,893)
Benefits	3,072,842	3,057,610	15,232
Purchased services	34,601	30,911	3,690
Supplies and materials	153,872	174,657	(20,785)
Capital outlay	33,425	18,593	14,832
Other expenses	83,356	97,607	(14,251)
Total elementary	<u>9,287,453</u>	<u>9,344,628</u>	<u>(57,175)</u>
Middle school:			
Salaries	1,564,621	1,586,778	(22,157)
Benefits	834,543	838,651	(4,108)
Purchased services	19,751	13,360	6,391
Supplies and materials	36,686	35,358	1,328
Capital outlay	16,649	16,441	208
Other expenses	19,646	19,119	527
Total middle school	<u>2,491,896</u>	<u>2,509,707</u>	<u>(17,811)</u>
High school:			
Salaries	3,456,225	3,484,813	(28,588)
Benefits	1,714,184	1,722,117	(7,933)
Purchased services	44,748	34,747	10,001
Supplies and materials	105,089	103,768	1,321
Capital outlay	18,298	17,154	1,144
Other expenses	235,618	241,916	(6,298)
Total high school	<u>5,574,162</u>	<u>5,604,515</u>	<u>(30,353)</u>
Pre-school:			
Salaries	65,048	69,109	(4,061)
Benefits	41,694	46,060	(4,366)
Supplies and materials	28,005	29,069	(1,064)
Capital outlay	11,385	7,603	3,782
Other expenses	792	778	14
Total pre-school	<u>146,924</u>	<u>152,619</u>	<u>(5,695)</u>
Summer school:			
Benefits	<u>-</u>	<u>5,442</u>	<u>(5,442)</u>
Total basic programs	<u>17,500,435</u>	<u>17,616,911</u>	<u>(116,476)</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2012**

	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>INSTRUCTION (Concluded):</b>			
Added needs:			
Special education:			
Salaries	\$ 1,728,004	\$ 1,746,627	\$ (18,623)
Benefits	1,202,749	1,187,513	15,236
Purchased services	140,778	127,979	12,799
Supplies and materials	4,950	2,154	2,796
Capital outlay	2,970	636	2,334
Other expenses	623,684	645,589	(21,905)
Total special education	3,703,135	3,710,498	(7,363)
Compensatory education:			
Salaries	659,462	658,515	947
Benefits	370,126	341,443	28,683
Purchased services	8,947	5,860	3,087
Supplies and materials	27,244	15,300	11,944
Capital outlay	4,027	-	4,027
Other expenses	4,455	4,666	(211)
Total compensatory education	1,074,261	1,025,784	48,477
Total added needs	4,777,396	4,736,282	41,114
<b>TOTAL INSTRUCTION</b>	22,277,831	22,353,193	(75,362)
<b>SUPPORTING SERVICES:</b>			
Pupil services:			
Salaries	1,381,275	1,410,704	(29,429)
Benefits	732,962	731,793	1,169
Purchased services	29,403	10,818	18,585
Supplies and materials	28,562	20,669	7,893
Capital outlay	18,018	16,590	1,428
Other expenses	284,392	287,298	(2,906)
Total pupil services	2,474,612	2,477,872	(3,260)

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2012**

	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>SUPPORTING SERVICES (Continued) :</b>			
Instructional staff services:			
Salaries	\$ 1,146,835	\$ 1,146,974	\$ (139)
Benefits	607,926	598,570	9,356
Purchased services	128,570	60,408	68,162
Supplies and materials	139,130	108,375	30,755
Capital outlay	3,275	5,918	(2,643)
Other expenses	183,004	197,233	(14,229)
Total instructional staff services	<u>2,208,740</u>	<u>2,117,478</u>	<u>91,262</u>
General administration:			
Salaries	161,474	163,068	(1,594)
Benefits	84,135	85,776	(1,641)
Purchased services	118,315	126,956	(8,641)
Supplies and materials	9,702	8,267	1,435
Capital outlay	495	397	98
Other expenses	6,732	6,730	2
Total general administration	<u>380,853</u>	<u>391,194</u>	<u>(10,341)</u>
School administration:			
Salaries	1,503,487	1,524,316	(20,829)
Benefits	774,273	768,492	5,781
Purchased services	35,261	29,190	6,071
Supplies and materials	20,988	21,725	(737)
Capital outlay	19,263	13,197	6,066
Other expenses	16,533	14,238	2,295
Total school administration	<u>2,369,805</u>	<u>2,371,158</u>	<u>(1,353)</u>
Business services:			
Salaries	210,618	212,300	(1,682)
Benefits	113,924	114,003	(79)
Purchased services	64,883	63,550	1,333
Supplies and materials	8,415	7,958	457
Capital outlay	3,147	2,076	1,071
Other expenses	7,821	9,006	(1,185)
Total business services	<u>408,808</u>	<u>408,893</u>	<u>(85)</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2012**

	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>SUPPORTING SERVICES (Concluded):</b>			
Operations and maintenance:			
Salaries	\$ 256,968	\$ 252,913	\$ 4,055
Benefits	147,799	148,553	(754)
Purchased services	1,664,764	1,625,072	39,692
Supplies and materials	1,063,945	1,112,255	(48,310)
Capital outlay	27,176	18,712	8,464
Other expenses	4,629	4,630	(1)
Total operations and maintenance	3,165,281	3,162,135	3,146
Transportation:			
Salaries	303,893	281,092	22,801
Benefits	217,491	197,115	20,376
Purchased services	83,804	76,732	7,072
Supplies and materials	71,775	80,236	(8,461)
Capital outlay	1,980	-	1,980
Other expenses	189,624	195,436	(5,812)
Total transportation	868,567	830,611	37,956
Central services:			
Salaries	159,719	166,108	(6,389)
Benefits	88,778	90,014	(1,236)
Purchased services	165,281	154,337	10,944
Supplies and materials	8,870	4,535	4,335
Capital outlay	67,060	53,815	13,245
Other expenses	20,541	17,598	2,943
Total central services	510,249	486,407	23,842
Athletics:			
Salaries	371,133	375,656	(4,523)
Benefits	136,693	126,988	9,705
Purchased services	57,866	51,564	6,302
Supplies and materials	36,482	35,933	549
Capital outlay	573	579	(6)
Other expenses	3,069	2,680	389
Total athletics	605,816	593,400	12,416
<b>TOTAL SUPPORTING SERVICES</b>	<b>12,992,731</b>	<b>12,839,148</b>	<b>153,583</b>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2012**

	<b><u>Final budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance with final budget</u></b>
<b>COMMUNITY SERVICES:</b>			
Purchased services	\$ 23,322	\$ 15,137	\$ 8,185
Supplies and materials	<u>16,002</u>	<u>13,705</u>	<u>2,297</u>
<b>TOTAL COMMUNITY SERVICES</b>	<u>39,324</u>	<u>28,842</u>	<u>10,482</u>
<b>OTHER PUBLIC SCHOOLS</b>			
Payments to other governmental units	<u>11,856</u>	<u>-</u>	<u>11,856</u>
<b>OTHER FINANCING USES</b>			
Transfers out	<u>17,960</u>	<u>17,960</u>	<u>-</u>
<b>TOTAL OTHER FINANCING USES</b>	<u>17,960</u>	<u>17,960</u>	<u>-</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u><u>\$ 35,339,702</u></u>	<u><u>\$ 35,239,143</u></u>	<u><u>\$ 100,559</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2012**

	<b>Food Service 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	\$ 31,816	\$ 77,482	\$ -	\$ 109,298
Accounts receivable	8,505	-	-	8,505
Delinquent taxes receivable	-	2,588	-	2,588
Due from other governmental units	7,239	-	-	7,239
Prepaid expenditures	7,182	-	-	7,182
Inventories	42,178	-	-	42,178
<b>TOTAL ASSETS</b>	<b>\$ 96,920</b>	<b>\$ 80,070</b>	<b>\$ -</b>	<b>\$ 176,990</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 32,094	\$ -	\$ -	\$ 32,094
Accrued salaries and related items	80	-	-	80
Unearned revenue	23,381	-	-	23,381
<b>TOTAL LIABILITIES</b>	<b>55,555</b>	<b>-</b>	<b>-</b>	<b>55,555</b>
<b>FUND BALANCES:</b>				
Nonspendable				
Prepaid expenditures	7,182	-	-	7,182
Inventories	42,178	-	-	42,178
Restricted for debt service	-	80,070	-	80,070
Unassigned	(7,995)	-	-	(7,995)
<b>TOTAL FUND BALANCES</b>	<b>41,365</b>	<b>80,070</b>	<b>-</b>	<b>121,435</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 96,920</b>	<b>\$ 80,070</b>	<b>\$ -</b>	<b>\$ 176,990</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, 2012**

	<b>Food Service 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	\$ -	\$ 2,763,856	\$ -	\$ 2,763,856
M.S.U. reimbursement	-	105,448	-	105,448
Investment earnings	-	3,513	-	3,513
Food sales	492,199	-	-	492,199
Total local sources	492,199	2,872,817	-	3,365,016
State sources	47,253	-	-	47,253
Federal sources	559,324	-	-	559,324
Total revenues	1,098,776	2,872,817	-	3,971,593
<b>EXPENDITURES:</b>				
Current:				
Food service activities	1,000,592	-	-	1,000,592
Capital outlay	9,282	-	11,201	20,483
Debt service:				
Principal repayment	-	4,847,819	-	4,847,819
Interest expense	-	375,108	-	375,108
Issuance costs	-	63,574	-	63,574
Other costs	-	1,024	-	1,024
Total expenditures	1,009,874	5,287,525	11,201	6,308,600
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	88,902	(2,414,708)	(11,201)	(2,337,007)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from issuance of refunding bonds	-	2,355,000	-	2,355,000
Transfers in	11,976	77,467	-	89,443
Transfers out	(63,255)	-	(77,467)	(140,722)
Total other financing sources (uses)	(51,279)	2,432,467	(77,467)	2,303,721
<b>NET CHANGE IN FUND BALANCES</b>	37,623	17,759	(88,668)	(33,286)
<b>FUND BALANCES:</b>				
Beginning of year	3,742	62,311	88,668	154,721
End of year	\$ 41,365	\$ 80,070	\$ -	\$ 121,435

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NONMAJOR DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012**

	<u>2005 Debt</u>	<u>2011 Refunding</u>	<u>Total Nonmajor</u>
<b>ASSETS</b>			
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 70,616	\$ 6,866	\$ 77,482
Delinquent taxes receivable	<u>2,560</u>	<u>28</u>	<u>2,588</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 73,176</u></u>	<u><u>\$ 6,894</u></u>	<u><u>\$ 80,070</u></u>
<b>FUND BALANCES</b>			
<b>FUND BALANCES:</b>			
Restricted for debt service	<u><u>\$ 73,176</u></u>	<u><u>\$ 6,894</u></u>	<u><u>\$ 80,070</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
NONMAJOR DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2012**

	<u>2005 Debt</u>	<u>2011 Refunding</u>	<u>Total Nonmajor</u>
<b>REVENUES:</b>			
Local sources:			
Property taxes	\$ 2,732,506	\$ 31,350	\$ 2,763,856
M.S.U reimbursement	105,448	-	105,448
Interest	3,493	20	3,513
	<u>2,841,447</u>	<u>31,370</u>	<u>2,872,817</u>
Total revenues			
<b>EXPENDITURES:</b>			
Redemption of bonds	2,585,000	2,262,819	4,847,819
Interest on bonded debt	322,825	52,283	375,108
Issuance costs	-	63,574	63,574
Other costs	224	800	1,024
	<u>2,908,049</u>	<u>2,379,476</u>	<u>5,287,525</u>
Total expenditures			
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<u>(66,602)</u>	<u>(2,348,106)</u>	<u>(2,414,708)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from issuance of refunding bonds	-	2,355,000	2,355,000
Transfers in	77,467	-	77,467
	<u>77,467</u>	<u>2,355,000</u>	<u>2,432,467</u>
Total other financing sources (uses)			
<b>NET CHANGE IN FUND BALANCES</b>	10,865	6,894	17,759
<b>FUND BALANCES:</b>			
Beginning of year	<u>62,311</u>	<u>-</u>	<u>62,311</u>
End of year	<u>\$ 73,176</u>	<u>\$ 6,894</u>	<u>\$ 80,070</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
COMBINED DEBT SERVICE REQUIREMENTS  
JUNE 30, 2012**

<b>Year ending June 30,</b>	<b>2005 Debt</b>	<b>2005 Series B Debt</b>	<b>2011 Debt</b>	<b>Combined</b>
2013	\$ 3,001,500	\$ 4,438,500	\$ 44,080	\$ 7,484,080
2014	1,846,750	4,734,500	799,080	7,380,330
2015	-	5,061,000	1,632,000	6,693,000
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>\$ 4,848,250</u>	<u>\$ 76,513,750</u>	<u>\$ 2,475,160</u>	<u>\$ 83,837,160</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, 2012**

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	
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>\$ 4,575,000</u>	<u>\$ 136,625</u>	<u>\$ 136,625</u>	<u>\$ 4,848,250</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, 2012**

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	
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>\$ 51,170,000</u>	<u>\$ 12,671,875</u>	<u>\$ 12,671,875</u>	<u>\$ 76,513,750</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  
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS  
2011 DEBT SERIES (REFUNDING OF SBLF DEBT)  
JUNE 30, 2012**

Bond issued to provide funds to refund the School District's school bond loan fund debt.

2011 Debt Series (refunding of school bond loan fund debt)

Calendar year	Principal due May 1,	Interest due		Total due annually
		November 1	May 1	
2013	\$ -	\$ 22,040	\$ 22,040	\$ 44,080
2014	755,000	22,040	22,040	799,080
2015	1,600,000	16,000	16,000	1,632,000
Total 2011 bonded debt	<u>\$ 2,355,000</u>	<u>\$ 60,080</u>	<u>\$ 60,080</u>	<u>\$ 2,475,160</u>

The above bonds have interest rates from 1.60% to 2.00%. The amount of the original bond issue was \$2,355,000.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
CAPITAL PROJECTS FUND - SINKING FUND  
DETAILS OF EXPENDITURES  
YEAR ENDED JUNE 30, 2012**

EXPENDITURES:

Donley Elementary	\$ 23,672
Glencairn Elementary	12,939
Marble Elementary	25,437
Pinecrest Elementary	13,707
Red Cedar Elementary	9,640
Whitehills Elementary	12,486
MacDonald Middle School	49,187
East Lansing High School	145,073
Timberlane Facility	17,318
Service Center	<u>148</u>
Total expenditures	<u><u>\$ 309,607</u></u>



**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
2000 CAPITAL PROJECTS FUND  
DETAILS OF EXPENDITURES  
YEAR ENDED JUNE 30, 2012**

Pool:

Furnishings, remodeling, and site development

\$ 11,201

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITIES BY SCHOOL - AGENCY FUND  
YEAR ENDED JUNE 30, 2012**

	<b>Balance 7/1/11</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/12</b>
East Lansing High School	\$ 278,751	\$ 436,368	\$ 415,486	\$ 299,633
MacDonald Middle School	25,962	93,144	97,618	21,488
Donley Elementary School	14,569	12,583	14,886	12,266
Glencairn Elementary School	11,366	18,864	22,439	7,791
Marble Elementary School	23,743	29,750	31,641	21,852
Pinecrest Elementary School	6,393	20,751	15,641	11,503
Red Cedar Elementary School	13,510	48,617	40,896	21,231
Whitehills Elementary School	16,307	21,695	21,854	16,148
Other	51,222	26,751	28,993	48,980
	<u>\$ 441,823</u>	<u>\$ 708,523</u>	<u>\$ 689,454</u>	<u>\$ 460,892</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2011	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued (deferred) revenue 6/30/2012
<u>U.S. Department of Agriculture:</u>								
Passed through the Michigan Department of Education:								
Child Nutrition Cluster:								
Non-Cash Assistance (Donated Foods):								
National School Lunch Program	10.555							
Entitlement			\$ 58,503	\$ -	\$ -	\$ 55,345	\$ 55,345	\$ -
Bonus			12,708	-	-	12,708	12,708	-
Total Non-Cash Assistance			71,211	-	-	68,053	68,053	-
Cash Assistance:								
National School Lunch - Breakfast	10.553	111970	92,662	-	83,269	9,393	9,393	-
		121970	86,500	-	-	86,500	86,500	-
			179,162	-	83,269	95,893	95,893	-
National School Lunch	10.555	111960	322,941	-	279,821	43,120	43,120	-
		121960	352,258	-	-	352,258	352,258	-
			675,199	-	279,821	395,378	395,378	-
Total Cash Assistance			854,361	-	363,090	491,271	491,271	-
Total U.S. Department of Agriculture			925,572	-	363,090	559,324	559,324	-

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, 2012**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2011	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued (deferred) revenue 6/30/2012
<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	111530 1011	\$ 596,349	\$ 86,227	\$ 540,640	\$ 25,810	\$ 112,037	\$ -
		121530 1112	585,377	-	-	517,115	338,511	178,604
			<u>1,181,726</u>	<u>86,227</u>	<u>540,640</u>	<u>542,925</u>	<u>450,548</u>	<u>178,604</u>
ARRA Title II Part D - Enhancing Education through Technology	84.386	114295 1011	4,872	1,157	4,781	-	1,157	-
Title III - Limited English Proficient	84.365A	110580 1011	56,656	24,571	32,291	13,816	38,387	-
		120580 1112	50,426	-	-	35,107	13,743	21,364
			<u>107,082</u>	<u>24,571</u>	<u>32,291</u>	<u>48,923</u>	<u>52,130</u>	<u>21,364</u>
Title II Part A - Improving Teacher Quality	84.367	110520 1011	274,270	25,346	180,409	91	25,437	-
		120520 1112	253,857			210,903	141,436	69,467
			<u>528,127</u>	<u>25,346</u>	<u>180,409</u>	<u>210,994</u>	<u>166,873</u>	<u>69,467</u>

The accompanying notes are an integral part of this schedule.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2011	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued (deferred) revenue 6/30/2012
<u>U.S. Department of Education (Concluded):</u>								
Passed through the Michigan Department of Education (Concluded):								
ARRA State Fiscal Stabilization Fund	84.394	112525 1011	\$ 400,104	\$ 91,302	\$ 400,104	\$ -	\$ 91,302	\$ -
Education Jobs Fund	84.410	112545 1011	386,077	61,314	386,077	-	61,314	-
		112545 1112	29,165	-	-	29,165	29,165	-
			415,242	61,314	386,077	29,165	90,479	-
Total passed through Michigan Department of Education			2,637,153	289,917	1,544,302	832,007	852,489	269,435
Passed through Ingham Intermediate School District:								
Special Education Cluster:								
IDEA Preschool	84.173	110460 1011	16,051	16,051	16,051	-	16,051	-
		120460 1112	19,043	-	-	17,160		17,160
			35,094	16,051	16,051	17,160	16,051	17,160
ARRA IDEA Flowthrough	84.391	100455 1011	313,592	162,910	283,144	-	162,910	-
ARRA IDEA Preschool	84.392	100465 1011	12,388	12,388	12,388	-	12,388	-
Total Special Education Cluster			361,074	191,349	311,583	17,160	191,349	17,160
Total U.S. Department of Education			2,998,227	481,266	1,855,885	849,167	1,043,838	286,595
<u>U.S. Department of Health and Human Services:</u>								
Passed through Ingham Intermediate School District:								
Medicaid Administrative Outreach	93.778		10,198	-	-	10,198	10,198	-
Total Expenditures of Federal Awards			\$ 3,933,997	\$ 481,266	\$ 2,218,975	\$ 1,418,689	\$ 1,613,360	\$ 286,595

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, 2012**

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. The Child Nutrition Cluster (CFDA #10.553 and #10.555) was audited as a major program, representing 39% 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 Auditor 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	\$ 859,365
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Other nonmajor governmental funds:

Federal sources	559,324
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	<u>\$ 1,418,689</u>
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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, 2012, which collectively comprise the School District of the City of East Lansing's basic financial statements and issued our report thereon dated August 29, 2012. 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

Management of the School District of the City of East Lansing is responsible for establishing and maintaining effective 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 the School District of the City of East Lansing in a separate letter dated August 29, 2012

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

*Maney Costeiran PC*

August 29, 2012



**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, 2012. 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, 2012.

### 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.

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.

*Maney Costeiran PC*

August 29, 2012

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**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?            Yes       X       None reported

Noncompliance material to financial statements noted?            Yes       X       No

**Federal Awards**

Internal control over major programs:

➤ Material weakness(es) identified?            Yes       X       No

➤ Significant deficiency(ies) identified?            Yes       X       None reported

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

*Unqualified*

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

Identification of major programs:

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

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

\$      300,000      

Auditee qualified as low-risk auditee?       X       Yes            No

**Section II - Financial Statement Findings**

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, 2012**

There were no findings disclosed for the past two years.