

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

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

YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of the City of East Lansing, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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*, issue 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of School District of the City of East Lansing as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 9 to the financial statements, School District of the City of East Lansing implemented Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, and Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District of the City of East Lansing's basic financial statements. The additional supplementary information, as identified in the table of contents, and schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits 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 basic 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013 on our consideration of School District of the City of East Lansing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District of the City of East Lansing's internal control over financial reporting and compliance.

Maney Costeiran PC

September 9, 2013

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

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, 2013. 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 Position 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, deferred outflows, 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 position (the difference between assets, deferred outflows, and liabilities), as reported in the Statement of Net Position, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results. However, the District's goal is to provide educational services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the District.

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

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

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, 2013



The School District as a Whole - Summary of Net position

The Statement of Net position provides the perspective of the District as a whole. The following schedule summarizes the net position as of June 30, 2013 and June 30, 2012:

	2013	Restated 2012
ASSETS:		
Current and other assets	\$ 21,659,164	\$ 13,663,812
Noncurrent assets	65,924,547	73,248,751
Total assets	87,583,711	86,912,563
DEFERRED OUTFLOWS:		
Deferred charge on refunding	2,342,009	2,520,674
LIABILITIES:		
Current liabilities	11,517,776	10,334,618
Long-term liabilities	56,847,550	59,177,340
Total liabilities	68,365,326	69,511,958
NET POSITION:		
Net investment in capital assets	12,855,334	15,098,038
Restricted for capital projects (sinking fund)	6,305,878	2,446,565
Unrestricted	3,765,347	2,376,676
Total net position	\$ 22,926,559	\$ 19,921,279

Analysis of Financial Position

For the fiscal year ended June 30, 2013, the District's net position increased by \$3,005,280. A few of the more significant factors affecting net position 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 position.

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

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, 2013 and June 30, 2012, the following was recorded as depreciation expense:

	2013	2012
Land improvements	\$ 534,723	\$ 532,317
Building and improvements	1,896,802	1,899,450
Furniture and equipment	382,385	405,522
Vehicles	17,817	76,467
Total	<u>\$ 2,831,727</u>	<u>\$ 2,913,756</u>

One approach of interpreting depreciation expense is that in order to maintain net position 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, 2013, \$1,525,166 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 \$5,958,039 for the fiscal year ended June 30, 2013.

3. Long-Term Debt

The District's total general long-term debt for the fiscal year ended June 30, 2013 decreased by \$1,459,861. The majority of the increase is a result of the District issuing new bonds for \$5,005,000 combined with 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 position.

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

For the fiscal year ended June 30, 2013 and June 30, 2012, the District-wide results of operation were:

	2013	% of total	2012	% of total
General revenues:			Restated	
Property taxes, levied for general operations	\$ 7,955,236	18.6	\$ 8,125,955	18.4
Property taxes, levied for debt service	6,994,323	16.4	7,283,909	16.5
Property taxes, levied for sinking fund	1,276,790	3.0	1,328,526	3.0
Investment earnings	24,340	0.1	19,769	-
State sources	19,472,539	45.6	18,755,975	42.6
Federal sources - unrestricted	-	-	29,164	0.1
County special education allocation	3,488,028	8.2	3,683,971	8.4
Gain/(loss) on sale of capital assets	(2,236,018)	(5.4)	-	-
Other	229,177	0.5	358,433	0.8
Total general revenues	37,204,415	87.0	39,585,702	89.8
Program revenues:				
Charges for services	759,252	1.8	821,673	1.9
Operating grants	4,769,940	11.2	3,659,793	8.3
Total revenues	\$ 42,733,607	100.0	\$ 44,067,168	100.0
Function/program expenses:				
Instruction	\$ 20,068,990	50.5	\$ 22,121,421	53.2
Support services	12,858,287	32.4	12,520,353	30.0
Community services	21,494	0.1	28,842	0.1
Food services	1,152,130	2.9	1,009,874	2.4
Interest on long-term debt	2,795,699	7.0	2,999,110	7.3
Unallocated depreciation	2,831,727	7.1	2,913,756	7.0
Total expenses	\$ 39,728,327	100.0	\$ 41,593,356	100.0

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

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 approximately 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, 2013 was approximately \$1,600, or 0.02% of the total General Fund levy.

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

Fiscal year	All property supplemental operating mills levied	Non-PRE (comm. personal) operating mills levied	All property debt service mills levied	All property sinking fund mills levied
2012 - 2013	0.0000	18.0000	7.0000	1.2860
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

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
2012 - 2013	\$ -	\$ 8,076,732	\$ 7,033,919	\$ 1,282,869
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

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

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 2013 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 subsequent years):

<u>Fiscal year</u>	<u>Per pupil allowance</u>	<u>\$ increase (decrease) from prior year</u>
2012 - 2013	\$ 8,019	\$ -
2011 - 2012	8,019	(118)
2010 - 2011	8,137	(16)
2009 - 2010	8,153	(468)
2008 - 2009	8,621	56

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:

<u>Fiscal year</u>	<u>Actual blended student FTE</u>	<u>FTE change from prior year</u>
2012 - 2013	3,538	61
2011 - 2012	3,477	10
2010 - 2011	3,467	22
2009 - 2010	3,445	36
2008 - 2009	3,409	10

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

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, 2013, the District received \$2,519,502. This amount represents a decrease of \$34,952 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 2012-2013 and 2011-2012:

Function	2012-2013 fiscal year	%	2011-2012 fiscal year	%
Basic programs	\$ 17,594,369	50.2	\$ 17,616,911	50.0
Special education	3,083,890	8.6	3,710,498	10.3
Compensatory education	1,439,735	4.1	1,025,784	2.9
Total instruction	22,117,994	62.9	22,353,193	63.2
Pupil support services	2,281,128	6.5	2,477,872	7.0
Instructional staff support services	2,108,072	6.0	2,117,478	6.0
School administration	2,400,593	6.9	2,371,158	6.7
Total instructional support	6,789,793	19.4	6,966,508	19.7
General administration	368,858	1.1	391,194	1.1
Business office	374,841	1.1	408,893	1.2
Operations and maintenance	3,222,578	9.3	3,162,135	9.1
Pupil transportation	905,263	2.6	830,611	2.4
Central	582,923	1.7	486,407	1.4
Athletics	606,044	1.7	593,400	1.7
Community services	21,494	0.1	28,842	0.1
Transfers out	52,079	0.1	17,960	0.1
Total general fund	35,041,867	100.0	35,239,143	100.0
Food service fund	1,186,030		1,073,129	
Debt service funds	7,485,427		9,820,250	
Sinking fund	931,261		309,607	
2000 capital projects fund	-		88,668	
2012 capital projects fund	225,159		-	
2013 capital projects fund	609,663		-	
Total	\$ 45,479,407		\$ 46,530,797	

School District of the City of East Lansing

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013



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
2012 - 2013	\$ 35,673,954	\$ 35,717,808	0.12%
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%
Five year average actual over (under) budget			-0.14%

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

Fiscal year	Budget	Actual	Variance
2012 - 2013	\$ 35,136,047	\$ 35,041,867	-0.27%
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%
Five year average actual over (under) budget			-0.80%

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

Capital and Intangible Assets and Debt Administration

1. Capital Assets

At June 30, 2013, the District had \$67,290,711 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 \$5,958,040 due to fiscal year depreciation expense exceeding capital asset additions and the sale of assets.

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

	2013			2012
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 266,494	\$ -	\$ 266,494	\$ 875,044
Construction in progress	1,099,671	-	1,099,671	-
Land improvements	11,826,160	4,850,244	6,975,916	7,545,595
Building and additions	83,479,555	26,820,976	56,658,579	62,267,771
Furniture and equipment	7,743,011	5,509,527	2,233,484	2,316,455
Transportation equipment	249,396	192,828	56,568	243,886
Total	<u>\$ 104,664,287</u>	<u>\$ 37,373,575</u>	<u>\$ 67,290,712</u>	<u>\$ 73,248,751</u>

2. Long-term Debt

At June 30, 2013, the District had \$61,488,197 in general obligation bonded debt outstanding versus \$60,671,387 at June 30, 2012.

The District issued 2013 general obligation bonds in the amount of \$5,005,000 in order to upgrade the District's technology, security, and communication systems.

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

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

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 flat enrollment for fiscal year 2013-2014 but enrollment concerns remain as the District's resident enrollment has historically shown little growth over the years.
- **Foundation Allowance:** The per pupil foundation allowance the District receives from the State is estimated to increase \$30 per pupil for fiscal year 2013-14. The struggling Michigan economy and its impact on the School Aid Fund is 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 and the financial impact of the federal Affordable Health Care Act is a concern.
- **Retirement Rate:** The Michigan Public Schools Retirement system now has seven different rates for active employees and another seven rates for retirees and former qualified participants who return to work. The State increased the retirement rate that is most applicable to District employees to 24.79%, effective October 1, 2013, that is charged to districts to fund the retirement system. This represents an increase of 1.9% from the rate ending September 30, 2013. In addition, the State charges and funds a stabilization rate of 4.56%. The ability of the state to continue to subsidize the stabilization rate is a concern.
- **County Special Education Allocation:** The revenue the District receives from the county special education funding system is largely driven by property values. The struggling Michigan economy and its impact on property values is a concern.
- **Employee Contracts:** All union contracts are settled through June 30, 2014.

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, 501 Burcham Drive, East Lansing, MI 48823.

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental activities
ASSETS:	
Cash and cash equivalents	\$ 11,416,601
Receivables:	
Accounts receivable	23,303
Interest receivable	3,951
Taxes receivable	23,293
Intergovernmental	4,906,115
Inventories	44,908
Prepays	38,769
Restricted cash - capital projects	5,202,224
Capital assets not being depreciated	1,366,165
Capital assets, net of accumulated depreciation	<u>65,924,547</u>
TOTAL ASSETS	<u>88,949,876</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	<u>2,342,009</u>
LIABILITIES:	
Accounts payable	1,442,372
Accrued salaries and related items	3,426,707
Accrued interest	453,946
Unearned revenue	261,136
Due to other governmental units	14,130
Noncurrent obligations:	
Due within one year	5,919,485
Due in more than a year	<u>56,847,550</u>
TOTAL LIABILITIES	<u>68,365,326</u>
NET POSITION:	
Net investment in capital assets	12,855,334
Restricted for capital projects (sinking fund)	6,305,878
Unrestricted	<u>3,765,347</u>
TOTAL NET POSITON	<u>\$ 22,926,559</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	\$ 20,068,990	\$ -	\$ 3,860,884	\$ (16,208,106)
Support services	12,858,287	292,124	235,230	(12,330,933)
Community services	21,494	-	21,494	-
Food services	1,152,130	467,128	652,332	(32,670)
Interest on long-term debt	2,795,699	-	-	(2,795,699)
Unallocated depreciation	2,831,727	-	-	(2,831,727)
Total governmental activities	<u>\$ 39,728,327</u>	<u>\$ 759,252</u>	<u>\$ 4,769,940</u>	<u>(34,199,135)</u>
General revenues:				
Property taxes, levied for general purposes				7,955,236
Property taxes, levied for debt service				6,994,323
Property taxes, levied for sinking fund				1,276,790
Investment earnings				24,340
State sources				19,472,539
Intermediate sources				3,488,028
Loss on sale of asset				(2,236,018)
Other				<u>229,177</u>
Total general revenues				<u>37,204,415</u>
CHANGE IN NET POSITION				3,005,280
NET POSITION , beginning of year, as restated				<u>19,921,279</u>
NET POSITION , end of year				<u><u>\$ 22,926,559</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General fund	Capital projects sinking fund	2013 Capital projects fund	Total nonmajor funds	Total governmental funds
ASSETS:					
Cash and cash equivalents	\$ 2,587,282	\$ 6,498,470	\$ -	\$ 2,330,849	\$ 11,416,601
Restricted cash and cash equivalents	-	-	5,202,224	-	5,202,224
Receivables:					
Property taxes receivable	8,939	2,227	-	12,127	23,293
Accounts receivable	22,390	-	-	913	23,303
Interest	-	792	-	3,159	3,951
Intergovernmental	4,899,258	-	-	6,857	4,906,115
Inventories	1,861	-	-	43,047	44,908
Prepays	31,587	-	-	7,182	38,769
TOTAL ASSETS	<u>\$ 7,551,317</u>	<u>\$ 6,501,489</u>	<u>\$ 5,202,224</u>	<u>\$ 2,404,134</u>	<u>\$ 21,659,164</u>
LIABILITIES:					
Accounts payable	\$ 503,339	\$ 195,611	\$ 491,414	\$ 252,008	\$ 1,442,372
Accrued salaries and related items	3,426,707	-	-	-	3,426,707
Due to other governmental units	14,130	-	-	-	14,130
Unearned revenue	231,221	-	-	29,915	261,136
TOTAL LIABILITIES	<u>4,175,397</u>	<u>195,611</u>	<u>491,414</u>	<u>281,923</u>	<u>5,144,345</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	106,967	-	-	-	106,967
FUND BALANCES:					
Nonspendable:					
Inventories	1,861	-	-	43,047	44,908
Prepays	31,587	-	-	7,182	38,769

See notes to financial statements.

	<u>General fund</u>	<u>Capital projects sinking fund</u>	<u>2013 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
FUND BALANCES (Concluded):					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ 176,367	\$ 176,367
Capital outlay	-	305,497	4,710,810	-	5,016,307
Committed:					
Sinking fund	-	6,000,381	-	-	6,000,381
2012 Capital projects fund	-	-	-	1,918,970	1,918,970
Assigned:					
Subsequent year expenditures	585,566	-	-	-	585,566
Unassigned general fund	2,649,939	-	-	-	2,649,939
Unassigned food service fund	-	-	-	(23,355)	(23,355)
TOTAL FUND BALANCES	<u>3,268,953</u>	<u>6,305,878</u>	<u>4,710,810</u>	<u>2,122,211</u>	<u>16,407,852</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 7,551,317</u>	<u>\$ 6,501,489</u>	<u>\$ 5,202,224</u>	<u>\$ 2,404,134</u>	<u>\$ 21,659,164</u>
Total governmental fund balances					\$ 16,407,852
Amounts reported for governmental activities in the statement of net position are different because:					
Deferred charge on refunding					2,342,009
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					
The cost of the capital assets is				\$ 104,664,286	
Accumulated depreciation is				<u>(37,373,574)</u>	67,290,712
Revenue not recorded in the funds due to not being collected until after September 1st:					
Deferred inflows - Special education payment due from IISD					106,967
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds payable					(61,488,197)
Compensated absences and termination benefits					(1,278,838)
Accrued interest is not included as a liability in government funds, it is recorded when paid					<u>(453,946)</u>
Net position of governmental activities					<u>\$ 22,926,559</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, 2013

	<u>General Fund</u>	<u>Capital projects sinking fund</u>	<u>2013 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES:					
Local sources:					
Property taxes	\$ 7,955,236	\$ 1,276,790	\$ -	\$ 6,994,323	\$ 16,226,349
Tuition	983	-	-	-	983
MSU reimbursement	-	-	-	105,448	105,448
Investment earnings	449	13,784	-	10,107	24,340
Food sales and athletics	187,170	-	-	467,128	654,298
Other	224,102	-	-	-	224,102
Total local sources	8,367,940	1,290,574	-	7,577,006	17,235,520
State sources	22,804,007	-	-	35,591	22,839,598
Federal sources	786,140	-	-	616,741	1,402,881
Incoming transfers and other	3,485,231	-	-	-	3,485,231
Total revenues	35,443,318	1,290,574	-	8,229,338	44,963,230
EXPENDITURES:					
Current:					
Instruction	22,117,994	-	-	-	22,117,994
Supporting services	12,850,300	-	-	-	12,850,300
Food service activities	-	-	-	1,184,177	1,184,177
Community service activities	21,494	-	-	-	21,494
Capital outlay	-	931,261	501,711	227,012	1,659,984

See notes to financial statements.

	<u>General Fund</u>	<u>Capital projects sinking fund</u>	<u>2013 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):					
Debt service:					
Principal repayment	\$ -	\$ -	\$ -	\$ 4,675,000	\$ 4,675,000
Interest	-	-	-	2,809,080	2,809,080
Other costs including issuance costs	-	-	107,952	1,347	109,299
Total expenditures	<u>34,989,788</u>	<u>931,261</u>	<u>609,663</u>	<u>8,896,616</u>	<u>45,427,328</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>453,530</u>	<u>359,313</u>	<u>(609,663)</u>	<u>(667,278)</u>	<u>(464,098)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from issuance of bonds	-	-	5,005,000	-	5,005,000
Proceeds from school loan revolving fund	-	-	-	389,165	389,165
Bond premium	-	-	315,473	-	315,473
Proceeds from sale of capital assets	274,490	-	-	2,140,970	2,415,460
Transfers in	-	-	-	52,079	52,079
Transfers out	<u>(52,079)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,079)</u>
Total other financing sources (uses)	<u>222,411</u>	<u>-</u>	<u>5,320,473</u>	<u>2,582,214</u>	<u>8,125,098</u>
NET CHANGE IN FUND BALANCES	<u>675,941</u>	<u>359,313</u>	<u>4,710,810</u>	<u>1,914,936</u>	<u>7,661,000</u>
FUND BALANCES:					
Beginning of year	<u>2,593,012</u>	<u>5,946,565</u>	<u>-</u>	<u>207,275</u>	<u>8,746,852</u>
End of year	<u>\$ 3,268,953</u>	<u>\$ 6,305,878</u>	<u>\$ 4,710,810</u>	<u>\$ 2,122,211</u>	<u>\$ 16,407,852</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, 2013**

Net change in fund balances total governmental funds	\$ 7,661,000
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	(2,831,727)
Capital outlay	1,525,166
Loss on disposal of capital assets	(4,651,478)
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	468,180
Accrued interest payable, end of the year	(451,327)
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 position. Also, governmental funds report the effect of 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	(5,394,165)
Payments on debt	4,675,000
Premium on issuance of bonds	(315,473)
Amortization of deferred charge on refunding	(178,665)
Amortization of bond premium	217,828
Long-term interest on school loan revolving fund, end of the year	(2,619)
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Deferred inflows - Unearned revenue, beginning of the year	(100,078)
Deferred inflows - Unearned revenue, end of the year	106,967
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	3,555,509
Accrued compensated absences and termination benefits, end of the year	(1,278,838)
Change in net position of governmental activities	<u><u>\$ 3,005,280</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2013**

	<u>Agency Funds</u>
ASSETS:	
Cash	<u>\$ 457,860</u>
Total assets	<u><u>\$ 457,860</u></u>
LIABILITIES:	
Accounts payable	\$ 5,021
Accrued expenditures	1,383
Due to student and other groups	<u>451,456</u>
Total liabilities	<u><u>\$ 457,860</u></u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B. 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 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.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Continued)

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 *2013 capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The 2013 capital projects fund includes 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.

Revenue, not including proceeds	\$ <u> -</u>
Expenditures and transfers	\$ <u> 609,663</u>

The above revenue figure does not include total 2013 bond proceeds and premium of \$5,320,473.

Other Non-major Funds

The *special revenue fund* accounts 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, 2005B, and 2011 *refunding 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 *2012 capital projects fund* accounts for the receipt of proceeds from the sale of a building and the acquisition of fixed assets or construction of major capital projects.

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.

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

D. Basis of Presentation - Fund Financial Statements (Concluded)

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).

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 expenses. 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.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

The 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 generally 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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 current year ended, the foundation allowance was based on pupil membership counts taken in February and October of the previous calendar year.

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 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 to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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 and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. The capital projects funds are appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30, 2013. The District does not consider these amendments to be significant.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

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. 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.

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. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

3. Inventories and prepaid items (Concluded)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated fair value at the date of donation.

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 capital assets.

Land and construction in progress if any are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings and additions	20 - 50
Furniture and equipment	5 - 20

5. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

5. Deferred outflows/inflows of resources (Concluded)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues primarily from one source: receipts that exceeded 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

In the computation of net investment in capital assets, school loan revolving fund principal proceeds of \$389,165 is considered capital-related debt. Accrued interest on the school loan revolving fund of \$2,619 has been included in the calculation of unrestricted net position.

7. Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)

8. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation. The Board of Education originally committed \$8,000,000 of sinking fund balance and 2012 capital projects fund balance for the purpose of construction and renovation of MacDonald Middle School. At June 30, 2013 \$7,919,351 is committed.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The District has committed and adopted a minimum fund balance policy. In the general fund, the District strives to maintain a fund balance to be 10% of the actual GAAP basis expenditures and other financing uses. Currently, the unassigned fund balance is approximately 8%.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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, 2013, 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	1.2860

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable. For the year ended June 30, 2013 new contract language significantly reduced this liability.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

4. 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2013, 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.

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, 2013, \$11,385,144 of the District's bank balance of \$17,668,826 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

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, 2013, the carrying amounts are as follows:

Cash on hand	\$ 75
Deposits including fiduciary funds of \$457,860	<u>17,076,610</u>
	<u><u>\$ 17,076,685</u></u>

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

Cash - agency fund	\$ 457,860
Cash - district-wide	11,416,601
Restricted cash - capital projects	<u>5,202,224</u>
	<u><u>\$ 17,076,685</u></u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2013 consist of the following:

Intergovernmental:	
State aid	\$ 4,354,843
Federal revenue	409,963
Ingham Intermediate School District	<u>141,309</u>
	<u><u>\$ 4,906,115</u></u>

No allowance for doubtful accounts is considered necessary.

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

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets at June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Reclassifications/ deletions	Balance June 30, 2013
Assets not being depreciated:				
Land	\$ 875,044	\$ -	\$ 608,550	\$ 266,494
Construction in progress	-	1,099,671	-	1,099,671
	<u>875,044</u>	<u>1,099,671</u>	<u>608,550</u>	<u>1,366,165</u>
Other capital assets:				
Land improvements	11,875,377	8,890	58,107	11,826,160
Buildings and additions	88,242,396	66,118	4,828,959	83,479,555
Furniture and equipment	7,481,595	316,587	55,171	7,743,011
Vehicles	1,037,558	33,900	822,062	249,396
Total other capital assets	<u>108,636,926</u>	<u>425,495</u>	<u>5,764,299</u>	<u>103,298,122</u>
Accumulated depreciation:				
Land improvements	4,329,782	534,723	14,261	4,850,244
Building and improvements	25,974,625	1,896,802	1,050,451	26,820,976
Furniture and equipment	5,165,140	382,385	37,998	5,509,527
Vehicles	793,672	17,817	618,661	192,828
Total accumulated depreciation	<u>36,263,219</u>	<u>2,831,727</u>	<u>1,721,371</u>	<u>37,373,575</u>
Net other capital assets	<u>72,373,707</u>	<u>(2,406,232)</u>	<u>4,042,928</u>	<u>65,924,547</u>
Net capital assets	<u>\$ 73,248,751</u>	<u>\$ (1,306,561)</u>	<u>\$ 4,651,478</u>	<u>\$ 67,290,712</u>

Depreciation for the fiscal year ended June 30, 2013 amounted to \$2,831,727. 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 5 - LONG-TERM DEBT

The following is a summary of long-term obligations for the District for the year ended June 30, 2013:

	Compensated absences and termination benefits	School loan revolving fund	Bonds and other debt	Total
Balance as restated, July 1, 2012	\$ 3,555,509	\$ -	\$ 60,671,387	\$ 64,226,896
Additions	125,726	389,165	5,320,473	5,835,364
Deletions	(2,402,397)	-	(4,892,828)	(7,295,225)
Balance, June 30, 2013	1,278,838	389,165	61,099,032	62,767,035
Due within one year	(224,485)	-	(5,695,000)	(5,919,485)
Due in more than one year	<u>\$ 1,054,353</u>	<u>\$ 389,165</u>	<u>\$ 55,404,032</u>	<u>\$ 56,847,550</u>

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, 2013 are as follows:

2005 general obligation bonds due in a final payment of \$1,780,000 May 1, 2014, with interest at 3.75%.	\$ 1,780,000
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%.	49,290,000
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
2013 general obligation bonds due in annual installments of \$890,000 to \$1,075,000 through May 1, 2018, with interest of 3.00%.	5,005,000
Plus: Premiums on issuance of debt	<u>2,669,032</u>
Total general obligation	61,099,032
Borrowings from the State of Michigan under the School Loan Revolving Fund program. Interest at June 30, 2013 was 3.53%.	389,165
Employee compensated absences and termination benefits	<u>1,278,838</u>
Total general long-term debt	<u><u>\$ 62,767,035</u></u>

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

NOTE 5 - LONG-TERM DEBT (Concluded)

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, 2013, \$50,720,000 of bonds outstanding are considered defeased.

The annual requirements to amortize the long-term obligations as of June 30, 2013, including interest of \$23,385,290 are as follows:

Year ending June 30,	Principal	Interest	Total
2014	\$ 5,695,000	\$ 2,716,721	\$ 8,411,721
2015	5,295,000	2,506,450	7,801,450
2016	3,760,000	2,309,400	6,069,400
2017	3,840,000	2,141,600	5,981,600
2018	3,915,000	1,970,500	5,885,500
2019 - 2023	14,785,000	7,521,500	22,306,500
2024 - 2028	15,145,000	3,767,500	18,912,500
2029 - 2030	5,995,000	449,000	6,444,000
	58,430,000	23,382,671	81,812,671
Borrowings from State of Michigan			
School Loan Revolving Fund program	389,165	2,619	391,784
Unamortized premium on bond issuance	2,669,032	-	2,669,032
Accumulated compensated absences and termination benefits	1,278,838	-	1,278,838
	\$ 62,767,035	\$ 23,385,290	\$ 86,152,325

Borrowing from the State of Michigan - The school loan revolving fund payable represents a note payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate was 3.53% for the school loan revolving fund note at June 30, 2013. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.00 mills. The school district is required to levy 7.00 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 7.00 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule.

Certain contract language changes resulted in a significant decrease in termination benefits.

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

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description - The District participates in the statewide Michigan Public School Employees' Retirement System (System) which is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report. 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>.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

Benefit Provisions - Pension

Introduction

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members. A DB member or Pension Plus hybrid plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

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

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Benefit Provisions - Pension (Continued)

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional service or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012, subsequently amended to February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Option 1 - members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan members: 4% contribution
- MIP-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

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

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Benefit Provisions - Pension (Concluded)

Option 3 - members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their *total* years of service), they would also receive a pension (calculated based on years of service and Final Average Compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus hybrid plan described above and a Defined Contribution (DC) plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period to elect to opt out of the Pension Plus hybrid plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus hybrid plan. If they elect to opt out of the Pension Plus hybrid plan, their participation in the DC plan will be retroactive to their date of hire.

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

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Funding Policy

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at 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 between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 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 of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

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

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Funding Policy (Concluded)

Employer Contributions

Each school district or reporting entity 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 ("MPERS"), 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 MPERS Board of Trustees. The District contributions to MPERS were equal to the required contribution for those years.

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

Fiscal Year Ending <u>June 30,</u>	<u>Contributions to MPERS</u>
2013	\$ 4,596,251
2012	\$ 4,378,591
2011	\$ 3,936,297

Included in the amounts paid above, the District received \$365,601 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2013.

PA 464 Retirees Returning to Work, effective December 27, 2012 also requires applicable employer contributions to the defined benefit and defined contribution plans. These amounts if any are included in the amounts paid above.

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

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

		Fiscal Year 2013					
Contribution rates		Effective February 1, 2013					
Public School Employee Pension Rates (FYE Sept. 30th)		Basic MIP	Pension Plus	Pension Plus PHF - First worked after 9/3/12	Pension Plus to DC with PHF First worked after 9/3/12	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF
		DB Contributions					
Pension Normal Cost		2.43%	2.24%	2.24%	0.00%	0.00%	2.43%
Pension UAL		11.42%	11.42%	11.42%	11.42%	11.42%	11.42%
Pension Early Retirement Incentive		1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Pension Contributions - Total Rate		15.21%	15.02%	15.02%	12.78%	12.78%	15.21%
Health Normal Cost		0.93%	0.93%	0.00%	0.00%	0.93%	0.00%
Health UAL		8.18%	8.18%	8.18%	8.18%	8.18%	8.18%
Health Contributions - Total Rate		9.11%	9.11%	8.18%	8.18%	9.11%	8.18%
Total		24.32%	24.13%	23.20%	20.96%	21.89%	23.39%
		DC Contributions					
DC Employer Contributions		0.00%	1.00%	1.00%	3.00%	4.00%	0.00%
Personal Healthcare Fund		0.00%	0.00%	2.00%	2.00%	0.00%	2.00%
Total		0.00%	1.00%	3.00%	5.00%	4.00%	2.00%

		4 months ended 1/31/2013			
Public School Employee Pension Rates (FYE Sept. 30th)		First worked before 7/1/10	First worked between 6/30/10 and 9/3/12	Pension Plus and First worked after 9/3/12	Elected DC and First worked after 9/3/12
Pension Normal Cost (Prefunded)		3.47%	2.24%	2.24%	0.00%
Pension Unfunded Accrued Liability		11.42%	11.42%	11.42%	11.42%
Early Retirement Incentive Program		1.36%	1.36%	1.36%	1.36%
Pension Total Rate		16.25%	15.02%	15.02%	12.78%
Retiree Health Care Contribution (Cash basis)		0.93%	0.93%	0.00%	0.00%
Surcharge due to Injunction		8.18%	8.18%	8.18%	8.18%
Health Total Rate		9.11%	9.11%	8.18%	8.18%
Total		25.36%	24.13%	23.20%	20.96%

		Fiscal Years 2012 and 2011					
		FY 2011 - 2012		11 months ended 9/30/11		1 month ended 10/31/10	
Public School Employee Pension Rates (FYE Sept. 30th)		before 7/1/10	First worked after 6/30/10	First worked before 7/1/10	First worked after 6/30/10	First worked before 7/1/10	First worked after 6/30/10
Pension Normal Cost (Prefunded)		3.47%	2.24%	3.74%	2.24%	3.74%	2.24%
Pension Unfunded Accrued Liability		12.49%	12.49%	8.42%	8.42%	8.42%	8.42%
Early Retirement Incentive Program		0.00%	0.00%	N/A	N/A	N/A	N/A
Pension Total Rate		15.96%	14.73%	12.16%	10.66%	12.16%	10.66%
Retiree Health Care Contribution (Cash basis)		5.50%	5.50%	5.50%	5.50%	7.25%	7.25%
Surcharge due to Injunction		3.00%	3.00%	3.00%	3.00%	N/A	N/A
Health Total Rate		8.50%	8.50%	8.50%	8.50%	7.25%	7.25%
Total		24.46%	23.23%	20.66%	19.16%	19.41%	17.91%

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

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Benefit Provisions - Other Postemployment

Introduction

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, through 2012, is currently funded on a cash disbursement basis. Beginning fiscal year 2013, it will be funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional service or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) account no later than their first pay date after February 1, 2013.

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

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Concluded)

Benefit Provisions - Other Postemployment (Continued)

Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September 3, 2012 who are rehired on or after September 4, 2012, will contribute 3% contribution to retiree healthcare and will retain the subsidy benefit. Returning members who made the retirement healthcare election will retain whichever option they chose.

Those who elected to retain the premium subsidy continue to annually contribute 3% of compensation into the health care funding account. A member or former member age 60 or older, who made the 3% healthcare contributions but who does not meet eligibility requirements may request a refund of their contributions. Similarly, if a retiree dies before the total value of the insurance subsidy paid equals the total value of the contributions the member made, and there are no eligible dependents, the beneficiary may request a refund of unused funds. Refunds of member contributions to the healthcare funding account are issued as a supplemental benefit paid out over a 60 month period.

1. Retirees with at least 21 years of service, who terminate employment after October 31, 1980, with vested deferred benefits, are eligible for subsidized employer paid health benefit coverage.
2. A delayed subsidy applies to retirees who became a member of the retirement system before July 1, 2008 and who purchased service credit on or after July 1, 2008. Such individuals are eligible for premium subsidy benefits at age 60 or when they would have been eligible to retire without having made a service purchase, whichever comes first. They may enroll in the insurances earlier, but are responsible for the full premium until the premium subsidy begins.

Under Public Act 300 of 2012, the state no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2012. Instead, all new employees will be placed into the Personal Healthcare Fund where they will have support saving for retirement healthcare costs in the following ways:

- They will be automatically enrolled in a 2% employee contribution into a 457 account as of their date of hire, earning them a 2% employer match into a 401(k) account.
- They will receive a credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years of age at termination or \$1,000 for participants who are less than 60 years of age at termination.

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

NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Concluded)

Benefit Provisions - Other Postemployment (Concluded)

Participants in the Personal Healthcare Fund, who become disabled for any reason, are not eligible for any employer funded health insurance premium subsidy. If a PHF participant suffers a non-duty related death, his or her health benefit dependents are not eligible to participate in any employer funded health insurance premium subsidy. If a PHF participant suffers a duty death, the state will pay the maximum health premium allowed by statute for the surviving spouse and health benefit dependents. The spouses' insurance subsidy may continue until his or her death, the dependents' subsidy may continue until their eligibility ends (through marriage, age, or other event). Upon eligibility for a duty death benefit, the 2% employer matching contributions and related earnings in the PHF 401(k) are forfeited and the state will pay for the subsidy payments. The beneficiaries receive the member's personal contributions and related earnings in the PHF 457 account.

Other Information

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. 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 has appealed the decision to the Michigan Supreme Court. 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.

NOTE 7 - 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 7 - 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, 2013 or any of the prior three years.

NOTE 8 - TRANSFERS

The school lunch fund received \$52,079 from the general fund. The transfer to the school lunch fund from the general fund was made to reimburse the food service fund for indirect costs incurred in the prior year.

NOTE 9 - NEW ACCOUNTING STANDARDS

For the year end June 30, 2013 the District implemented the following new pronouncements:

GASB Statement 62 - Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

Summary:

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure

GASB Statements 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement 65 - Items Previously Reported as Assets and Liabilities.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - NEW ACCOUNTING STANDARDS (Concluded)

Summary:

These Statements provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net position.

GASB Statement 65 also states that bond issuance costs should be expensed in the year which they are incurred. As a result, the remaining unamortized bond issuance costs were written off as of July 1, 2012. The restatement of the beginning of the year net position is follows:

	Governmental activities
Net position as previously stated, July 1, 2012	\$ 20,321,159
Adoption of GASB statement 65	(399,880)
Net position as restated, July 1, 2012	<u>\$ 19,921,279</u>

NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENT

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.

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

NOTE 11 - NOTE PAYABLE

At June 30, 2012, a note payable in the amount of \$800,000 was outstanding. It was paid in full September 28, 2012. At June 30, 2013 the District had no short term borrowings outstanding.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 8,463,583	\$ 8,364,610	\$ 8,367,940	\$ 3,330
State sources	21,288,325	22,734,626	22,804,007	69,381
Federal sources	779,544	801,928	786,140	(15,788)
Incoming transfers and other	3,392,900	3,498,300	3,485,231	(13,069)
Total revenues	33,924,352	35,399,464	35,443,318	43,854
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	17,110,899	17,547,474	17,594,369	(46,895)
Added needs	4,618,023	4,538,278	4,523,625	14,653
Total instruction	21,728,922	22,085,752	22,117,994	(32,242)
Supporting services:				
Pupil	2,316,887	2,296,826	2,281,128	15,698
Instructional staff	2,208,275	2,120,951	2,108,072	12,879
General administration	2,347,998	385,557	368,858	16,699
School administration	374,162	2,436,245	2,400,593	35,652
Business	404,435	378,849	374,841	4,008
Operation/maintenance	3,187,475	3,229,235	3,222,578	6,657
Pupil transportation	909,514	899,199	905,263	(6,064)
Central	475,854	602,683	582,923	19,760
Athletics	602,262	609,792	606,044	3,748
Total supporting services	12,826,862	12,959,337	12,850,300	109,037
Community services	33,793	38,879	21,494	17,385
Payments to other governments	11,856	-	-	-
Total expenditures	34,601,433	35,083,968	34,989,788	94,180
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(677,081)	315,496	453,530	138,034
OTHER FINANCING SOURCES (USES):				
Sale of school property	305,300	274,490	274,490	-
Transfers in	90,000	-	-	-
Transfers out	-	(52,079)	(52,079)	-
Total other financing sources (uses)	395,300	222,411	222,411	-
NET CHANGE IN FUND BALANCE	\$ (281,781)	\$ 537,907	675,941	\$ 138,034
FUND BALANCE:				
Beginning of year			2,593,012	
End of year			<u>\$ 3,268,953</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, 2013**

	Final budget	Actual	Variance with final budget
LOCAL SOURCES:			
Property taxes	\$ 7,936,403	\$ 7,955,236	\$ 18,833
Tuition	5,125	983	(4,142)
Investment earnings	450	449	(1)
Other local revenue	234,932	224,102	(10,830)
Athletics	187,700	187,170	(530)
TOTAL LOCAL SOURCES	8,364,610	8,367,940	3,330
STATE SOURCES:			
Foundation grant	14,901,923	14,923,045	21,122
Special education	1,594,193	1,594,193	-
Other state revenue	6,238,510	6,286,769	48,259
TOTAL STATE SOURCES	22,734,626	22,804,007	69,381
FEDERAL SOURCES:			
Title I	528,335	522,579	(5,756)
Title II - improving teacher quality	186,687	191,071	4,384
Title III - immigrant	16,804	17,359	555
Other federal revenue	70,102	55,131	(14,971)
TOTAL FEDERAL SOURCES	801,928	786,140	(15,788)
INCOMING TRANSFERS AND OTHER TRANSACTIONS:			
Special education	3,483,300	3,470,557	(12,743)
Other	15,000	14,674	(326)
TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS	3,498,300	3,485,231	(13,069)
TOTAL REVENUES	35,399,464	35,443,318	43,854
OTHER FINANCING SOURCES:			
Sale of school property	274,490	274,490	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 35,673,954	\$ 35,717,808	\$ 43,854

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2013**

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
INSTRUCTION:			
Basic programs:			
Elementary:			
Salaries	\$ 5,978,064	\$ 6,018,144	\$ (40,080)
Benefits	3,018,712	2,983,398	35,314
Purchased services	48,285	39,369	8,916
Supplies and materials	173,073	175,060	(1,987)
Capital outlay	37,678	28,397	9,281
Other expenses	90,911	115,051	(24,140)
Total elementary	<u>9,346,723</u>	<u>9,359,419</u>	<u>(12,696)</u>
Middle school:			
Salaries	1,553,448	1,662,784	(109,336)
Benefits	790,708	830,211	(39,503)
Purchased services	17,915	14,196	3,719
Supplies and materials	23,001	20,768	2,233
Capital outlay	7,629	3,928	3,701
Other expenses	19,702	22,379	(2,677)
Total middle school	<u>2,412,403</u>	<u>2,554,266</u>	<u>(141,863)</u>
High school:			
Salaries	3,513,472	3,432,414	81,058
Benefits	1,715,764	1,682,602	33,162
Purchased services	48,682	32,917	15,765
Supplies and materials	85,031	100,847	(15,816)
Capital outlay	23,084	12,266	10,818
Other expenses	176,663	191,290	(14,627)
Total high school	<u>5,562,696</u>	<u>5,452,336</u>	<u>110,360</u>
Pre-school:			
Salaries	128,386	129,746	(1,360)
Benefits	82,973	83,290	(317)
Supplies and materials	13,101	12,847	254
Capital outlay	596	590	6
Other expenses	596	511	85
Total pre-school	<u>225,652</u>	<u>226,984</u>	<u>(1,332)</u>
Summer school:			
Salaries	-	1,032	(1,032)
Benefits	-	332	(332)
Total summer school	<u>-</u>	<u>1,364</u>	<u>(1,364)</u>
Total basic programs	<u>17,547,474</u>	<u>17,594,369</u>	<u>(46,895)</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2013**

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
INSTRUCTION (Concluded):			
Added needs:			
Special education:			
Salaries	\$ 1,477,732	\$ 1,485,361	\$ (7,629)
Benefits	959,941	944,666	15,275
Purchased services	86,348	76,253	10,095
Supplies and materials	4,963	8,703	(3,740)
Capital outlay	2,978	-	2,978
Other expenses	559,586	568,907	(9,321)
Total special education	<u>3,091,548</u>	<u>3,083,890</u>	<u>7,658</u>
Compensatory education:			
Salaries	920,751	910,150	10,601
Benefits	477,356	468,876	8,480
Purchased services	9,619	1,120	8,499
Supplies and materials	30,997	54,217	(23,220)
Capital outlay	4,037	-	4,037
Other expenses	3,970	5,372	(1,402)
Total compensatory education	<u>1,446,730</u>	<u>1,439,735</u>	<u>6,995</u>
Total added needs	<u>4,538,278</u>	<u>4,523,625</u>	<u>14,653</u>
TOTAL INSTRUCTION	<u>22,085,752</u>	<u>22,117,994</u>	<u>(32,242)</u>
SUPPORTING SERVICES:			
Pupil services:			
Salaries	1,316,094	1,322,418	(6,324)
Benefits	674,143	668,053	6,090
Purchased services	11,415	5,485	5,930
Supplies and materials	24,180	13,739	10,441
Capital outlay	6,155	1,545	4,610
Other expenses	264,839	269,888	(5,049)
Total pupil services	<u>2,296,826</u>	<u>2,281,128</u>	<u>15,698</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2013**

	Final budget	Actual	Variance with final budget
SUPPORTING SERVICES (Continued) :			
Instructional staff services:			
Salaries	\$ 1,107,388	\$ 1,130,745	\$ (23,357)
Benefits	576,755	564,628	12,127
Purchased services	117,249	63,728	53,521
Supplies and materials	113,590	115,714	(2,124)
Capital outlay	12,014	6,742	5,272
Other expenses	193,955	226,515	(32,560)
Total instructional staff services	<u>2,120,951</u>	<u>2,108,072</u>	<u>12,879</u>
General administration:			
Salaries	158,848	159,710	(862)
Benefits	85,841	86,596	(755)
Purchased services	118,437	105,083	13,354
Supplies and materials	13,002	10,273	2,729
Capital outlay	496	-	496
Other expenses	8,933	7,196	1,737
Total general administration	<u>385,557</u>	<u>368,858</u>	<u>16,699</u>
School administration:			
Salaries	1,531,380	1,518,040	13,340
Benefits	804,552	785,892	18,660
Purchased services	36,442	38,905	(2,463)
Supplies and materials	27,790	24,540	3,250
Capital outlay	11,963	8,191	3,772
Other expenses	24,118	25,025	(907)
Total school administration	<u>2,436,245</u>	<u>2,400,593</u>	<u>35,652</u>
Business services:			
Salaries	190,425	195,383	(4,958)
Benefits	100,612	95,753	4,859
Purchased services	67,991	66,416	1,575
Supplies and materials	5,757	3,375	2,382
Capital outlay	1,489	499	990
Other expenses	12,575	13,415	(840)
Total business services	<u>378,849</u>	<u>374,841</u>	<u>4,008</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2013**

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
SUPPORTING SERVICES (Concluded):			
Operations and maintenance:			
Salaries	\$ 256,656	\$ 256,898	\$ (242)
Benefits	156,541	149,277	7,264
Purchased services	1,645,019	1,610,790	34,229
Supplies and materials	1,148,613	1,186,667	(38,054)
Capital outlay	17,666	12,389	5,277
Other expenses	4,740	6,557	(1,817)
Total operations and maintenance	<u>3,229,235</u>	<u>3,222,578</u>	<u>6,657</u>
Transportation:			
Benefits	33,927	28,788	5,139
Purchased services	4,069	6,005	(1,936)
Supplies and materials	71,559	73,058	(1,499)
Other expenses	789,644	797,412	(7,768)
Total transportation	<u>899,199</u>	<u>905,263</u>	<u>(6,064)</u>
Central services:			
Salaries	204,773	207,346	(2,573)
Benefits	111,018	112,080	(1,062)
Purchased services	212,445	230,703	(18,258)
Supplies and materials	10,383	2,388	7,995
Capital outlay	41,189	10,562	30,627
Other expenses	22,875	19,844	3,031
Total central services	<u>602,683</u>	<u>582,923</u>	<u>19,760</u>
Athletics:			
Salaries	365,313	366,537	(1,224)
Benefits	140,861	133,573	7,288
Purchased services	48,087	47,867	220
Supplies and materials	52,454	55,567	(3,113)
Other expenses	3,077	2,500	577
Total athletics	<u>609,792</u>	<u>606,044</u>	<u>3,748</u>
TOTAL SUPPORTING SERVICES	<u>12,959,337</u>	<u>12,850,300</u>	<u>109,037</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2013**

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
COMMUNITY SERVICES:			
Purchased services	\$ 20,036	\$ 13,972	\$ 6,064
Supplies and materials	<u>18,843</u>	<u>7,522</u>	<u>11,321</u>
TOTAL COMMUNITY SERVICES	<u>38,879</u>	<u>21,494</u>	<u>17,385</u>
OTHER FINANCING USES			
Transfers out	<u>52,079</u>	<u>52,079</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u><u>\$ 35,136,047</u></u>	<u><u>\$ 35,041,867</u></u>	<u><u>\$ 94,180</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2013**

	Food Service Special revenue	Debt service	2012 Capital projects	Total nonmajor funds
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 25,794	\$ 164,240	\$ 2,140,815	\$ 2,330,849
Accounts receivable	913	-	-	913
Delinquent taxes receivable	-	12,127	-	12,127
Interest receivable	-	-	3,159	3,159
Intergovernmental	6,857	-	-	6,857
Prepays	7,182	-	-	7,182
Inventories	43,047	-	-	43,047
TOTAL ASSETS	\$ 83,793	\$ 176,367	\$ 2,143,974	\$ 2,404,134
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 27,004	\$ -	\$ 225,004	\$ 252,008
Unearned revenue	29,915	-	-	29,915
TOTAL LIABILITIES	56,919	-	225,004	281,923
FUND BALANCES:				
Nonspendable:				
Prepays	7,182	-	-	7,182
Inventories	43,047	-	-	43,047
Restricted for debt service	-	176,367	-	176,367
Committed	-	-	1,918,970	1,918,970
Unassigned	(23,355)	-	-	(23,355)
TOTAL FUND BALANCES	26,874	176,367	1,918,970	2,122,211
TOTAL LIABILITIES AND FUND BALANCES	\$ 83,793	\$ 176,367	\$ 2,143,974	\$ 2,404,134

**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, 2013**

	Food Service Special revenue	Debt service	2012 Capital projects	Total nonmajor funds
REVENUES:				
Local sources:				
Property taxes	\$ -	\$ 6,994,323	\$ -	\$ 6,994,323
M.S.U. reimbursement	-	105,448	-	105,448
Investment earnings	-	6,948	3,159	10,107
Food sales	467,128	-	-	467,128
Total local sources	467,128	7,106,719	3,159	7,577,006
State sources	35,591	-	-	35,591
Federal sources	616,741	-	-	616,741
Total revenues	1,119,460	7,106,719	3,159	8,229,338
EXPENDITURES:				
Current:				
Food service activities	1,184,177	-	-	1,184,177
Capital outlay	1,853	-	225,159	227,012
Debt service:				
Principal repayment	-	4,675,000	-	4,675,000
Interest expense	-	2,809,080	-	2,809,080
Other costs	-	1,347	-	1,347
Total expenditures	1,186,030	7,485,427	225,159	8,896,616
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(66,570)	(378,708)	(222,000)	(667,278)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	-	2,140,970	2,140,970
Proceeds from school bond revolving fund	-	389,165	-	389,165
Transfers in	52,079	-	-	52,079
Total other financing sources (uses)	52,079	389,165	2,140,970	2,582,214
NET CHANGE IN FUND BALANCES	(14,491)	10,457	1,918,970	1,914,936
FUND BALANCES:				
Beginning of year	41,365	165,910	-	207,275
End of year	\$ 26,874	\$ 176,367	\$ 1,918,970	\$ 2,122,211

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	<u>2005 Debt</u>	<u>Series B 2005 Debt</u>	<u>2011 Refunding</u>	<u>Total Nonmajor</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 65,253	\$ 96,406	\$ 2,581	\$ 164,240
Delinquent taxes receivable	4,749	7,316	62	12,127
TOTAL ASSETS	<u>\$ 70,002</u>	<u>\$ 103,722</u>	<u>\$ 2,643</u>	<u>\$ 176,367</u>
FUND BALANCES				
FUND BALANCES:				
Restricted for debt service	<u>\$ 70,002</u>	<u>\$ 103,722</u>	<u>\$ 2,643</u>	<u>\$ 176,367</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, 2013**

	2005 Debt	Series B 2005 Debt	2011 Refunding	Total Nonmajor
REVENUES:				
Local sources:				
Property taxes	\$ 2,749,089	\$ 4,209,122	\$ 36,112	\$ 6,994,323
M.S.U reimbursement	105,448	-	-	105,448
Interest	3,262	3,670	16	6,948
Total revenues	<u>2,857,799</u>	<u>4,212,792</u>	<u>36,128</u>	<u>7,106,719</u>
EXPENDITURES:				
Redemption of bonds	2,795,000	1,880,000	-	4,675,000
Interest on bonded debt	206,500	2,558,500	44,080	2,809,080
Other costs	401	452	494	1,347
Total expenditures	<u>3,001,901</u>	<u>4,438,952</u>	<u>44,574</u>	<u>7,485,427</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(144,102)</u>	<u>(226,160)</u>	<u>(8,446)</u>	<u>(378,708)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from school loan revolving fund	<u>140,928</u>	<u>244,042</u>	<u>4,195</u>	<u>389,165</u>
NET CHANGE IN FUND BALANCES	<u>(3,174)</u>	<u>17,882</u>	<u>(4,251)</u>	<u>10,457</u>
FUND BALANCES:				
Beginning of year	<u>73,176</u>	<u>85,840</u>	<u>6,894</u>	<u>165,910</u>
End of year	<u>\$ 70,002</u>	<u>\$ 103,722</u>	<u>\$ 2,643</u>	<u>\$ 176,367</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COMBINED DEBT SERVICE REQUIREMENTS
JUNE 30, 2013**

Year ending June 30,	2005 Debt	2005 Series B Debt	2011 Debt	2013 Debt	Combined
2014	\$ 1,846,750	\$ 4,734,500	\$ 799,080	\$ 1,031,391	\$ 8,411,721
2015	-	5,061,000	1,632,000	1,108,450	7,801,450
2016	-	4,965,500	-	1,103,900	6,069,400
2017	-	4,873,000	-	1,108,600	5,981,600
2018	-	4,778,250	-	1,107,250	5,885,500
2019	-	4,676,250	-	-	4,676,250
2020	-	4,572,250	-	-	4,572,250
2021	-	4,466,250	-	-	4,466,250
2022	-	4,353,250	-	-	4,353,250
2023	-	4,238,500	-	-	4,238,500
2024	-	4,097,000	-	-	4,097,000
2025	-	3,950,000	-	-	3,950,000
2026	-	3,777,750	-	-	3,777,750
2027	-	3,606,500	-	-	3,606,500
2028	-	3,481,250	-	-	3,481,250
2029	-	3,309,750	-	-	3,309,750
2030	-	3,134,250	-	-	3,134,250
	<u>\$ 1,846,750</u>	<u>\$ 72,075,250</u>	<u>\$ 2,431,080</u>	<u>\$ 5,459,591</u>	<u>\$ 81,812,671</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, 2013**

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	
2014	\$ 1,780,000	\$ 33,375	\$ 33,375	\$ 1,846,750

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, 2013**

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	
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>\$ 49,290,000</u>	<u>\$ 11,392,625</u>	<u>\$ 11,392,625</u>	<u>\$ 72,075,250</u>

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, 2013**

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	
2014	\$ 755,000	\$ 22,040	\$ 22,040	\$ 799,080
2015	<u>1,600,000</u>	<u>16,000</u>	<u>16,000</u>	<u>1,632,000</u>
Total 2011 bonded debt	<u>\$ 2,355,000</u>	<u>\$ 38,040</u>	<u>\$ 38,040</u>	<u>\$ 2,431,080</u>

The amount of the original bond issue was \$2,355,000.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
2013 DEBT SERIES
JUNE 30, 2013**

Bond issued in order to improve the technology, security, and communications of the district.

2013 Debt Series

Calendar year	Principal due May 1,	Interest due		Total due annually
		November 1	May 1	
2014	\$ 890,000	\$ 66,316	\$ 75,075	\$ 1,031,391
2015	985,000	61,725	61,725	1,108,450
2016	1,010,000	46,950	46,950	1,103,900
2017	1,045,000	31,800	31,800	1,108,600
2018	1,075,000	16,125	16,125	1,107,250
Total 2013 bonded debt	<u>\$ 5,005,000</u>	<u>\$ 222,916</u>	<u>\$ 231,675</u>	<u>\$ 5,459,591</u>

The amount of the original bond issue was \$5,005,000.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
CAPITAL PROJECTS FUND - SINKING FUND
DETAILS OF EXPENDITURES
YEAR ENDED JUNE 30, 2013**

EXPENDITURES:

Donley Elementary	\$ 24,665
Glencairn Elementary	22,227
Marble Elementary	30,294
Pinecrest Elementary	25,758
Red Cedar Elementary	45,173
Whitehills Elementary	16,446
MacDonald Middle School	440,268
East Lansing High School	319,971
Timberlane Facility	60
Service Center	<u>6,399</u>
Total expenditures	<u><u>\$ 931,261</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
2012 AND 2013 CAPITAL PROJECTS FUND
DETAILS OF EXPENDITURES
YEAR ENDED JUNE 30, 2013**

2012 Capital Projects

EXPENDITURES:

Donley Elementary	\$ 10,158
Glencairn Elementary	10,158
Marble Elementary	10,158
Pinecrest Elementary	10,158
Red Cedar Elementary	10,158
Whitehills Elementary	10,158
MacDonald Middle School	26,474
East Lansing High School	<u>137,737</u>
 Total expenditures	 <u><u>\$ 225,159</u></u>

2013 Capital Projects

EXPENDITURES:

Donley Elementary	\$ 52,493
Glencairn Elementary	39,603
Marble Elementary	44,837
Pinecrest Elementary	42,781
Red Cedar Elementary	45,799
Whitehills Elementary	45,036
MacDonald Middle School	84,474
East Lansing High School	<u>254,640</u>
 Total expenditures	 <u><u>\$ 609,663</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY SCHOOL - AGENCY FUND
YEAR ENDED JUNE 30, 2013**

	Balance 7/1/12	Additions	Deductions	Balance 6/30/13
East Lansing High School	\$ 299,633	\$ 384,135	\$ 406,303	\$ 277,465
MacDonald Middle School	21,488	31,907	33,839	19,556
Donley Elementary School	12,266	18,452	12,900	17,818
Glencairn Elementary School	7,791	24,196	24,038	7,949
Marble Elementary School	21,852	34,776	39,207	17,421
Pinecrest Elementary School	11,503	19,859	17,687	13,675
Red Cedar Elementary School	21,231	42,742	37,040	26,933
Whitehills Elementary School	16,148	23,010	21,166	17,992
Other	48,980	28,020	24,353	52,647
	<u>\$ 460,892</u>	<u>\$ 607,097</u>	<u>\$ 616,533</u>	<u>\$ 451,456</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2012	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued (deferred) revenue 6/30/2013
<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			\$ 74,938	\$ -	\$ -	\$ 74,938	\$ 74,938	\$ -
Total Non-Cash Assistance			74,938	-	-	74,938	74,938	-
Cash Assistance:								
National School Lunch - Breakfast	10.553	121970	95,806	-	86,500	9,306	9,306	-
		131970	97,921	-	-	97,921	97,921	-
			193,727	-	86,500	107,227	107,227	-
National School Lunch	10.555	121960	398,665	-	352,258	46,407	46,407	-
		131960	388,169	-	-	388,169	388,169	-
			786,834	-	352,258	434,576	434,576	-
Total Cash Assistance			980,561	-	438,758	541,803	541,803	-
Total U.S. Department of Agriculture			1,055,499	-	438,758	616,741	616,741	-

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, 2013**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2012	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued (deferred) revenue 6/30/2013
<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	121530 1112	\$ 585,377	\$ 178,604	\$ 517,115	\$ 1,393	\$ 179,997	\$ -
		131530 1213	677,358	-	-	521,186	249,835	271,351
			<u>1,262,735</u>	<u>178,604</u>	<u>517,115</u>	<u>522,579</u>	<u>429,832</u>	<u>271,351</u>
Title III - Limited English Proficient	84.365A	120580 1112	50,426	21,364	35,107	9,742	31,106	-
		130580 1213	33,057	-	-	10,144	817	9,327
Title III - Immigrant		130570 1213	46,696	-	-	17,359	-	17,359
			<u>130,179</u>	<u>21,364</u>	<u>35,107</u>	<u>37,245</u>	<u>31,923</u>	<u>26,686</u>
Title II Part A - Improving Teacher Quality	84.367	120520 1112	253,857	69,467	210,903	-	69,467	-
		130520 1213	197,445			191,071	101,629	89,442
			<u>451,302</u>	<u>69,467</u>	<u>210,903</u>	<u>191,071</u>	<u>171,096</u>	<u>89,442</u>
Total passed through Michigan Department of Education			<u>1,844,216</u>	<u>269,435</u>	<u>763,125</u>	<u>750,895</u>	<u>632,851</u>	<u>387,479</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, 2013**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2012	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued (deferred) revenue 6/30/2013
<u>U.S. Department of Education (Concluded):</u>								
Passed through Ingham Intermediate School District:								
Special Education Cluster:								
IDEA Preschool	84.173	120460 1112	\$ 19,043	\$ 17,160	\$ 17,160	\$ -	\$ 17,160	\$ -
		130460 1213	22,486	-	-	22,486		22,486
Total Special Education Cluster			41,529	17,160	17,160	22,486	17,160	22,486
Total U.S. Department of Education			1,885,745	286,595	780,285	773,381	650,011	409,965
<u>U.S. Department of Health and Human Services:</u>								
Passed through Ingham Intermediate School District:								
Medicaid Administrative Outreach	93.778		12,759	-	-	12,759	12,759	-
Total Expenditures of Federal Awards			\$ 2,954,003	\$ 286,595	\$ 1,219,043	\$ 1,402,881	\$ 1,279,511	\$ 409,965

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, 2013

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the School District of the City of East Lansing under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the School District of the City of East Lansing, it is not intended to and does not present the net position or changes in net position of the School District of the City of East Lansing.
2. Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.
3. Title I Part A (CFDA #84.010) was audited as a major program, representing 37% of expenditures. The District is a low risk auditee.
4. The threshold for distinguishing type A and type B programs was \$300,000.
5. Management has utilized the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.
6. 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	\$ 786,140
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Other nonmajor governmental funds:

Federal sources	616,741
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	<u>\$ 1,402,881</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**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of the City of East Lansing as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District of the City of East Lansing's basic financial statements and have issued our report thereon dated September 9, 2013

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered School District of the City of East Lansing's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School District of the City of East Lansing's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether School District of the City of East Lansing's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiran PC

September 9, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited 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 School District of the City of East Lansing's major federal programs for the year ended June 30, 2013. School District of the City of East Lansing's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, School District of the City of East Lansing complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of School District of the City of East Lansing is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered School District of the City of East Lansing's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Maney Costeiran PC

September 9, 2013

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

- 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:

Unmodified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?

 Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Part A

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, 2013**

There were no findings disclosed for the past two years.