

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

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

YEAR ENDED JUNE 30, 2015

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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, 2015, 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 from 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, 2015, 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 11 to the financial statements, School District of the City of East Lansing implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary 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.

The additional supplementary 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 additional supplementary 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 additional supplementary 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 October 26, 2015 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.

Manes Costeiran PC

October 26, 2015

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

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) 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, 2015. The MD&A is recommended to be read in conjunction with the District's financial statements. Prior year information is provided for comparative analysis.

For the year ended June 30, 2015, the School District of the City of East Lansing implemented Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These changes are significant at the government-wide level.

These new financial reporting standards require participants in a multi-employer cost sharing plan to:

- Record a proportionate share of the net pension liability on our statement of net position.
- Record a proportionate share of pension expense as defined by GASB on our statement of activities.
- Report additional note disclosures and required supplementary information.
- These changes will not result in any changes at the fund level.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The government-wide financial statements 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, deferred inflows 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, deferred inflows and liabilities), as reported in the Statement of Net Position, as one way to measure the District's financial health, or financial position.

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

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.

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, 2015

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, 2015 and June 30, 2014:

	2015	2014
ASSETS:		
Current and other assets	\$ 12,178,340	\$ 18,923,141
Noncurrent assets	73,566,011	72,621,738
Total assets	85,744,351	91,544,879
DEFERRED OUTFLOWS:		
Deferred charge on refunding	1,134,573	2,163,344
Related to pensions	5,301,610	-
Total deferred outflows	6,436,183	2,163,344
LIABILITIES:		
Current liabilities	6,031,801	10,426,740
Noncurrent liabilities	49,126,626	56,973,332
Net pension liability	48,496,759	-
Total liabilities	103,655,186	67,400,072
DEFERRED INFLOWS	5,361,336	-
NET POSITION:		
Net investment in capital assets	27,792,238	21,103,546
Restricted (food service)	-	45,977
Restricted	456,988	2,066,837
Unrestricted	(45,085,214)	3,091,791
Total net position	<u>\$ (16,835,988)</u>	<u>\$ 26,308,151</u>

The 2014 figures have not been updated for the adoption of GASB 68 and 71.

Analysis of Financial Position

For the fiscal year ended June 30, 2015, the District's net position as of June 30, 2015 totaled (\$16,835,988) which was a increase over the June 30, 2014 restated balance of (\$22,334,509). A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

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, 2015

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, 2015 and June 30, 2014, the following was recorded as depreciation expense:

	2015	2014
Land improvements	\$ 531,815	\$ 531,557
Building and improvements	1,821,813	1,789,321
Furniture and equipment	491,195	397,464
Vehicles	10,688	10,689
Total	<u>\$ 2,855,511</u>	<u>\$ 2,729,031</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, 2015, \$3,828,896 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 an increase to capital assets in the amount of \$944,273 for the fiscal year ended June 30, 2015.

3. Long-Term Debt

The District's total general long-term debt for the fiscal year ended June 30, 2015 decreased by \$7,828,745. The majority of the decrease is a result of the District refunding the 2005 series B bonds and 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, 2015

For the fiscal year ended June 30, 2015 and June 30, 2014, the District-wide results of operation were:

	2015	% of total	2014	% of total
General revenues:				
Property taxes, levied for general operations	\$ 8,468,998	17.9	\$ 8,170,273	17.8
Property taxes, levied for debt service	8,244,771	17.4	8,091,512	17.6
Property taxes, levied for sinking fund	1,307,618	2.8	1,278,386	2.8
Investment earnings	8,610	-	8,881	-
State sources	19,217,044	40.6	19,296,643	42.1
County special education allocation	3,429,244	7.2	3,229,730	7.0
Gain/(loss) on sale of capital assets	7,724	-	7,087	-
Other	341,054	0.7	323,174	0.7
Total general revenues	41,025,063	86.6	40,405,686	88.0
Program revenues:				
Charges for services	735,166	1.6	746,805	1.6
Operating grants	5,571,834	11.8	4,750,388	10.4
Total revenues	\$ 47,332,063	100.0	\$ 45,902,879	100.0
Function/program expenses:				
Instruction	\$ 22,104,159	52.8	\$ 22,408,976	52.8
Support services	14,295,464	34.2	13,666,423	32.1
Community services	29,299	0.1	40,207	0.1
Outgoing transfers and other transactions	23,238	0.1	-	-
Food services	1,090,216	2.6	976,664	2.3
Interest on long-term debt	1,435,655	3.4	2,699,986	6.3
Unallocated depreciation	2,855,511	6.8	2,729,031	6.4
Total expenses	\$ 41,833,542	100.0	\$ 42,521,287	100.0

The 2014 figures have not been updated for the adoption of GASB 68 and 71.

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

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, 2015 was approximately \$102,000, or 1.21% 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
2014 - 2015	0.0000	18.0000	8.0950	1.2860
2013 - 2014	0.0000	18.0000	8.1200	1.2860
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

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
2014 - 2015	\$ -	\$ 8,493,110	\$ 8,205,064	\$ 1,300,716
2013 - 2014	-	8,168,877	8,085,819	1,271,222
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

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

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 fiscal year's fall count (the first Wednesday of October) and 10% of the current fiscal year's supplemental count (the second Wednesday of February). The District's per pupil allowance for fiscal year 2015 was \$8,099.

The following schedule summarizes the District's per pupil allowance over the past five years:

<u>Fiscal year</u>	<u>Per pupil allowance</u>	<u>\$ increase (decrease) from prior year</u>
2014 - 2015	\$ 8,099	\$ 50
2013 - 2014	8,049	30
2012 - 2013	8,019	-
2011 - 2012	8,019	(118)
2010 - 2011	8,137	(16)

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 \$8,099 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>
2014 - 2015	3,503	7
2013 - 2014	3,496	(42)
2012 - 2013	3,538	61
2011 - 2012	3,477	10
2010 - 2011	3,467	22

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

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, 2015, the District received \$2,246,199. This amount represents an increase of \$35,117 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 2014-2015 and 2013-2014:

Function	2014-2015 fiscal year	%	2013-2014 fiscal year	%
Basic programs	\$ 18,119,587	50.3	\$ 18,147,518	50.3
Special education	2,998,142	8.3	3,038,574	8.4
Compensatory education	1,122,058	3.1	1,370,085	3.8
Total instruction	22,239,787	61.7	22,556,177	62.5
Pupil support services	2,498,707	7.0	2,246,480	6.2
Instructional staff support services	2,605,433	7.2	2,291,524	6.3
School administration	2,152,351	6.0	2,507,031	6.9
Total instructional support	7,256,491	20.2	7,045,035	19.4
General administration	375,393	1.0	421,883	1.2
Business office	416,110	1.2	411,646	1.1
Operations and maintenance	3,406,888	9.5	3,343,394	9.4
Pupil transportation	1,031,940	2.9	1,060,758	2.9
Central	530,729	1.5	596,798	1.7
Athletics	642,426	1.8	630,951	1.7
Community services	29,299	0.1	40,207	0.1
Outgoing transfers and other transactions	23,238	0.1	-	-
Total general fund	35,952,301	100.0	36,106,849	100.0
Food service fund	1,091,078		1,048,383	
Debt service funds	4,300,521		3,677,903	
2005 Series B debt fund	4,453,742		4,734,951	
Sinking fund	2,928,658		5,552,650	
2012 capital projects fund	351,710		129,432	
2013 capital projects fund	965,134		2,561,581	
Total	\$ 50,043,144		\$ 53,811,749	

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

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
2014 - 2015	\$ 36,557,701	\$ 36,319,908	-0.65%
2013 - 2014	35,257,879	35,287,711	0.08%
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%
Five year average actual over (under) budget			-0.18%

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

Fiscal year	Expenditures and Other Financing Uses		
	Budget	Actual	Variance
2014 - 2015	\$ 36,398,110	\$ 35,952,301	-1.22%
2013 - 2014	36,186,893	36,106,849	-0.22%
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%
Five year average actual over (under) budget			-0.66%

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

Capital and Intangible Assets and Debt Administration

1. Capital Assets

At June 30, 2015, the District had \$73,566,011 invested in a broad range of capital assets, including land, construction in progress, land improvements, buildings, various furniture and equipment, and vehicles. This amount represents a net increase of \$944,273 due to fiscal year capital asset additions and the sale of assets exceeding depreciation and disposals.

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

	2015		2014	
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 266,493	\$ -	\$ 266,493	\$ 266,493
Construction in progress	23,694	-	23,694	7,508,418
Land improvements	11,884,807	5,913,616	5,971,191	6,444,359
Building and additions	95,243,121	30,432,110	64,811,011	55,528,145
Furniture and equipment	7,144,948	4,686,518	2,458,430	2,828,443
Transportation equipment	249,396	214,204	35,192	45,880
Total	<u>\$ 114,812,459</u>	<u>\$ 41,246,448</u>	<u>\$ 73,566,011</u>	<u>\$ 72,621,738</u>

2. Long-term Debt

At June 30, 2015, the District had \$48,092,441 in general obligation debt outstanding versus \$55,830,765 at June 30, 2014.

The District issued 2015 refunding bonds in the amount of \$37,810,000 in order to pay-off the entire balance outstanding for the 2005 series B bonds.

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, 2015

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 enrollment growth for fiscal year 2015-2016 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 \$50 per pupil for the next fiscal year. The slowly recovering 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 retirement rate that is most applicable to District employees is 25.78%, effective October 1, 2015, that is charged to districts to fund the retirement system. This represents no increase from the rate ending September 30, 2014. In addition, the State charges and funds a stabilization rate of 10.53%. 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 slowly recovering Michigan economy and its impact on property values is a concern.
- **Employee Contracts:** The District has four union contracts. Two of those contracts (E.L.E.A. and I.U.O.E.) are unsettled for fiscal year 2015-2016. Collective bargaining is ongoing.

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, 2015**

	Governmental activities
ASSETS:	
Cash and cash equivalents	\$ 4,439,332
Receivables:	
Accounts receivable	135,763
Taxes receivable	103,266
Intergovernmental	4,601,031
Inventories	49,028
Prepays	185,683
Restricted cash - capital projects	2,664,237
Capital assets not being depreciated	290,187
Capital assets, net of accumulated depreciation	73,275,824
TOTAL ASSETS	85,744,351
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charges on refunding	1,134,573
Related to pensions	5,301,610
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,436,183
LIABILITIES:	
Accounts payable	785,653
Accrued salaries and related items	3,533,508
Accrued interest	433,781
Unearned revenue	64,824
Due to other governmental units	14,035
Note payable	1,200,000
Noncurrent obligations:	
Due within one year	3,299,975
Due in more than a year	45,826,057
Due in more than a year - interest	594
Net pension liability	48,496,759
TOTAL LIABILITIES	103,655,186
DEFERRED INFLOWS OF RESOURCES:	
Related to pensions	5,361,336
NET POSITION:	
Net investment in capital assets	27,792,238
Restricted for capital projects (sinking fund)	456,988
Unrestricted	(45,085,214)
TOTAL NET POSITON	\$ (16,835,988)

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	\$ 22,104,159	\$ -	\$ 4,673,863	\$ (17,430,296)
Support services	14,295,464	285,004	238,934	(13,771,526)
Community services	29,299	-	24,210	(5,089)
Outgoing transfers and other transactions	23,238	-	-	(23,238)
Food services	1,090,216	450,162	634,827	(5,227)
Interest on long-term debt	1,435,655	-	-	(1,435,655)
Unallocated depreciation	2,855,511	-	-	(2,855,511)
Total governmental activities	<u>\$ 41,833,542</u>	<u>\$ 735,166</u>	<u>\$ 5,571,834</u>	<u>(35,526,542)</u>
General revenues:				
Property taxes, levied for general purposes				8,468,998
Property taxes, levied for debt service				8,244,771
Property taxes, levied for sinking fund				1,307,618
Investment earnings				8,610
State sources				19,217,044
Intermediate sources				3,429,244
Gain on sale of assets				7,724
Other				<u>341,054</u>
Total general revenues				<u>41,025,063</u>
CHANGE IN NET POSITION				5,498,521
NET POSITION , beginning of year, as restated				<u>(22,334,509)</u>
NET POSITION , end of year				<u><u>\$ (16,835,988)</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General fund</u>	<u>Capital projects sinking fund</u>	<u>2012 Capital projects fund</u>	<u>2013 Capital projects fund</u>	<u>Series B 2005 Debt</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
ASSETS:							
Cash and cash equivalents	\$ 3,704,215	\$ 514,771	\$ -	\$ -	\$ 80,246	\$ 140,100	\$ 4,439,332
Restricted cash and cash equivalents	-	-	1,439,260	1,224,977	-	-	2,664,237
Receivables:							
Property taxes receivable	67,767	4,894	-	-	20,076	10,529	103,266
Accounts receivable	15,017	-	-	45,263	-	75,483	135,763
Intergovernmental	4,582,778	-	-	-	-	18,253	4,601,031
Due from other funds	6,471	-	-	-	-	129,115	135,586
Inventories	6,480	-	-	-	-	42,548	49,028
Prepays	178,125	-	-	-	-	7,558	185,683
TOTAL ASSETS	<u>\$ 8,560,853</u>	<u>\$ 519,665</u>	<u>\$ 1,439,260</u>	<u>\$ 1,270,240</u>	<u>\$ 100,322</u>	<u>\$ 423,586</u>	<u>\$ 12,313,926</u>
DEFERRED INFLOWS OF RESOURCES, LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	\$ 601,440	\$ 61,792	\$ 1,229	\$ 86,145	\$ -	\$ 35,047	\$ 785,653
Accrued salaries and related items	3,533,508	-	-	-	-	-	3,533,508
Accrued interest payable	1,520	-	-	-	-	-	1,520
Due to other funds	-	885	-	-	100,322	34,379	135,586
Due to other governmental units	14,035	-	-	-	-	-	14,035
Unearned revenue	29,766	-	-	-	-	35,058	64,824
Note payable	1,200,000	-	-	-	-	-	1,200,000
TOTAL LIABILITIES	<u>5,380,269</u>	<u>62,677</u>	<u>1,229</u>	<u>86,145</u>	<u>100,322</u>	<u>104,484</u>	<u>5,735,126</u>
DEFERRED INFLOWS OF RESOURCES:							
Unavailable revenue	<u>363,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>363,162</u>
FUND BALANCES:							
Nonspendable:							
Inventories	6,480	-	-	-	-	42,548	49,028
Prepays	178,125	-	-	-	-	7,558	185,683

See notes to financial statements.

	<u>General fund</u>	<u>Capital projects sinking fund</u>	<u>2012 Capital projects fund</u>	<u>2013 Capital projects fund</u>	<u>Series B 2005 Debt</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
FUND BALANCES (Concluded):							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,218	\$ 227,218
Capital outlay	-	456,988	-	1,184,095	-	-	1,641,083
Food service						41,778	41,778
Committed:							
2012 Capital projects fund	-	-	-	-	-	-	-
Assigned:							
Capital projects	-	-	1,438,031	-	-	-	1,438,031
Subsequent year expenditures	120,411	-	-	-	-	-	120,411
Unassigned general fund	2,512,406	-	-	-	-	-	2,512,406
TOTAL FUND BALANCES	<u>2,817,422</u>	<u>456,988</u>	<u>1,438,031</u>	<u>1,184,095</u>	<u>-</u>	<u>319,102</u>	<u>6,215,638</u>
TOTAL DEFERRED INFLOWS OF RESOURCES, LIABILITIES AND FUND BALANCES	<u>\$ 8,560,853</u>	<u>\$ 519,665</u>	<u>\$ 1,439,260</u>	<u>\$ 1,270,240</u>	<u>\$ 100,322</u>	<u>\$ 423,586</u>	<u>\$ 12,313,926</u>
Total governmental fund balances							\$ 6,215,638
Amounts reported for governmental activities in the statement of net position are different because:							
Deferred charges on refunding							1,134,573
Deferred outflows of resources - related to pensions							5,301,610
Deferred inflows of resources - related to pensions							(5,361,336)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:							
The cost of the capital assets is						\$ 114,812,459	
Accumulated depreciation is						<u>(41,246,448)</u>	73,566,011
Revenue not recorded in the funds due to not being collected until after September 1st:							
Deferred inflows - Special education payment due from IISD							98,624
Long-term liabilities are not due and payable in the current period and are not reported in the funds:							
Bonds payable							(48,092,441)
Compensated absences and termination benefits							(1,033,591)
Accrued interest is not included as a liability in government funds, it is recorded when paid							(432,855)
Deferred revenue at June 30, 2015, expected to be collected after September 1, 2015							
Balance of taxes receivable at June 30th less allowance for doubtful accounts							213,334
expected to be collected after September 1st							51,204
Net pension liability							(48,496,759)
Net position of governmental activities							<u>\$ (16,835,988)</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, 2015

	<u>General Fund</u>	<u>Capital projects sinking fund</u>	<u>2012 Capital projects fund</u>	<u>2013 Capital projects fund</u>	<u>Series B 2005 Debt</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES:							
Local sources:							
Property taxes	\$ 8,417,794	\$ 1,307,618	\$ -	\$ -	\$ 5,374,772	\$ 2,869,999	\$ 17,970,183
Tuition	1,710	-	-	-	-	-	1,710
MSU reimbursement	-	-	-	-	105,448	-	105,448
Investment earnings	-	-	-	-	5,177	3,433	8,610
Food sales and athletics	72,939	-	-	-	-	450,162	523,101
Other	393,388	11,191	-	-	-	-	404,579
Total local sources	8,885,831	1,318,809	-	-	5,485,397	3,323,594	19,013,631
State sources	23,443,147	-	-	-	-	35,104	23,478,251
Federal sources	497,570	-	-	-	-	599,723	1,097,293
Incoming transfers and other	3,456,524	-	-	-	-	-	3,456,524
Total revenues	36,283,072	1,318,809	-	-	5,485,397	3,958,421	47,045,699
EXPENDITURES:							
Current:							
Instruction	22,239,787	-	-	-	-	-	22,239,787
Supporting services	13,659,977	-	-	-	-	-	13,659,977
Food service activities	-	-	-	-	-	1,072,518	1,072,518
Community service activities	29,299	-	-	-	-	-	29,299
Outgoing transfers and other transactions	23,238	-	-	-	-	-	23,238
Capital outlay	-	2,928,658	351,710	965,134	-	18,560	4,264,062

See notes to financial statements.

	<u>General Fund</u>	<u>Capital projects sinking fund</u>	<u>2012 Capital projects fund</u>	<u>2013 Capital projects fund</u>	<u>Series B 2005 Debt</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):							
Debt service:							
Principal repayment	\$ -	\$ -	\$ -	\$ -	\$ 3,186,762	\$ 2,678,333	\$ 5,865,095
Interest	-	-	-	-	1,266,488	172,117	1,438,605
Issuance costs	-	-	-	-	-	341,516	341,516
Payment to refunded bond escrow agent	-	-	-	-	-	1,107,752	1,107,752
Other costs including issuance costs	-	-	-	-	492	803	1,295
Total expenditures	<u>35,952,301</u>	<u>2,928,658</u>	<u>351,710</u>	<u>965,134</u>	<u>4,453,742</u>	<u>5,391,599</u>	<u>50,043,144</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>330,771</u>	<u>(1,609,849)</u>	<u>(351,710)</u>	<u>(965,134)</u>	<u>1,031,655</u>	<u>(1,433,178)</u>	<u>(2,997,445)</u>
OTHER FINANCING SOURCES (USES):							
Refunding bonds issued	-	-	-	-	-	37,810,000	37,810,000
Premium on refunding bonds issued	-	-	-	-	-	6,846,628	6,846,628
Payment to refunded bond escrow agent	-	-	-	-	-	(44,310,000)	(44,310,000)
Proceeds from sale of capital assets	36,836	-	-	-	-	-	36,836
Transfers in	-	-	-	-	-	1,236,864	1,236,864
Transfers out	-	-	-	-	(1,203,790)	(33,074)	(1,236,864)
Total other financing sources (uses)	<u>36,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,203,790)</u>	<u>1,550,418</u>	<u>383,464</u>
NET CHANGE IN FUND BALANCES	<u>367,607</u>	<u>(1,609,849)</u>	<u>(351,710)</u>	<u>(965,134)</u>	<u>(172,135)</u>	<u>117,240</u>	<u>(2,613,981)</u>
FUND BALANCES:							
Beginning of year	<u>2,449,815</u>	<u>2,066,837</u>	<u>1,789,741</u>	<u>2,149,229</u>	<u>172,135</u>	<u>201,862</u>	<u>8,829,619</u>
End of year	<u>\$ 2,817,422</u>	<u>\$ 456,988</u>	<u>\$ 1,438,031</u>	<u>\$ 1,184,095</u>	<u>\$ -</u>	<u>\$ 319,102</u>	<u>\$ 6,215,638</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, 2015**

Net change in fund balances total governmental funds \$ (2,613,981)

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	(2,855,511)
Capital outlay	3,828,896
Loss on disposal of capital assets	(29,112)

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	417,742
Accrued interest payable, end of the year	(432,261)

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 refunding bonds issued	(37,810,000)
Principal of debt refunded	44,310,000
Payments on debt	5,865,095
Premium on issuance of bonds	(6,846,628)
Net change in deferred charges on refunding	(1,028,771)
Amortization of bond premium	2,219,857
Long-term interest on school loan revolving fund, beginning of the year	18,555
Long-term interest on school loan revolving fund, end of the year	(594)

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 - Unavailable revenue, beginning of the year	(84,524)
Deferred inflows - Unavailable revenue, end of the year	363,162

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	1,124,012
Accrued compensated absences and termination benefits, end of the year	(1,033,591)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension related items	86,175
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Change in net position of governmental activities	\$ 5,498,521
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**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Agency Funds</u>
ASSETS:	
Cash	<u>\$ 453,312</u>
Total assets	<u><u>\$ 453,312</u></u>
LIABILITIES:	
Accounts payable	\$ 8,490
Due to student and other groups	<u>444,822</u>
Total liabilities	<u><u>\$ 453,312</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 (GASB) 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 *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.

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 *2005B debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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	\$ -
Expenditures and transfers	\$ 4,136,378

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 *2011 refunding debt service fund*, *2013 debt service fund*, and the *2015 refunding debt service fund* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

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.

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, 2015. 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. Defined Benefit Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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)**

6. Deferred outflows/inflows of resources

Deferred outflows:

In addition to assets, the statement of net 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 has two items that qualify for reporting in this category. They are the deferred charge on refunding and pension related items 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. A deferred outflow is recognized for pension related items. These amounts are expensed in the plan year in which they apply.

Deferred inflows:

In addition to liabilities, the statement of net 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 two items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. The second item is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are expensed over a period determined by the actuary.

**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)**

7. 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, the school loan revolving fund principal proceeds of \$127,045 are considered capital-related debt. Accrued interest on the school loan revolving fund of \$594 is not considered capital related debt.

8. 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)

9. 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.

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.

**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, 2015, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	8.0950
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.

**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, 2015, 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, 2015, \$7,374,409 of the District's bank balance of \$7,624,409 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, 2015, the carrying amounts are as follows:

Cash on hand	\$ 96
Deposits including fiduciary funds of \$453,312	<u>7,556,785</u>
	<u><u>\$ 7,556,881</u></u>

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

Cash - agency fund	\$ 453,312
Cash - district-wide	4,439,332
Restricted cash - capital projects	<u>2,664,237</u>
	<u><u>\$ 7,556,881</u></u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2015 consist of the following:

Intergovernmental:

State aid	\$ 4,213,180
Federal revenue	237,506
Ingham Intermediate School District	<u>150,345</u>
	<u><u>\$ 4,601,031</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, 2015 is as follows:

	Balance July 1, 2014	Additions	Reclassifications/ deletions	Balance June 30, 2015
Assets not being depreciated:				
Land	\$ 266,493	\$ -	\$ -	\$ 266,493
Construction in progress	7,508,418	-	7,484,724	23,694
	<u>7,774,911</u>	<u>-</u>	<u>7,484,724</u>	<u>290,187</u>
Other capital assets:				
Land improvements	11,826,160	58,647	-	11,884,807
Buildings and additions	84,138,442	11,104,679	-	95,243,121
Furniture and equipment	7,577,337	150,294	582,683	7,144,948
Vehicles	249,396	-	-	249,396
Total other capital assets	<u>103,791,335</u>	<u>11,313,620</u>	<u>582,683</u>	<u>114,522,272</u>
Accumulated depreciation:				
Land improvements	5,381,801	531,815	-	5,913,616
Building and improvements	28,610,297	1,821,813	-	30,432,110
Furniture and equipment	4,748,894	491,195	553,571	4,686,518
Vehicles	203,516	10,688	-	214,204
Total accumulated depreciation	<u>38,944,508</u>	<u>2,855,511</u>	<u>553,571</u>	<u>41,246,448</u>
Net other capital assets	<u>64,846,827</u>	<u>8,458,109</u>	<u>29,112</u>	<u>73,275,824</u>
Net capital assets	<u>\$ 72,621,738</u>	<u>\$ 8,458,109</u>	<u>\$ 7,513,836</u>	<u>\$ 73,566,011</u>

Depreciation for the fiscal year ended June 30, 2015 amounted to \$2,855,511. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - NOTE PAYABLE

At June 30, 2015, the District had a short-term state aid note payable with interest at 0.95%. The note matures on October 21, 2015.

Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<u>\$ 1,900,000</u>	<u>\$ 1,200,000</u>	<u>\$ (1,900,000)</u>	<u>\$ 1,200,000</u>

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

NOTE 6 - LONG-TERM DEBT

The following is a summary of long-term obligations for the District for the year ended June 30, 2015:

	Compensated absences and termination benefits	School loan revolving fund	Bonds and other debt	Total
Balance, July 1, 2014	\$ 1,124,012	\$ 697,140	\$ 55,133,625	\$ 56,954,777
Additions	64,522	-	44,656,628	44,721,150
Deletions	(154,943)	(570,095)	(51,824,857)	(52,549,895)
Balance, June 30, 2015	1,033,591	127,045	47,965,396	49,126,032
Due within one year	(89,975)	-	(3,210,000)	(3,299,975)
Due in more than one year	<u>\$ 943,616</u>	<u>\$ 127,045</u>	<u>\$ 44,755,396</u>	<u>\$ 45,826,057</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, 2015 are as follows:

2013 general obligation bonds due in annual installments of \$1,010,000 to \$1,075,000 through May 1, 2018, with interest of 3.00%.	\$ 3,130,000
2015 refunding general obligation bonds due in annual installments of \$2,200,000 to \$2,620,000 through May 1, 2030, with interest at 5.00%.	37,810,000
Plus: Premiums on issuance of debt	<u>7,025,396</u>
Total general obligation	47,965,396
Borrowings from the State of Michigan under the School Loan Revolving Fund program. Interest at June 30, 2015 was 3.41%.	127,045
Employee compensated absences and termination benefits	<u>1,033,591</u>
Total general long-term debt	<u>\$ 49,126,032</u>

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

NOTE 6 - LONG-TERM DEBT (Continued)

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, 2015, \$44,075,000 of bonds outstanding are considered defeased.

On March 3, 2015, the District issued general obligation bonds of \$37,810,000 with an interest rate of 5% and made a payment of \$1,107,752 to advance refund a portion of the District's outstanding 2005 series B bonds with an interest rate of 3.00% to 5.00%. The bonds mature at various times through May 1, 2030. The general obligation bonds were issued at a premium of \$6,846,628 after paying issuance costs of \$341,516, the net proceeds were \$44,315,112. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$9,009,919, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$7,549,167.

The annual requirements to amortize the long-term obligations as of June 30, 2015, including interest of \$14,400,344 are as follows:

Year ending June 30,	Principal	Interest	Total
2016	\$ 3,210,000	\$ 1,929,400	\$ 5,139,400
2017	3,570,000	1,780,975	5,350,975
2018	3,630,000	1,622,625	5,252,625
2019	2,540,000	1,463,000	4,003,000
2020	2,565,000	1,335,375	3,900,375
2021 - 2025	13,000,000	4,732,000	17,732,000
2026 - 2030	12,425,000	1,536,375	13,961,375
	40,940,000	14,399,750	55,339,750
Borrowings from State of Michigan			
School Loan Revolving Fund program	127,045	594	127,639
Unamortized premium on bond issuance	7,025,396	-	7,025,396
Accumulated compensated absences and termination benefits	1,033,591	-	1,033,591
	<u>\$ 49,126,032</u>	<u>\$ 14,400,344</u>	<u>\$ 63,526,376</u>

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

NOTE 6 - LONG-TERM DEBT (Concluded)

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 3.41% for the school loan revolving fund note at June 30, 2015. 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 8.095 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.

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) 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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/orsschools/0,1607,7-206-36585-,00.html>.

Benefits Provided

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.

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 (MPSERS) who became a member of MPSERS 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.

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

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

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 services 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 February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan).

Final Average Compensation - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

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

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Member Contributions

The majority of the members currently participate on a contributory basis, under a variety of options "Benefits Provided." Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer Contributions

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

The District's pension contributions for the year ended June 30, 2015 were equal to the required contribution total. Pension contributions were approximately \$5,800,000, with \$5,400,000 specifically for the Defined Benefit Plan. These amounts include Section 147 contributions also.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2015, the District reported a liability of \$48,496,759 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2013 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2014, the District's proportion was .22017 percent.

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

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the District recognized pension expense of \$3,731,212. At June 30, 2015, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	(Inflows) of Resources
Changes of assumptions	\$ 1,789,427	\$ -
Net difference between projected and actual pension plan investments earnings	-	(5,361,336)
Net difference between employer contributions and proportionate share	241	-
Reporting Unit's contributions subsequent to the measurement date	3,511,942	-
	<u>\$ 5,301,610</u>	<u>\$ (5,361,336)</u>

\$3,511,942, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amount
2016	\$ (869,369)
2017	(869,369)
2018	(869,369)
2019	(963,561)

Actuarial Assumptions

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 2.5%

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

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Mortality assumptions - The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Male and Female Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. The final rates used include no margin for future mortality improvement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. An assumption experience study is performed every five years. The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2008 to September 30, 2013. As a result of this actuarial experience study, the actuarial assumptions were adjusted to more closely reflect actual experience.

The long-term expected rate of return on pension plan investments - The rate was **8% (7% Pension Plus Plan)** net of investment and administrative expenses was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.00%	4.80%
Alternate Investment Pools	18.00%	8.50%
International Equity	16.00%	6.10%
Fixed Income Pools	10.50%	1.50%
Real Estate and Infrastructure Pools	10.00%	5.30%
Absolute Return Pools	15.50%	6.30%
Short Term Investment Pools	2.00%	(0.2)%
	<u>100.00%</u>	

* Long term rate of return does not include 2.50% inflation.

*Long term rate of return does not include 2.5% inflation.

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

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Discount rate - The discount rate used to measure the total pension liability was **8% (7% for Pension Plus Plan)**. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1% Lower (7.0%)	Discount Rate (8.0%)	1% Higher (9.0%)
Reporting Unit's proportionate share of the net pension liability	<u>\$ 63,938,753</u>	<u>\$ 48,496,759</u>	<u>\$ 35,486,650</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2014 Comprehensive Annual Financial Report, available here: <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

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. Beginning fiscal year 2013, it is 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.

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

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Concluded)

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.

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 services 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) accounts.

Employer Contributions

The District postemployment healthcare contributions to MPSERS for the year ended June 30, 2015 were approximately \$490,000.

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

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage.

In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2015 or any of the prior three years.

NOTE 9 - TRANSFERS

The 2015 refunding debt fund received \$1,203,790 from the 2005 series B debt fund and \$33,074 from the 2011 refunding debt fund. The transfers were made to move the remaining fund balances after paying off the 2005 series B debt and 2011 refunding debt during the year ended June 30, 2015.

NOTE 10 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2015 is as follows:

Receivable fund	Amount	Payable fund	Amount
General fund	\$ 6,471	General fund	\$ -
2005 debt fund series B	-	2005 debt fund series B	100,322
Sinking fund	-	Sinking fund	885
Nonmajor debt funds	129,115	Nonmajor debt funds	34,379
	<u>\$ 135,586</u>		<u>\$ 135,586</u>

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

NOTE 11 - NEW ACCOUNTING STANDARDS

For the year ended June 30, 2015 the District implemented the following new pronouncements: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Summary:

GASB Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation. 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. The Statement 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.

GASB Statement No. 71 addressed the issue of contributions made to the defined benefit pension plans after the measurement date for the year in which GASB Statement No. 68 is implemented. The effect is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual basis financial statements.

The restatement of the beginning of the year net position is as follows:

	<u>Governmental Activities</u>
Net position as previously stated July 1, 2014	\$ 26,308,151
Adoption of GASB Statements 68 and 71	
Net Pension Liability	(51,589,825)
Deferred Outflows	<u>2,947,165</u>
Net position as restated July 1, 2014	<u><u>\$ (22,334,509)</u></u>

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

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB 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 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 8,703,301	\$ 8,866,040	\$ 8,885,831	\$ 19,791
State sources	23,509,374	23,451,166	23,443,147	(8,019)
Federal sources	706,772	760,616	497,570	(263,046)
Incoming transfers and other	3,262,394	3,452,613	3,456,524	3,911
Total revenues	<u>36,181,841</u>	<u>36,530,435</u>	<u>36,283,072</u>	<u>(247,363)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	17,995,336	18,186,481	18,119,587	66,894
Added needs	4,339,399	4,203,465	4,120,200	83,265
Total instruction	<u>22,334,735</u>	<u>22,389,946</u>	<u>22,239,787</u>	<u>150,159</u>
Supporting services:				
Pupil	2,477,710	2,522,195	2,498,707	23,488
Instructional staff	2,443,491	2,666,578	2,605,433	61,145
General administration	383,564	393,393	375,393	18,000
School administration	2,235,817	2,180,047	2,152,351	27,696
Business	414,717	413,556	416,110	(2,554)
Operation/maintenance	3,425,695	3,505,736	3,406,888	98,848
Pupil transportation	1,068,735	1,014,351	1,031,940	(17,589)
Central	561,482	590,224	530,729	59,495
Athletics	644,658	657,806	642,426	15,380
Total supporting services	<u>13,655,869</u>	<u>13,943,886</u>	<u>13,659,977</u>	<u>283,909</u>
Community services	34,170	41,272	29,299	11,973
Payments to other governments	-	23,006	23,238	(232)
Total expenditures	<u>36,024,774</u>	<u>36,398,110</u>	<u>35,952,301</u>	<u>445,809</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>157,067</u>	<u>132,325</u>	<u>330,771</u>	<u>198,446</u>
OTHER FINANCING SOURCES (USES):				
Sale of school property	7,100	27,266	36,836	9,570
NET CHANGE IN FUND BALANCE	<u>\$ 164,167</u>	<u>\$ 159,591</u>	<u>367,607</u>	<u>\$ 208,016</u>
FUND BALANCE:				
Beginning of year			2,449,815	
End of year			<u>\$ 2,817,422</u>	

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 9/30 OF EACH FISCAL YEAR)**

	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.22017%
Reporting unit's proportionate share of net pension liability	\$ 48,496,759
Reporting unit's covered-employee payroll	\$ 18,712,153
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	259.17%
Plan fiduciary net position as a percentage of total pension liability	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 6/30 OF EACH FISCAL YEAR)**

	<u>2015</u>
Statutorily required contributions	\$ 3,817,387
Contributions in relation to statutorily required contributions	<u>3,817,387</u>
Contribution deficiency (excess)	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 18,107,753
Contributions as a percentage of covered-employee payroll	21.08%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF NET PENSION LIABILITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

Changes of benefits terms: There were no changes of benefits terms.

Changes of assumptions: Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

ADDITIONAL SUPPLEMENTARY INFORMATION

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
YEAR ENDED JUNE 30, 2015**

	Final budget	Actual	Variance with final budget
LOCAL SOURCES:			
Property taxes	\$ 8,420,644	\$ 8,417,794	\$ (2,850)
Tuition	1,710	1,710	-
Other local revenue	369,337	393,388	24,051
Athletics	74,349	72,939	(1,410)
TOTAL LOCAL SOURCES	8,866,040	8,885,831	19,791
STATE SOURCES:			
Foundation grant	14,320,159	14,319,774	(385)
Special education	1,233,476	1,233,476	-
Other state revenue	7,897,531	7,889,897	(7,634)
TOTAL STATE SOURCES	23,451,166	23,443,147	(8,019)
FEDERAL SOURCES:			
Title I	449,284	309,535	(139,749)
Title II - improving teacher quality	160,730	93,940	(66,790)
Title III - immigrant	56,172	29,779	(26,393)
Other federal revenue	94,430	64,316	(30,114)
TOTAL FEDERAL SOURCES	760,616	497,570	(263,046)
INCOMING TRANSFERS AND OTHER TRANSACTIONS:			
Special education	3,400,613	3,402,735	2,122
Other	52,000	53,789	1,789
TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS	3,452,613	3,456,524	3,911
TOTAL REVENUES	36,530,435	36,283,072	(247,363)
OTHER FINANCING SOURCES:			
Sale of school property	27,266	36,836	9,570
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 36,557,701	\$ 36,319,908	\$ (237,793)

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2015**

	Final budget	Actual	Variance with final budget
INSTRUCTION:			
Basic programs:			
Elementary:			
Salaries	\$ 5,153,134	\$ 5,197,642	\$ (44,508)
Benefits	2,976,958	2,924,678	52,280
Purchased services	32,066	15,068	16,998
Supplies and materials	118,529	147,333	(28,804)
Capital outlay	24,214	5,710	18,504
Other expenses	123,590	136,165	(12,575)
Total elementary	<u>8,428,491</u>	<u>8,426,596</u>	<u>1,895</u>
Middle school:			
Salaries	2,142,343	2,158,879	(16,536)
Benefits	1,327,119	1,283,679	43,440
Purchased services	17,374	15,878	1,496
Supplies and materials	67,072	54,458	12,614
Capital outlay	16,136	6,361	9,775
Other expenses	61,122	63,761	(2,639)
Total middle school	<u>3,631,166</u>	<u>3,583,016</u>	<u>48,150</u>
High school:			
Salaries	3,392,450	3,415,452	(23,002)
Benefits	2,022,056	1,978,732	43,324
Purchased services	48,559	42,133	6,426
Supplies and materials	98,004	95,642	2,362
Capital outlay	24,527	18,516	6,011
Other expenses	282,309	301,290	(18,981)
Total high school	<u>5,867,905</u>	<u>5,851,765</u>	<u>16,140</u>
Pre-school:			
Salaries	135,565	136,606	(1,041)
Benefits	104,120	101,185	2,935
Supplies and materials	12,672	7,667	5,005
Capital outlay	297	-	297
Other expenses	2,029	1,518	511
Total pre-school	<u>254,683</u>	<u>246,976</u>	<u>7,707</u>
Summer school:			
Salaries	2,970	7,654	(4,684)
Benefits	1,266	3,298	(2,032)
Supplies and materials	-	282	(282)
Total summer school	<u>4,236</u>	<u>11,234</u>	<u>(6,998)</u>
Total basic programs	<u>18,186,481</u>	<u>18,119,587</u>	<u>66,894</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2015**

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
INSTRUCTION (Concluded):			
Added needs:			
Special education:			
Salaries	\$ 1,346,217	\$ 1,355,594	\$ (9,377)
Benefits	976,520	951,879	24,641
Purchased services	51,480	38,540	12,940
Supplies and materials	5,633	8,581	(2,948)
Capital outlay	1,445	-	1,445
Other expenses	652,419	643,548	8,871
Total special education	<u>3,033,714</u>	<u>2,998,142</u>	<u>35,572</u>
Compensatory education:			
Salaries	695,605	690,815	4,790
Benefits	410,275	386,602	23,673
Purchased services	9,246	-	9,246
Supplies and materials	48,619	43,237	5,382
Capital outlay	4,027	146	3,881
Other expenses	1,979	1,258	721
Total compensatory education	<u>1,169,751</u>	<u>1,122,058</u>	<u>47,693</u>
Total added needs	<u>4,203,465</u>	<u>4,120,200</u>	<u>83,265</u>
TOTAL INSTRUCTION	<u>22,389,946</u>	<u>22,239,787</u>	<u>150,159</u>
SUPPORTING SERVICES:			
Pupil services:			
Salaries	1,350,999	1,352,107	(1,108)
Benefits	807,928	798,058	9,870
Purchased services	30,893	30,821	72
Supplies and materials	22,720	12,488	10,232
Capital outlay	8,910	2,967	5,943
Other expenses	300,745	302,266	(1,521)
Total pupil services	<u>2,522,195</u>	<u>2,498,707</u>	<u>23,488</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2015**

	Final budget	Actual	Variance with final budget
SUPPORTING SERVICES (Continued) :			
Instructional staff services:			
Salaries	\$ 1,415,707	\$ 1,396,676	\$ 19,031
Benefits	844,226	856,939	(12,713)
Purchased services	125,426	81,658	43,768
Supplies and materials	152,878	145,025	7,853
Capital outlay	11,933	3,426	8,507
Other expenses	116,408	121,709	(5,301)
Total instructional staff services	<u>2,666,578</u>	<u>2,605,433</u>	<u>61,145</u>
General administration:			
Salaries	151,299	152,827	(1,528)
Benefits	84,139	82,858	1,281
Purchased services	140,629	125,346	15,283
Supplies and materials	10,494	9,534	960
Capital outlay	2,475	2,462	13
Other expenses	4,357	2,366	1,991
Total general administration	<u>393,393</u>	<u>375,393</u>	<u>18,000</u>
School administration:			
Salaries	1,329,167	1,330,161	(994)
Benefits	767,773	754,038	13,735
Purchased services	31,875	25,713	6,162
Supplies and materials	26,730	22,816	3,914
Capital outlay	7,611	5,707	1,904
Other expenses	16,891	13,916	2,975
Total school administration	<u>2,180,047</u>	<u>2,152,351</u>	<u>27,696</u>
Business services:			
Salaries	201,405	204,049	(2,644)
Benefits	122,645	123,507	(862)
Purchased services	65,631	66,719	(1,088)
Supplies and materials	5,742	4,452	1,290
Capital outlay	792	-	792
Other expenses	17,341	17,383	(42)
Total business services	<u>413,556</u>	<u>416,110</u>	<u>(2,554)</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2015**

	Final budget	Actual	Variance with final budget
SUPPORTING SERVICES (Concluded):			
Operations and maintenance:			
Salaries	\$ 296,714	\$ 297,348	\$ (634)
Benefits	196,150	198,447	(2,297)
Purchased services	1,693,214	1,627,183	66,031
Supplies and materials	1,266,678	1,253,186	13,492
Capital outlay	45,876	25,155	20,721
Other expenses	7,104	5,569	1,535
Total operations and maintenance	<u>3,505,736</u>	<u>3,406,888</u>	<u>98,848</u>
Transportation:			
Benefits	-	120	(120)
Purchased services	7,794	10,359	(2,565)
Supplies and materials	67,446	66,672	774
Other expenses	939,111	954,789	(15,678)
Total transportation	<u>1,014,351</u>	<u>1,031,940</u>	<u>(17,589)</u>
Central services:			
Salaries	184,093	186,119	(2,026)
Benefits	130,675	105,886	24,789
Purchased services	209,375	198,491	10,884
Supplies and materials	7,880	3,560	4,320
Capital outlay	31,126	13,924	17,202
Other expenses	27,075	22,749	4,326
Total central services	<u>590,224</u>	<u>530,729</u>	<u>59,495</u>
Athletics:			
Salaries	366,391	370,555	(4,164)
Benefits	178,457	162,522	15,935
Purchased services	56,875	53,239	3,636
Supplies and materials	52,321	52,290	31
Other expenses	3,762	3,820	(58)
Total athletics	<u>657,806</u>	<u>642,426</u>	<u>15,380</u>
TOTAL SUPPORTING SERVICES	<u>13,943,886</u>	<u>13,659,977</u>	<u>283,909</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2015**

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
COMMUNITY SERVICES:			
Purchased services	\$ 34,015	\$ 24,210	\$ 9,805
Supplies and materials	<u>7,257</u>	<u>5,089</u>	<u>2,168</u>
TOTAL COMMUNITY SERVICES	<u>41,272</u>	<u>29,299</u>	<u>11,973</u>
OTHER PUBLIC SCHOOLS			
Payments to other governmental units	<u>23,006</u>	<u>23,238</u>	<u>(232)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u><u>\$ 36,398,110</u></u>	<u><u>\$ 35,952,301</u></u>	<u><u>\$ 445,809</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2015**

	Food Service Special revenue	Debt service	Total nonmajor funds
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 18,147	\$ 121,953	\$ 140,100
Accounts receivable	75,483	-	75,483
Delinquent taxes receivable	-	10,529	10,529
Intergovernmental	18,253	-	18,253
Due from other funds	-	129,115	129,115
Prepays	7,358	200	7,558
Inventories	42,548	-	42,548
TOTAL ASSETS	\$ 161,789	\$ 261,797	\$ 423,586
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 35,047	\$ -	\$ 35,047
Due to other funds	-	34,379	34,379
Unearned revenue	35,058	-	35,058
TOTAL LIABILITIES	70,105	34,379	104,484
FUND BALANCES:			
Nonspendable:			
Prepays	7,358	200	7,558
Inventories	42,548	-	42,548
Restricted for debt service	-	227,218	227,218
Restricted for food service	41,778	-	41,778
TOTAL FUND BALANCES	91,684	227,418	319,102
TOTAL LIABILITIES AND FUND BALANCES	\$ 161,789	\$ 261,797	\$ 423,586

**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, 2015**

	Food Service Special revenue	Debt service	Total nonmajor funds
REVENUES:			
Local sources:			
Property taxes	\$ -	\$ 2,869,999	\$ 2,869,999
Investment earnings	-	3,433	3,433
Food sales	450,162	-	450,162
Total local sources	450,162	2,873,432	3,323,594
State sources	35,104	-	35,104
Federal sources	599,723	-	599,723
Total revenues	1,084,989	2,873,432	3,958,421
EXPENDITURES:			
Current:			
Food service activities	1,072,518	-	1,072,518
Capital outlay	18,560	-	18,560
Debt service:			
Principal repayment	-	2,678,333	2,678,333
Interest expense	-	172,117	172,117
Payment to refunded bond escrow agent	-	1,107,752	1,107,752
Issuance costs	-	341,516	341,516
Other costs	-	803	803
Total expenditures	1,091,078	4,300,521	5,391,599
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,089)	(1,427,089)	(1,433,178)
OTHER FINANCING SOURCES (USES):			
Refunding bonds issued	-	37,810,000	37,810,000
Premium on refunding bonds issued	-	6,846,628	6,846,628
Payment to refunded bond escrow agent	-	(44,310,000)	(44,310,000)
Transfers in	-	1,236,864	1,236,864
Transfers out	-	(33,074)	(33,074)
Total other financing sources (uses)	-	1,550,418	1,550,418
NET CHANGE IN FUND BALANCES	(6,089)	123,329	117,240
FUND BALANCES:			
Beginning of year	97,773	104,089	201,862
End of year	\$ 91,684	\$ 227,418	\$ 319,102

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	<u>2011 Refunding</u>	<u>2013 Debt</u>	<u>2015 Refunding</u>	<u>Total Nonmajor</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 27,129	\$ 89,859	\$ 4,965	\$ 121,953
Prepaid expenditures	-	200	-	200
Due from other funds	-	-	129,115	129,115
Delinquent taxes receivable	6,479	4,050	-	10,529
	<u>6,479</u>	<u>4,050</u>	<u>-</u>	<u>10,529</u>
TOTAL ASSETS	<u>\$ 33,608</u>	<u>\$ 94,109</u>	<u>\$ 134,080</u>	<u>\$ 261,797</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Due to other governmental funds	<u>\$ 33,608</u>	<u>\$ 771</u>	<u>\$ -</u>	<u>\$ 34,379</u>
FUND BALANCES:				
Nonspendable				
Prepays	\$ -	\$ 200	\$ -	\$ 200
Restricted for debt service	-	93,138	134,080	227,218
	<u>-</u>	<u>93,138</u>	<u>134,080</u>	<u>227,218</u>
TOTAL FUND BALANCES	<u>-</u>	<u>93,338</u>		<u>227,418</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,608</u>	<u>\$ 94,109</u>	<u>\$ 134,080</u>	<u>\$ 261,797</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, 2015**

	2011 Refunding	2013 Debt	2015 Refunding	Total Nonmajor
REVENUES:				
Local sources:				
Property taxes	\$ 1,755,282	\$ 1,114,717	\$ -	\$ 2,869,999
Interest	2,055	1,377	1	3,433
Total revenues	<u>1,757,337</u>	<u>1,116,094</u>	<u>1</u>	<u>2,873,432</u>
EXPENDITURES:				
Redemption of bonds	1,693,333	985,000	-	2,678,333
Interest on bonded debt	48,667	123,450	-	172,117
Payment to refunded bond escrow agent	-	-	1,107,752	1,107,752
Issuance costs	-	-	341,516	341,516
Other costs	329	329	145	803
Total expenditures	<u>1,742,329</u>	<u>1,108,779</u>	<u>1,449,413</u>	<u>4,300,521</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>15,008</u>	<u>7,315</u>	<u>(1,449,412)</u>	<u>(1,427,089)</u>
OTHER FINANCING SOURCES (USES):				
Refunding bonds issued	-	-	37,810,000	37,810,000
Premium on refunding bonds issued	-	-	6,846,628	6,846,628
Payment to refunded bond escrow agent	-	-	(44,310,000)	(44,310,000)
Transfers out	(33,074)	-	-	(33,074)
Transfers in	-	-	1,236,864	1,236,864
Total other financing sources (uses)	<u>(33,074)</u>	<u>-</u>	<u>1,583,492</u>	<u>1,550,418</u>
NET CHANGE IN FUND BALANCES	<u>(18,066)</u>	<u>7,315</u>	<u>134,080</u>	<u>123,329</u>
FUND BALANCES:				
Beginning of year	<u>18,066</u>	<u>86,023</u>	<u>-</u>	<u>104,089</u>
End of year	<u>\$ -</u>	<u>\$ 93,338</u>	<u>\$ 134,080</u>	<u>\$ 227,418</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COMBINED DEBT SERVICE REQUIREMENTS
JUNE 30, 2015**

Year ending June 30,	2013 Debt	2015 Refunding Debt	Combined
2016	\$ 1,103,900	\$ 4,035,500	\$ 5,139,400
2017	1,108,600	4,242,375	5,350,975
2018	1,107,250	4,145,375	5,252,625
2019	-	4,003,000	4,003,000
2020	-	3,900,375	3,900,375
2021	-	3,791,625	3,791,625
2022	-	3,677,000	3,677,000
2023	-	3,566,500	3,566,500
2024	-	3,420,875	3,420,875
2025	-	3,276,000	3,276,000
2026	-	3,107,500	3,107,500
2027	-	2,936,125	2,936,125
2028	-	2,810,875	2,810,875
2029	-	2,641,750	2,641,750
2030	-	2,465,125	2,465,125
	<u>\$ 3,319,750</u>	<u>\$ 52,020,000</u>	<u>\$ 55,339,750</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
2013 DEBT SERIES
JUNE 30, 2015**

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	
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>\$ 3,130,000</u>	<u>\$ 94,875</u>	<u>\$ 94,875</u>	<u>\$ 3,319,750</u>

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

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
2015 REFUNDING DEBT SERIES
JUNE 30, 2015**

2015 Debt Series

Calendar year	Principal due May 1,	Interest due		Total due annually
		November 1	May 1	
2016	\$ 2,200,000	\$ 890,250	\$ 945,250	\$ 4,035,500
2017	2,525,000	827,125	890,250	4,242,375
2018	2,555,000	763,250	827,125	4,145,375
2019	2,540,000	699,750	763,250	4,003,000
2020	2,565,000	635,625	699,750	3,900,375
2021	2,585,000	571,000	635,625	3,791,625
2022	2,600,000	506,000	571,000	3,677,000
2023	2,620,000	440,500	506,000	3,566,500
2024	2,605,000	375,375	440,500	3,420,875
2025	2,590,000	310,625	375,375	3,276,000
2026	2,550,000	246,875	310,625	3,107,500
2027	2,505,000	184,250	246,875	2,936,125
2028	2,505,000	121,625	184,250	2,810,875
2029	2,460,000	60,125	121,625	2,641,750
2030	2,405,000	-	60,125	2,465,125
Total 2015 bonded debt	<u>\$ 37,810,000</u>	<u>\$ 6,632,375</u>	<u>\$ 7,577,625</u>	<u>\$ 52,020,000</u>

The amount of the original bond issue was \$37,810,000.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF BORROWINGS – STATE OF MICHIGAN
SCHOOL LOAN REVOLVING FUND
JUNE 30, 2015**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Loan Revolving Program. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State under this program have been summarized as follows:

<u>Year ended June 30,</u>	<u>Loan proceeds (payments)</u>	<u>Interest expense</u>	<u>Loan balance (net change)</u>
2013	\$ 389,165	\$ 2,619	\$ 391,784
2014	307,975	15,936	323,911
2015	<u>(570,095)</u>	<u>(17,961)</u>	<u>(588,056)</u>
	<u>\$ 127,045</u>	<u>\$ 594</u>	<u>\$ 127,639</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
CAPITAL PROJECTS FUND - SINKING FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2015**

EXPENDITURES:

Donley Elementary	\$ 129,064
Glencairn Elementary	159,409
Marble Elementary	12,174
Pinecrest Elementary	4,222
Red Cedar Elementary	17,655
Whitehills Elementary	45,512
MacDonald Middle School	2,475,868
East Lansing High School	<u>84,754</u>
 Total expenditures	 <u><u>\$ 2,928,658</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
2012 AND 2013 CAPITAL PROJECTS FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2015**

2012 Capital Projects

EXPENDITURES:

MacDonald Middle School	\$ 342,345
East Lansing High School	<u>9,365</u>
Total expenditures	<u><u>\$ 351,710</u></u>

2013 Capital Projects

EXPENDITURES:

Donley Elementary	\$ 99,889
Glencairn Elementary	78,256
Marble Elementary	93,548
Pinecrest Elementary	108,326
Red Cedar Elementary	3,970
Whitehills Elementary	96,266
MacDonald Middle School	222,467
East Lansing High School	<u>262,412</u>
Total expenditures	<u><u>\$ 965,134</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, 2015**

	Balance 7/1/14	Additions	Deductions	Balance 6/30/15
East Lansing High School	\$ 258,645	\$ 381,026	\$ 357,046	\$ 282,625
MacDonald Middle School	16,347	27,895	29,690	14,552
Donley Elementary School	12,102	11,110	11,583	11,629
Glencairn Elementary School	9,424	12,152	9,108	12,468
Marble Elementary School	18,212	31,372	35,325	14,259
Pinecrest Elementary School	27,083	22,924	31,237	18,770
Red Cedar Elementary School	37,657	38,359	39,087	36,929
Whitehills Elementary School	13,098	9,035	16,573	5,560
Other	47,132	23,911	23,013	48,030
	<u>\$ 439,700</u>	<u>\$ 557,784</u>	<u>\$ 552,662</u>	<u>\$ 444,822</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (unearned) revenue 7/1/2014	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued (unearned) revenue 6/30/2015
<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			\$ 65,330	\$ -	\$ -	\$ 65,330	\$ 65,330	\$ -
Total Non-Cash Assistance			65,330	-	-	65,330	65,330	-
Cash Assistance:								
National School Lunch - Breakfast	10.553	141970	113,839	2,981	103,107	10,732	13,713	-
		151970	94,117	-	-	94,117	91,202	2,915
			207,956	2,981	103,107	104,849	104,915	2,915
National School Lunch	10.555	141960	430,135	7,705	377,580	52,555	60,260	-
		151960	376,989	-	-	376,989	368,817	8,172
			807,124	7,705	377,580	429,544	429,077	8,172
Total Cash Assistance			1,015,080	10,686	480,687	534,393	533,992	11,087
Total Child Nutrition Cluster			1,080,410	10,686	480,687	599,723	599,322	11,087
Total U.S. Department of Agriculture			1,080,410	10,686	480,687	599,723	599,322	11,087

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, 2015**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (unearned) revenue 7/1/2014	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued (unearned) revenue 6/30/2015
<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	141530 1314	\$ 649,739	\$ 63,681	\$ 649,739	\$ -	\$ 63,681	\$ -
		151530 1415	449,284	-	-	433,838	309,535	124,303
			1,099,023	63,681	649,739	433,838	373,216	124,303
Title III - Limited English Proficient	84.365A	140580 1314	45,483	1,751	24,146	12,044	13,795	-
		150580 1415	46,403	-	-	26,566	15,950	10,616
Title III - Immigrant		140570 1314	57,615	19,285	32,191	-	19,285	-
		150570 1415	56,172	-	-	44,071	29,779	14,292
			205,673	21,036	56,337	82,681	78,809	24,908
Title II Part A - Improving Teacher Quality	84.367	140520 1314	156,304	23,207	154,327	-	23,207	-
		150520 1415	160,730	-	-	148,749	93,941	54,808
			317,034	23,207	154,327	148,749	117,148	54,808
Total passed through Michigan Department of Education			1,621,730	107,924	860,403	665,268	569,173	204,019

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, 2015**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (unearned) revenue 7/1/2014	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued (unearned) revenue 6/30/2015
<u>U.S. Department of Education (Concluded):</u>								
Passed through Ingham Intermediate School District:								
Special Education Cluster:								
IDEA Preschool	84.173	140460 1314	\$ 18,898	\$ 18,898	\$ 18,898	\$ -	\$ 18,898	\$ -
		150460 1415	22,401	-	-	22,400		22,400
Total Special Education Cluster			41,299	18,898	18,898	22,400	18,898	22,400
Total U.S. Department of Education			1,663,029	126,822	879,301	687,668	588,071	226,419
<u>U.S. Department of Health and Human Services:</u>								
Passed through Ingham Intermediate School District:								
Medicaid Administrative Outreach	93.778		13,921	-	-	13,921	13,921	-
Total Expenditures of Federal Awards			\$ 2,757,360	\$ 137,508	\$ 1,359,988	\$ 1,301,312	\$ 1,201,314	\$ 237,506

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, 2015**

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, 2015. 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 33% 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	\$ 497,570
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Other nonmajor governmental funds:

Federal sources	599,723
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Plus: Federal reimbursements collected after September 1, 2015	204,019
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	\$ 1,301,312
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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, 2015, 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 October 26, 2015.

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.

Manes Costeiran PC

October 26, 2015

**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, 2015. 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, 2015.

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.

Manes Costeiran PC

October 26, 2015

Section I - Summary of Auditors' Results

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015**

There were no findings disclosed for the past two years.

October 26, 2015

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

In planning and performing our audit of the financial statements of the School District of the City of East Lansing as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the School District of the City of East Lansing's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 26, 2015 on the financial statements of the School District of the City of East Lansing. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

PRIOR YEAR COMMENTS

Check Sequence

During our review of the check register, we noted several gaps in the check sequence. This represents a potential risk to the District in that checks may potentially be unaccounted for. While the numerical sequence of checks was accounted for, we do believe it is important to maintain proper controls over the sequence in which checks are disbursed. We recommend that a log be kept that would document the starting and ending check numbers utilized for each check run. This log can be used as a cross-reference when performing check runs and bank reconciliations in the future so that all checks are properly accounted for.

Status: The accounting department kept a log of all checks issued during the year; however, we noted that the review of the check log was not documented. We recommend the accountant continue to review the check log in-conjunction with the bank reconciliation procedures on a monthly basis and document the review process by initialing and dating the documents reviewed.

CURRENT YEAR COMMENT

Transition Period

We understand that the District underwent a time of transition prior to the start of the upcoming school year. It is important that controls not be compromised during these times. We recommend that the Director of Finance continue his detail review of the transactions. Additionally, with the hiring of a new district accountant, the Director of Finance can start to shift some of the procedures to the accountant. This would improve segregation of duties by allowing the accountant to perform duties such as the bank reconciliations, initiate electronic payment transfers, and post journal entries among many other things. The Director of Finance would then be in the position to provide oversight to these procedures. We also recommend that the Superintendent, or a designated individual, review a sample of journal entries performed by the Director of Finance during future fiscal years.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information and use of management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maney Costeiran PC

October 26, 2015

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

We have audited the financial statements of School District of the City of East Lansing for the year ended June 30, 2015, and have issued our report thereon dated October 26, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered School District of the City of East Lansing's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether School District of the City of East Lansing's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about School District of the City of East Lansing's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on School District of the City of East Lansing's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on School District of the City of East Lansing's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

1. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by School District of the City of East Lansing are described in Note 1 to the financial statements. During 2015 the District implemented Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The application of existing policies was not changed during 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Estimates have been used to calculate the net pension liability.

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used by management to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Capital assets estimated useful lives are based on estimates. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

2. *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

4. *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 26, 2015.

6. *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. *Other Matters*

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Education and management of School District of the City of East Lansing and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Manes Costeiran PC