

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

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

YEAR ENDED JUNE 30, 2019

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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 the School District of the City of East Lansing as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District of the City of East Lansing'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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the School District of the City of East Lansing as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other 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 the School District of the City of East Lansing's basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 September 10, 2019 on our consideration of the School District of the City of East Lansing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of School District of the City of East Lansing's 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 the School District of the City of East Lansing's internal control over financial reporting and compliance.

Maney Costeiran PC

September 10, 2019

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

The School District of the City of East Lansing is a Pre 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, 2019. The MD&A is recommended to be read in conjunction with the District's financial statements. Prior year information is provided for comparative analysis.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The government-wide financial statements 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 "nonmajor 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, 2019

Over time, increases or decreases in the District's net position, as reported in the Statement of Activities, is 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, 2019

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, 2019 and June 30, 2018:

	2019	2018
ASSETS:		
Current and other assets	\$ 51,132,136	\$ 74,281,834
Noncurrent assets	100,132,069	76,548,983
Total assets	151,264,205	150,830,817
DEFERRED OUTFLOWS:		
Deferred charge on refunding	832,021	907,659
Related to other postemployment benefits	3,156,622	1,408,829
Related to pensions	20,842,396	12,643,662
Total deferred outflows	24,831,039	14,960,150
LIABILITIES:		
Current liabilities	9,354,812	8,896,999
Noncurrent liabilities	99,498,403	103,970,705
Net other postemployment benefits liability	16,704,498	19,463,607
Net pension liability	64,411,434	56,853,910
Total liabilities	189,969,147	189,185,221
DEFERRED INFLOWS:		
Related to other postemployment benefits	4,526,558	658,012
Related to pensions	6,234,864	3,569,388
Related to state aid funding for pension	2,319,725	2,259,558
Total deferred inflows	13,081,147	6,486,958
NET POSITION:		
Net investment in capital assets	34,288,397	31,992,976
Restricted	2,269,095	1,663,081
Unrestricted	(63,512,542)	(63,537,269)
Total net position	\$ (26,955,050)	\$ (29,881,212)

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

Analysis of Financial Position

The District's net position as of June 30, 2019 totaled (\$26,955,050) which was an increase over the June 30, 2018 balance of (\$29,881,212). A few of the more significant factors affecting net position during the year are discussed below:

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.

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, 2019, the following was recorded as depreciation expense:

	2019	2018
Land improvements	\$ 543,435	\$ 533,468
Building and improvements	2,174,996	2,251,747
Furniture and equipment	351,559	374,269
Vehicles	21,850	22,735
Total	<u>\$ 3,091,840</u>	<u>\$ 3,182,219</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.

Capital Outlay Acquisition

For the fiscal year ended June 30, 2019, \$27,357,963 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 \$23,583,086 for the fiscal year ended June 30, 2019.

Long-Term Debt

The District's total general long-term debt for the fiscal year ended June 30, 2019 decreased by \$4,472,302. The majority of the decrease is a result of the District making payments on its various debt obligations.

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

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.

For the fiscal year ended June 30, 2019 and June 30, 2018, the District-wide results of operation were:

	2019	% of total	2018	% of total
General revenues:				
Property taxes, levied for general operations	\$ 9,457,250	18.4	\$ 8,985,232	17.9
Property taxes, levied for debt service	8,064,971	15.6	7,631,126	15.2
Property taxes, levied for sinking fund	1,471,357	2.8	1,396,301	2.8
Investment earnings	1,200,636	2.3	429,561	0.9
State sources	19,909,101	38.6	20,061,032	39.8
County special education allocation	3,772,467	7.3	3,778,671	7.5
Other	375,538	0.7	249,494	0.4
Total general revenues	44,251,320	85.7	42,531,417	84.5
Program revenues:				
Charges for services	636,959	1.2	640,049	1.3
Operating grants	6,740,996	13.1	7,162,244	14.2
Total revenues	<u>\$ 51,629,275</u>	<u>100.0</u>	<u>\$ 50,333,710</u>	<u>100.0</u>
Function/program expenses:				
Instruction	\$ 24,592,029	50.6	\$ 23,996,650	51.1
Support services	14,951,082	30.7	14,575,711	31.0
Community services	24,261	-	18,305	-
Food services	1,138,347	2.3	1,135,632	2.4
Interest on long-term debt	4,222,517	8.7	4,096,345	8.7
Loss on disposal of capital assets	683,037	1.4	-	-
Unallocated depreciation	3,091,840	6.3	3,182,219	6.8
Total expenses	<u>\$ 48,703,113</u>	<u>100.0</u>	<u>\$ 47,004,862</u>	<u>100.0</u>

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

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, 2019 was approximately \$359,000, or 3.7% of the total general fund levy.

The following schedule summarizes the millages levied for the past five years.

Fiscal year	Non-PRE (comm. personal) operating mills levied	All property debt service mills levied	All property sinking fund mills levied
2018 - 2019	17.9795	7.0000	1.2770
2017 - 2018	18.0000	7.0000	1.2804
2016 - 2017	18.0000	5.2050	1.2860
2015 - 2016	18.0000	5.4560	1.2860
2014 - 2015	18.0000	8.0950	1.2860

The following schedule summarizes the property taxes generated if 100% was collected for the past five years:

Fiscal year	Non-PRE (comm personal) operating levy	All property debt service levy	All property sinking fund levy
2018 - 2019	\$ 9,774,825	\$ 8,040,854	\$ 1,449,502
2017 - 2018	9,231,123	7,617,863	1,387,589
2016 - 2017	8,865,403	5,487,396	1,349,641
2015 - 2016	8,700,547	5,667,892	1,330,229
2014 - 2015	8,493,110	8,205,064	1,300,716

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

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 previous fiscal year's supplemental count (the second Wednesday of February). The District's per pupil allowance for fiscal year 2019 was \$8,409.

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>
2018 - 2019	\$ 8,409	\$ 120
2017 - 2018	8,289	60
2016 - 2017	8,229	60
2015 - 2016	8,169	70
2014 - 2015	8,099	50

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 \$8,409 the District receives for its resident pupils.

3. Student Enrollment

The District's student enrollment figures have increased overall 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>
2018 - 2019	3,589	(23)
2017 - 2018	3,612	8
2016 - 2017	3,604	(11)
2014 - 2015	3,615	112
2013 - 2014	3,503	7

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 June 30, 2019 ended the District received \$2,390,348. This amount represents an decrease of \$44,565 over the prior fiscal year.

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

5. Expenditure Comparison By Function

The following schedule provides a comparison of fund expenditures for fiscal years 2018 - 2019 and 2017 - 2018:

Function	2018 - 2019		2017 - 2018	
	Fiscal year	%	Fiscal year	%
Basic programs	\$ 18,758,932	48.6	\$ 19,189,020	49.4
Special education	3,415,852	8.8	3,401,313	8.7
Compensatory education	1,525,668	3.9	1,455,063	3.7
Total instruction	<u>23,700,452</u>	<u>61.3</u>	<u>24,045,396</u>	<u>61.8</u>
Pupil support services	2,912,956	7.5	2,742,285	7.1
Instructional staff support services	2,247,755	5.8	2,374,840	6.1
School administration	2,274,599	5.9	2,427,654	6.2
Total instructional support	<u>7,435,310</u>	<u>19.2</u>	<u>7,544,779</u>	<u>19.4</u>
General administration	341,090	0.9	343,334	0.9
Business office	550,449	1.4	432,214	1.1
Operations and maintenance	3,828,935	9.9	3,993,154	10.3
Pupil transportation	1,151,430	3.0	1,151,608	3.0
Central	888,625	2.3	670,565	1.7
Athletics	753,852	1.9	695,949	1.8
Community services	23,737	0.1	18,326	-
Total general fund	<u>38,673,880</u>	<u>100.0</u>	<u>38,895,325</u>	<u>100.0</u>
Food service fund	1,142,986		1,151,137	
Debt service funds	7,838,453		7,611,023	
Sinking fund	865,343		627,192	
2017 Capital projects fund	26,686,807		9,600,054	
2013 Capital projects fund	-		351,596	
2012 Capital projects fund	117,518		261,372	
Total	<u>\$ 75,324,987</u>		<u>\$ 58,497,699</u>	

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

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
2018 - 2019	\$ 40,345,201	\$ 39,899,132	-1.11%
2017 - 2018	40,041,171	39,539,226	-1.25%
2016 - 2017	38,805,202	38,570,132	-0.61%
2015 - 2016	38,308,085	37,993,016	-0.82%
2014 - 2015	36,557,701	36,319,908	-0.65%
Five year average actual over (under) budget			-0.89%

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
2018 - 2019	\$ 39,807,539	\$ 38,673,880	-2.85%
2017 - 2018	39,652,550	38,895,325	-1.91%
2016 - 2017	38,938,949	38,694,521	-0.63%
2015 - 2016	36,753,131	36,228,945	-1.43%
2014 - 2015	36,398,110	35,952,301	-1.22%
Five year average actual over (under) budget			-1.61%

School District of the City of East Lansing



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

Capital and Intangible Assets and Debt Administration

1. Capital Assets

At June 30, 2019 the District had \$100,132,069 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 \$23,583,086 due to fiscal year capital asset additions exceeding depreciation and disposals.

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

	2019			2018
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 266,493	\$ -	\$ 266,493	\$ 266,493
Construction in progress	27,802,275	-	27,802,275	9,937,480
Land improvements	12,733,507	7,700,649	5,032,858	4,651,086
Building and additions	101,528,548	36,124,652	65,403,896	59,904,230
Furniture and equipment	5,912,005	4,435,781	1,476,224	1,674,837
Transportation equipment	330,720	180,397	150,323	114,857
Total	<u>\$ 148,573,548</u>	<u>\$ 48,441,479</u>	<u>\$ 100,132,069</u>	<u>\$ 76,548,983</u>

2. Long-term Debt

At June 30, 2019 the District had \$98,622,637 in general obligation debt outstanding versus \$103,026,547 at June 30, 2018.

The state limits the amount of general obligation debt that schools can issue to 15% 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, 2019

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:

- **Student Enrollment:** State Aid Foundation revenue received is driven by the District's blended student count. A total of 90% of the blended count is not known until the first Wednesday of October 2019. The District is projecting an enrollment decrease of 6 students for fiscal year 2019 - 2020.
- **Foundation Allowance:** The per pupil foundation allowance the District receives from the state is projected to increase \$120 per pupil for the fiscal year 2019 - 2020. District operations is reliant on state funding as approximately 64% of total general fund revenue is from state sources. The State of Michigan has not passed a budget for their fiscal year 2019 - 2020.
- **Retirement Rate:** The Michigan Public School Employees 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 27.50%, effective October 1, 2019, that is charged to districts to fund the retirement system. This represents 1.32 percentage points increase from the rate ending September 30, 2019. In addition, the State charges and funds a stabilization rate which is projected to be 12.41% for fiscal year 2019 - 2020. This represents 0.20 percentage points increase over fiscal year 2018 - 2019. The ability of the state to continue to subsidize the stabilization rate is a concern.
- **Employee Contracts:** The District has four collectively bargained agreements (CBAs). The most significant, from a financial perspective, is the East Lansing Education Association (ELEA). The ELEA's CBA is settled through June 30, 2021 with openers for employee earned benefits.

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, 2019

	Governmental activities
ASSETS:	
Cash and cash equivalents	\$ 10,143,273
Receivables:	
Accounts receivable	5,793
Interest receivable	87,667
Taxes receivable	201,824
Intergovernmental	4,747,259
Inventories	35,060
Prepays	218,003
Restricted cash - capital projects	8,401,573
Restricted investments - capital projects	27,291,684
Capital assets not being depreciated	28,068,768
Capital assets, net of accumulated depreciation	72,063,301
TOTAL ASSETS	151,264,205
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charges on refunding	832,021
Related to other postemployment benefits	3,156,622
Related to pensions	20,842,396
TOTAL DEFERRED OUTFLOWS OF RESOURCES	24,831,039
LIABILITIES:	
Accounts payable	4,287,423
Accrued salaries and related items	2,994,335
Accrued retirement	1,078,035
Accrued interest	680,392
Unearned revenue	232,604
Due to other governmental units	82,023
Noncurrent obligations:	
Due within one year	3,843,861
Due in more than a year	95,654,542
Net other postemployment benefits liability	16,704,498
Net pension liability	64,411,434
TOTAL LIABILITIES	189,969,147
DEFERRED INFLOWS OF RESOURCES:	
Related to other postemployment benefits	4,526,558
Related to pensions	6,234,864
Related to state aid funding for pension	2,319,725
TOTAL DEFERRED INFLOWS OF RESOURCES	13,081,147
NET POSITION:	
Net investment in capital assets	34,288,397
Restricted for capital projects (sinking fund)	2,269,095
Unrestricted	(63,512,542)
TOTAL NET POSITION	\$ (26,955,050)

See notes to financial statements.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	\$ 24,592,029	\$ -	\$ 5,873,874	\$ (18,718,155)
Support services	14,951,082	168,316	142,350	(14,640,416)
Community services	24,261	-	22,899	(1,362)
Food services	1,138,347	468,643	701,873	32,169
Interest on long-term debt	4,222,517	-	-	(4,222,517)
Loss on disposal of capital assets	683,037	-	-	(683,037)
Unallocated depreciation	3,091,840	-	-	(3,091,840)
Total governmental activities	<u>\$ 48,703,113</u>	<u>\$ 636,959</u>	<u>\$ 6,740,996</u>	<u>(41,325,158)</u>
General revenues:				
Property taxes, levied for general purposes				9,457,250
Property taxes, levied for debt service				8,064,971
Property taxes, levied for sinking fund				1,471,357
Investment earnings				1,200,636
State sources				19,909,101
Intermediate sources				3,772,467
Other				<u>375,538</u>
Total general revenues				<u>44,251,320</u>
CHANGE IN NET POSITION				2,926,162
NET POSITION, beginning of year				<u>(29,881,212)</u>
NET POSITION, end of year				<u><u>\$ (26,955,050)</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General fund	Capital projects sinking fund	2017 Capital projects fund	Total nonmajor funds	Total governmental funds
ASSETS:					
Cash and cash equivalents	\$ 6,198,451	\$ 2,276,734	\$ -	\$ 1,668,088	\$ 10,143,273
Receivables:					
Taxes receivable	198,193	561	-	3,070	201,824
Accounts receivable	5,330	-	-	463	5,793
Interest receivable	-	-	87,667	-	87,667
Intergovernmental	4,739,401	-	-	7,858	4,747,259
Due from other funds	500	-	-	-	500
Inventories	7,976	-	-	27,084	35,060
Prepays	208,198	-	-	9,805	218,003
Restricted cash	-	-	8,401,573	-	8,401,573
Restricted investments	-	-	27,291,684	-	27,291,684
TOTAL ASSETS	\$ 11,358,049	\$ 2,277,295	\$ 35,780,924	\$ 1,716,368	\$ 51,132,636
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 419,336	\$ 6,060	\$ 3,833,980	\$ 28,047	\$ 4,287,423
Accrued salaries and related items	2,994,335	-	-	-	2,994,335
Accrued retirement	1,078,035	-	-	-	1,078,035
Due to other funds	-	-	-	500	500
Due to other governmental units	68,185	2,140	-	11,698	82,023
Unearned revenue	192,231	-	-	40,373	232,604
TOTAL LIABILITIES	4,752,122	8,200	3,833,980	80,618	8,674,920
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	279,570	-	-	-	279,570
FUND BALANCES:					
Nonspendable:					
Inventories	7,976	-	-	27,084	35,060
Prepays	208,198	-	-	9,805	218,003

See notes to financial statements.

	<u>General fund</u>	<u>Capital projects sinking fund</u>	<u>2017 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
FUND BALANCES (Concluded):					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ 643,779	\$ 643,779
Capital projects	-	2,269,095	31,946,944	-	34,216,039
Food service	-	-	-	307,429	307,429
Assigned for capital projects	-	-	-	647,653	647,653
Assigned for subsequent year expenditures	636,841	-	-	-	636,841
Unassigned general fund	5,473,342	-	-	-	5,473,342
TOTAL FUND BALANCES	<u>6,326,357</u>	<u>2,269,095</u>	<u>31,946,944</u>	<u>1,635,750</u>	<u>42,178,146</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 11,358,049</u>	<u>\$ 2,277,295</u>	<u>\$ 35,780,924</u>	<u>\$ 1,716,368</u>	<u>\$ 51,132,636</u>
Total governmental fund balances					\$ 42,178,146
Amounts reported for governmental activities in the statement of net position are different because:					
Deferred charges on refunding					832,021
Deferred outflows of resources - related to pensions					20,842,396
Deferred outflows of resources - related to other postemployment benefits					3,156,622
Deferred inflows of resources - related to pensions					(6,234,864)
Deferred inflows of resources - related to other postemployment benefits					(4,526,558)
Deferred inflows of resources - related to state funding for pension					(2,319,725)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					
The cost of the capital assets is				\$ 148,573,550	
Accumulated depreciation is				<u>(48,441,481)</u>	
					100,132,069
Revenue not recorded in the funds due to not being collected until after September 1st:					
Deferred inflows - Special education payment due from IISD					100,000
Balance of taxes receivable at June 30th less allowance for doubtful accounts expected to be collected after September 1st					179,570
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds payable					(98,622,637)
Compensated absences and termination benefits					(875,766)
Accrued interest is not included as a liability in government funds, it is recorded when paid					(680,392)
Net other postemployment benefits liability					(16,704,498)
Net pension liability					<u>(64,411,434)</u>
Net position of governmental activities					<u><u>\$ (26,955,050)</u></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, 2019

	<u>General Fund</u>	<u>Capital projects sinking fund</u>	<u>2017 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES:					
Local sources:					
Property taxes	\$ 9,454,331	\$ 1,471,357	\$ -	\$ 8,064,971	\$ 18,990,659
Tuition	5,075	-	-	-	5,075
Investment earnings	120,534	-	1,055,987	24,115	1,200,636
Food sales and athletics	80,997	-	-	468,643	549,640
Other	380,673	-	14,883	-	395,556
Total local sources	10,041,610	1,471,357	1,070,870	8,557,729	21,141,566
State sources	25,424,850	-	-	54,534	25,479,384
Federal sources	572,979	-	-	657,902	1,230,881
Incoming transfers and other	3,816,030	-	-	-	3,816,030
Total revenues	39,855,469	1,471,357	1,070,870	9,270,165	51,667,861
EXPENDITURES:					
Current:					
Instruction	23,700,452	-	-	-	23,700,452
Supporting services	14,949,691	-	-	-	14,949,691
Food service activities	-	-	-	1,104,835	1,104,835
Community service activities	23,737	-	-	-	23,737
Capital outlay	-	862,163	26,686,807	155,669	27,704,639

See notes to financial statements.

	General Fund	Capital projects sinking fund	2017 Capital projects fund	Total nonmajor funds	Total governmental funds
EXPENDITURES (Concluded):					
Debt service:					
Principal repayment	\$ -	\$ -	\$ -	\$ 3,570,000	\$ 3,570,000
Interest	-	-	-	4,250,550	4,250,550
Other costs	-	3,180	-	17,903	21,083
Total expenditures	<u>38,673,880</u>	<u>865,343</u>	<u>26,686,807</u>	<u>9,098,957</u>	<u>75,324,987</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,181,589</u>	<u>606,014</u>	<u>(25,615,937)</u>	<u>171,208</u>	<u>(23,657,126)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	18,663	-	-	-	18,663
Transfers in	25,000	-	-	-	25,000
Transfers out	-	-	-	(25,000)	(25,000)
Total other financing sources (uses)	<u>43,663</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>18,663</u>
NET CHANGE IN FUND BALANCES	<u>1,225,252</u>	<u>606,014</u>	<u>(25,615,937)</u>	<u>146,208</u>	<u>(23,638,463)</u>
FUND BALANCES:					
Beginning of year	<u>5,101,105</u>	<u>1,663,081</u>	<u>57,562,881</u>	<u>1,489,542</u>	<u>65,816,609</u>
End of year	<u>\$ 6,326,357</u>	<u>\$ 2,269,095</u>	<u>\$ 31,946,944</u>	<u>\$ 1,635,750</u>	<u>\$ 42,178,146</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, 2019**

Net change in fund balances total governmental funds	\$ (23,638,463)
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	(3,091,840)
Capital outlay	27,357,963
Loss on disposal of capital assets	(683,037)
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	708,425
Accrued interest payable, end of the year	(680,392)
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 in the treatment of long-term debt and related items are as follows:	
Payments on debt	3,570,000
Amortization of deferred charges on refunding	(75,638)
Amortization of bond premium	833,910
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	(276,651)
Deferred inflows - unavailable revenue, end of the year	279,570
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	944,158
Accrued compensated absences and termination benefits, end of the year	(875,766)
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:	
Other postemployment benefits related items	638,356
Pension related items	(2,024,266)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period:	
State aid funding for pension, beginning of year	2,259,558
State aid funding for pension, end of year	(2,319,725)
Change in net position of governmental activities	<u><u>\$ 2,926,162</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2019**

	<u>Agency funds</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 483,046</u>
Total assets	<u><u>\$ 483,046</u></u>
LIABILITIES:	
Accounts payable	\$ 12,141
Due to student and other groups	<u>470,905</u>
Total liabilities	<u><u>\$ 483,046</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 and intergovernmental revenues.

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’s 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 *2017 capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

	<u>2017</u>
Revenue, not including proceeds	<u>\$ 1,458,059</u>
Expenditures and transfers	<u>\$ 36,907,827</u>

The above revenue figure does not include total 2017 bond proceeds and premium of \$67,396,712.

Other Nonmajor 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 *2015 refunding debt service fund* and the *2017 debt service fund* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *2012 capital projects fund* accounts for the receipt of proceeds from the sale of a building and the acquisition of fixed assets or construction of major capital projects.

**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 contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated and become part of the subsequent year's budget.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

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.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30, 2019. 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 3 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 2 years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition 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
Land improvements	15 - 20
Vehicles	8

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Defined benefit plans

For purposes of measuring the net pension and other postemployment liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits 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.

6. 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 three items that qualify for reporting in this category. They are the deferred charge on refunding and pension and other postemployment benefits 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 and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

**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. 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 four items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. The fourth item is 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.

8. 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.

9. 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)

10. 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.

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.

**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 (Continued)

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, 2019 the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General fund:	
Non-Principal Residence Exemption (PRE)	17.9795
Commercial Personal Property	5.9795
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	7.0000
Sinking fund:	
PRE, Non-PRE, Commercial Personal Property	1.2770

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.

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.

**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 (Concluded)

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

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, 2019 \$16,958,447 of the District's bank balance of \$17,208,447 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District's Federal Agency Notes are valued at Level 2.

As of June 30, 2019, the District had the following investments:

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Standard & Poor's rating</u>	<u>%</u>
MILAF External Investment Pool - MIMAX	\$ 5,029,761	0.0027	AAAm	18.43%
Federal Agency Notes	<u>22,261,923</u>	0.3553	Aaa	<u>81.57%</u>
Total fair value	<u>\$ 27,291,684</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.2597</u>		

1 day maturity equals 0.0027, one year equals 1.00

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

The District voluntarily invests certain excess funds in external pooled investment funds, which included money market funds. The pooled investment fund utilized by the District are the Michigan Investment Liquid Asset Fund (MILAF-Max). These are external pooled investment funds of “qualified” investments for Michigan school districts. MILAF-Max is not regulated nor is it registered with the SEC. MILAF reports, as of June 30, 2019, the fair value of the District’s investments in MILAF-Max is the same as the value of the pool shares.

MILAF-Max funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF-Max fund requires notification of redemptions prior to 14 days to avoid penalties. The money market funds are also recorded at amortized cost which approximate fair value. These funds are not subject to the fair value disclosures.

MILAF Managed Account investments are reported at fair value.

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

At June 30, 2019, the carrying amounts are as follows:

Cash on hand	\$ 1,075
Deposits including fiduciary funds of \$483,046	19,026,817
Investments	<u>27,291,684</u>
	<u><u>\$ 46,319,576</u></u>

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

Cash and cash equivalents - agency fund	\$ 483,046
Cash and cash equivalents - District-wide	10,143,273
Restricted cash - capital projects	8,401,573
Restricted investments - capital projects	<u>27,291,684</u>
	<u><u>\$ 46,319,576</u></u>

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

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2019 consist of the following:

Intergovernmental:	
State aid	\$ 4,511,813
Federal revenue	135,446
Ingham Intermediate School District	<u>100,000</u>
	<u><u>\$ 4,747,259</u></u>

No allowance for doubtful accounts is considered necessary.

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets at June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Reclassifications/ deletions	Balance June 30, 2019
Assets not being depreciated:				
Land	\$ 266,493	\$ -	\$ -	\$ 266,493
Construction in progress	9,937,480	25,877,243	8,012,448	<u>27,802,275</u>
	<u>10,203,973</u>	<u>25,877,243</u>	<u>8,012,448</u>	<u>28,068,768</u>
Other capital assets:				
Land improvements	12,165,644	1,022,546	454,683	12,733,507
Buildings and additions	97,324,403	8,253,372	4,049,227	101,528,548
Furniture and equipment	5,793,748	159,935	41,678	5,912,005
Vehicles	311,808	57,315	38,403	<u>330,720</u>
Total other capital assets	<u>115,595,603</u>	<u>9,493,168</u>	<u>4,583,991</u>	<u>120,504,780</u>
Accumulated depreciation:				
Land improvements	7,514,558	543,435	357,344	7,700,649
Building and improvements	37,420,173	2,174,996	3,470,517	36,124,652
Furniture and equipment	4,118,911	351,559	34,689	4,435,781
Vehicles	196,951	21,850	38,404	<u>180,397</u>
Total accumulated depreciation	<u>49,250,593</u>	<u>3,091,840</u>	<u>3,900,954</u>	<u>48,441,479</u>
Net other capital assets	<u>66,345,010</u>	<u>6,401,328</u>	<u>683,037</u>	<u>72,063,301</u>
Net capital assets	<u><u>\$ 76,548,983</u></u>	<u><u>\$ 32,278,571</u></u>	<u><u>\$ 8,695,485</u></u>	<u><u>\$ 100,132,069</u></u>

Depreciation for the fiscal year ended June 30, 2019 amounted to \$3,091,840. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

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

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable fund</u>	<u>Amount</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	<u>\$ 500</u>	Nonmajor debt funds	<u>\$ 500</u>

The outstanding balances between funds result mainly from time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2019.

	<u>General obligation bonds</u>	<u>Compensated absences and termination benefits</u>	<u>Total</u>
Balance, July 1, 2018	\$ 103,026,547	\$ 944,158	\$ 103,970,705
Additions	-	15,863	15,863
Deletions	<u>(4,403,910)</u>	<u>(84,255)</u>	<u>(4,488,165)</u>
Balance, June 30, 2019	98,622,637	875,766	99,498,403
Due within one year	<u>(3,795,000)</u>	<u>(48,861)</u>	<u>(3,843,861)</u>
Due in more than one year	<u>\$ 94,827,637</u>	<u>\$ 826,905</u>	<u>\$ 95,654,542</u>

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

NOTE 6 - LONG-TERM OBLIGATIONS (Concluded)

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. Long-term obligations at June 30, 2019 are comprised of the following issues:

General obligation bonds:

2015 Refunding general obligation bonds due in annual installments of \$2,405,000 to \$2,620,000 through May 1, 2030, with interest at 5.00%.	\$ 27,990,000
2017 Building and site bonds due in annual installments of \$1,230,000 to \$2,920,000 through May 1, 2042, with interest rates from 2% to 5%.	56,930,000
Plus issuance premium	<u>13,702,637</u>
Total general obligation bonds	<u>98,622,637</u>
Compensated absences and termination benefits	<u>875,766</u>
Total general long-term obligations	<u><u>\$ 99,498,403</u></u>

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2019, \$33,175,000 of bonds outstanding are considered defeased.

The annual requirements to amortize the long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2019 are as follows:

Year ending June 30,	<u>General obligation bonds</u>		<u>Compensated absences</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2020	\$ 3,795,000	\$ 4,082,350	\$ -	\$ 7,877,350
2021	3,815,000	3,904,900	-	7,719,900
2022	4,030,000	3,751,050	-	7,781,050
2023	4,195,000	3,563,850	-	7,758,850
2024	4,395,000	3,369,850	-	7,764,850
2025 - 2029	24,525,000	13,660,500	-	38,185,500
2030 - 2034	16,805,000	8,130,250	-	24,935,250
2035 - 2039	14,600,000	4,380,000	-	18,980,000
2040 - 2042	8,760,000	876,000	-	9,636,000
	<u>84,920,000</u>	<u>45,718,750</u>	-	130,638,750
Issuance premium	13,702,637	-	-	13,702,637
Compensated absences and termination benefits	-	-	875,766	875,766
	<u><u>\$ 98,622,637</u></u>	<u><u>\$ 45,718,750</u></u>	<u><u>\$ 875,766</u></u>	<u><u>\$ 145,217,153</u></u>

Interest expense (all funds) for the year ended June 30, 2019 was approximately \$4,223,000.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) 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 www.michigan.gov/ors schools.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian of the System.

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

<u>Plan name</u>	<u>Plan type</u>	<u>Plan status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided – Pension (Concluded)

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional 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.

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

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

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform 2012 (Concluded)

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

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

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

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

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (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 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, 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.

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 February 1, 2013.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Retiree Healthcare Reform of 2012 (Concluded)

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.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 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 Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Postemployment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employer Contributions (Concluded)

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were \$5,621,874, with \$5,549,581 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB benefits were \$1,607,965, with \$1,541,169 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from state Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

At June 30, 2019, the District reported a liability of \$64,411,434 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2018 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, 2018 and 2017, the District's proportion was 0.21426% and 0.21939%.

<i><u>MPSERS (Plan) Non-university employers</u></i>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total pension liability	\$ 79,863,694,444	\$ 72,407,218,688
Plan fiduciary net position	\$ 49,801,889,205	\$ 46,492,967,573
Net pension liability	\$ 30,061,805,239	\$ 25,914,251,115
Proportionate share	0.21426%	0.21939%
Net pension liability for the District	\$ 64,411,434	\$ 56,853,910

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2019, the District recognized pension expense of \$7,573,847.

At June 30, 2019, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 14,917,635	\$ -
Net difference between projected and actual pension plan investments earnings	-	4,404,105
Changes in proportion and differences between employer contributions and proportionate share of contributions	434,496	1,362,692
Differences between expected and actual experience	298,881	468,067
Reporting Unit's contributions subsequent to the measurement date	5,191,384	-
	<u>\$ 20,842,396</u>	<u>\$ 6,234,864</u>

\$5,191,384, 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 subsequent fiscal year.

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 September 30,	Amount
2018	\$ 3,889,093
2019	2,947,545
2020	1,872,894
2021	706,616

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Liabilities

At June 30, 2019, the District reported a liability of \$16,704,498 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.21015% and 0.21979%.

<i>MPERS (Plan) Non-university employers</i>	September 30, 2018	September 30, 2017
Total other postemployment benefit liability	\$ 13,932,170,264	\$ 13,920,945,991
Plan fiduciary net position	\$ 5,983,218,473	\$ 5,065,474,948
Net other postemployment benefit liability	\$ 7,948,951,791	\$ 8,855,471,043
Proportionate share	0.21015%	0.21979%
Net other postemployment benefit liability for the District	\$ 16,704,498	\$ 19,463,607

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$902,813.

At June 30, 2019, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ 3,109,136
Changes of assumptions	1,769,015	-
Net difference between projected and actual earnings on OPEB plan investments	-	641,994
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,222	775,428
Employer contributions subsequent to the measurement date	1,382,385	-
	<u>\$ 3,156,622</u>	<u>\$ 4,526,558</u>

\$1,382,385, reported as deferred outflows of resources related to OPEB resulting from district employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2019	\$ (656,505)
2020	(656,505)
2021	(656,505)
2022	(526,270)
2023	(256,536)

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

Investment rate of return for pension - 7.05% 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).

Investment rate of return for OPEB - 7.15% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75%.

Inflation - 3.0%.

Mortality assumptions:

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2017. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2017 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.05% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.15%, net of investment and administrative expenses was determined using a building block 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.

Cost of living pension adjustments - 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit - 7.5% for year one and graded to 3.0% in year twelve.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

Additional assumptions for other postemployment benefit only - applies to individuals hired before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2018 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%	5.70%
Private Equity Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.50%
Real Estate and Infrastructure Pools	10.00%	3.90%
Absolute Return Pools	15.50%	5.20%
Short Term Investment Pools	2.00%	0.00%
	<u>100.00%</u>	

* Long term rates of return are net of administrative expenses and 2.3% inflation.

Pension discount rate - A single discount rate of 7.05% was used to measure the total pension liability (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 plan members. 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.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

OPEB discount rate - A single discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB 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 a single discount rate of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan), 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 or 1 percentage point higher than the current rate:

	Pension		
	<u>1% Decrease</u>	<u>Discount rate</u>	<u>1% Increase</u>
Reporting Unit's proportionate share of the net pension liability	<u>\$ 84,567,238</u>	<u>\$ 64,411,434</u>	<u>\$ 47,665,237</u>

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 7.15%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefit		
	<u>1% Decrease</u>	<u>Discount rate</u>	<u>1% Increase</u>
Reporting Unit's proportionate share of the net other postemployment benefit liability	<u>\$ 20,053,410</u>	<u>\$ 16,704,498</u>	<u>\$ 13,887,564</u>

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Concluded)

Actuarial Assumptions (Concluded)

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.0%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease	Healthcare cost trend rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	<u>\$ 13,739,266</u>	<u>\$ 16,704,498</u>	<u>\$ 20,106,225</u>

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2018 Comprehensive Annual Financial Report.

Payable to the pension and OPEB plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

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.

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

NOTE 8 - RISK MANAGEMENT (Concluded)

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

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2019 or any of the prior 3 years.

NOTE 9 - TRANSFERS

The transfer of \$25,000 from the 2012 capital projects fund to the general fund was for the reimbursement of capital expenditures paid for by the general fund.

NOTE 10 - TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

<u>Municipality</u>	<u>Taxes abated</u>
East Lansing	\$ 540,407
Lansing Township	149,271
Total	<u>\$ 689,678</u>

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

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

NOTE 11 – CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019**

	Original budget	Final budget	Actual	Variance with final
REVENUES:				
Local sources	\$ 10,232,200	\$ 10,281,621	\$ 10,041,610	\$ (240,011)
State sources	25,425,954	25,519,672	25,424,850	(94,822)
Federal sources	641,206	676,125	572,979	(103,146)
Incoming transfers and other	3,893,243	3,826,783	3,816,030	(10,753)
Total revenues	<u>40,192,603</u>	<u>40,304,201</u>	<u>39,855,469</u>	<u>(448,732)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	19,505,435	18,933,047	18,758,932	174,115
Added needs	<u>5,145,643</u>	<u>5,111,936</u>	<u>4,941,520</u>	<u>170,416</u>
Total instruction	<u>24,651,078</u>	<u>24,044,983</u>	<u>23,700,452</u>	<u>344,531</u>
Supporting services:				
Pupil	2,980,285	2,985,778	2,912,956	72,822
Instructional staff	2,512,169	2,482,389	2,247,755	234,634
General administration	387,457	364,327	341,090	23,237
School administration	2,379,641	2,314,228	2,274,599	39,629
Business	467,701	516,165	550,449	(34,284)
Operation/maintenance	4,161,769	4,168,992	3,828,935	340,057
Pupil transportation	1,184,245	1,214,533	1,151,430	63,103
Central	804,197	921,971	888,625	33,346
Athletics	<u>736,213</u>	<u>763,970</u>	<u>753,852</u>	<u>10,118</u>
Total supporting services	<u>15,613,677</u>	<u>15,732,353</u>	<u>14,949,691</u>	<u>782,662</u>
Community services	<u>26,859</u>	<u>30,203</u>	<u>23,737</u>	<u>6,466</u>
Total expenditures	<u>40,291,614</u>	<u>39,807,539</u>	<u>38,673,880</u>	<u>1,133,659</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(99,011)</u>	<u>496,662</u>	<u>1,181,589</u>	<u>684,927</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	13,000	16,000	18,663	2,663
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total other financing sources (uses)	<u>38,000</u>	<u>41,000</u>	<u>43,663</u>	<u>2,663</u>
NET CHANGE IN FUND BALANCE	<u>\$ (61,011)</u>	<u>\$ 537,662</u>	<u>1,225,252</u>	<u>\$ 687,590</u>
FUND BALANCE:				
Beginning of year			<u>5,101,105</u>	
End of year			<u>\$ 6,326,357</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 (DETERMINED AS OF
PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability (%)	0.21426%	0.21939%	0.21837%	0.21480%	0.22017%
Reporting Unit's proportionate share of net pension liability	\$ 64,411,434	\$ 56,853,910	\$ 54,481,960	\$ 52,465,688	\$ 48,496,759
Reporting Unit's covered-employee payroll	\$ 17,883,246	\$ 18,372,230	\$ 18,594,479	\$ 17,927,386	\$ 18,712,153
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	360.18%	309.46%	293.00%	292.66%	259.17%
Plan fiduciary net position as a percentage of total pension liability (Non-university employee)	62.36%	64.21%	63.27%	63.17%	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 PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
THE YEAR ENDED JUNE 30)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 5,549,581	\$ 5,700,705	\$ 5,129,913	\$ 4,676,809	\$ 3,817,387
Contributions in relation to statutorily required contributions	<u>5,549,581</u>	<u>5,700,705</u>	<u>5,129,913</u>	<u>4,676,809</u>	<u>3,817,387</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 18,410,181	\$ 17,992,654	\$ 18,395,718	\$ 16,608,983	\$ 18,107,753
Contributions as a percentage of covered-employee payroll	30.14%	31.68%	27.89%	28.16%	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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED
AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.21015%	0.21979%
Reporting Unit's proportionate share of net OPEB liability	\$ 16,704,498	\$ 19,463,607
Reporting Unit's covered-employee payroll	\$ 17,883,246	\$ 18,372,230
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.41%	105.94%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employee)	42.95%	36.39%

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 OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
THE YEAR ENDED JUNE 30)**

	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 1,541,169	\$ 1,599,006
Contributions in relation to statutorily required contributions	<u>1,541,169</u>	<u>1,599,006</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 18,410,181	\$ 17,992,654
Contributions as a percentage of covered-employee payroll	8.37%	8.89%

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
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

Pension Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for MIP and Basic plans decreased to 7.05% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50%-12.30%, including wage inflation of 3.50%.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

OPEB Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for decreased to 7.15% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50%-12.30%, including wage inflation of 3.50%.

Healthcare cost trend rate decreased to 7.50% Year 1 graded to 3.00% Year 12 from 7.50% Year 1 graded to 3.50% Year 12.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

ADDITIONAL SUPPLEMENTARY INFORMATION

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
YEAR ENDED JUNE 30, 2019**

LOCAL SOURCES:

Property taxes	\$ 9,454,331
Tuition	5,075
Investment earnings	120,534
Other local revenue	380,673
Athletics	80,997

TOTAL LOCAL SOURCES	<u>10,041,610</u>
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STATE SOURCES:

Foundation grant	13,544,601
Special education	1,484,666
Other state revenue	10,395,583

TOTAL STATE SOURCES	<u>25,424,850</u>
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FEDERAL SOURCES:

Title I	356,546
Title II	85,915
Title III	39,911
Other federal revenue	90,607

TOTAL FEDERAL SOURCES	<u>572,979</u>
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INCOMING TRANSFERS AND OTHER TRANSACTIONS:

Special education	3,748,934
Other	67,096

TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS	<u>3,816,030</u>
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TOTAL REVENUES	<u>39,855,469</u>
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OTHER FINANCING SOURCES:

Proceeds from sale of capital assets	18,663
Transfers in	25,000

TOTAL OTHER FINANCING SOURCES	<u>43,663</u>
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TOTAL REVENUES AND OTHER FINANCING SOURCES	<u><u>\$ 39,899,132</u></u>
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**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2019**

INSTRUCTION:

Basic programs:

Elementary:

Salaries	\$ 5,035,863
Benefits	3,273,520
Purchased services	15,534
Supplies and materials	106,829
Capital outlay	6,372
Other expenses	158,763
Total elementary	<u>8,596,881</u>

Middle school:

Salaries	2,226,140
Benefits	1,499,938
Purchased services	23,252
Supplies and materials	47,885
Capital outlay	30,845
Other expenses	62,230
Total middle school	<u>3,890,290</u>

High school:

Salaries	3,208,059
Benefits	2,102,859
Purchased services	58,699
Supplies and materials	158,225
Capital outlay	76,359
Other expenses	397,034
Total high school	<u>6,001,235</u>

Pre-school:

Salaries	148,210
Benefits	110,425
Supplies and materials	9,487
Capital outlay	19
Other expenses	2,385
Total pre-school	<u>270,526</u>

Total basic programs	<u>18,758,932</u>
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**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2019**

INSTRUCTION (Concluded):

Added needs:

Special education:

Salaries	\$ 1,544,999
Benefits	1,173,830
Purchased services	53,848
Supplies and materials	13,411
Capital outlay	897
Other expenses	<u>628,867</u>
Total special education	<u>3,415,852</u>

Compensatory education:

Salaries	882,352
Benefits	615,881
Purchased services	9,258
Supplies and materials	16,899
Other expenses	<u>1,278</u>

Total compensatory education	<u>1,525,668</u>
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Total added needs	<u>4,941,520</u>
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TOTAL INSTRUCTION	<u>23,700,452</u>
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SUPPORTING SERVICES:

Pupil services:

Salaries	1,502,174
Benefits	990,900
Purchased services	5,423
Supplies and materials	16,038
Capital outlay	1,510
Other expenses	<u>396,911</u>
Total pupil services	<u>2,912,956</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2019**

SUPPORTING SERVICES (Continued):

Instructional staff services:	
Salaries	\$ 1,164,049
Benefits	741,543
Purchased services	90,826
Supplies and materials	127,471
Capital outlay	1,755
Other expenses	122,111
	<hr/>
Total instructional staff services	2,247,755
	<hr/>
General administration:	
Salaries	161,993
Benefits	92,430
Purchased services	72,114
Supplies and materials	7,499
Capital outlay	250
Other expenses	6,804
	<hr/>
Total general administration	341,090
	<hr/>
School administration:	
Salaries	1,355,944
Benefits	850,236
Purchased services	30,702
Supplies and materials	27,320
Capital outlay	1,009
Other expenses	9,388
	<hr/>
Total school administration	2,274,599
	<hr/>
Business services:	
Salaries	235,852
Benefits	149,801
Purchased services	72,333
Supplies and materials	9,289
Capital outlay	500
Other expenses	82,674
	<hr/>
Total business services	550,449
	<hr/>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2019**

SUPPORTING SERVICES (Concluded):

Operations and maintenance:

Salaries	\$ 331,244
Benefits	218,585
Purchased services	1,845,502
Supplies and materials	1,414,523
Capital outlay	12,749
Other expenses	6,332
	<hr/>
Total operations and maintenance	3,828,935

Transportation:

Purchased services	9,639
Supplies and materials	49,226
Other expenses	1,092,565
	<hr/>
Total transportation	1,151,430

Central services:

Salaries	338,040
Benefits	208,520
Purchased services	262,034
Supplies and materials	5,442
Capital outlay	42,812
Other expenses	31,777
	<hr/>
Total central services	888,625

Athletics:

Salaries	390,732
Benefits	200,445
Purchased services	89,123
Supplies and materials	52,309
Capital outlay	17,500
Other expenses	3,743
	<hr/>
Total athletics	753,852

TOTAL SUPPORTING SERVICES	<hr/> 14,949,691
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**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2019**

COMMUNITY SERVICES:

Salaries	\$ 8,230
Benefits	5,690
Purchased services	7,685
Supplies and materials	<u>2,132</u>

TOTAL COMMUNITY SERVICES	<u>23,737</u>
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TOTAL EXPENDITURES	<u><u>\$ 38,673,880</u></u>
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**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2019**

	Food service special revenue	Debt service	2012 Capital projects	Total nonmajor funds
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 367,528	\$ 652,907	\$ 647,653	\$ 1,668,088
Accounts receivable	463	-	-	463
Taxes receivable	-	3,070	-	3,070
Intergovernmental	7,858	-	-	7,858
Prepays	8,930	875	-	9,805
Inventories	27,084	-	-	27,084
TOTAL ASSETS	\$ 411,863	\$ 656,852	\$ 647,653	\$ 1,716,368
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 28,047	\$ -	\$ -	\$ 28,047
Due to other funds	-	500	-	500
Due to other governmental units	-	11,698	-	11,698
Unearned revenue	40,373	-	-	40,373
TOTAL LIABILITIES	68,420	12,198	-	80,618
FUND BALANCES:				
Nonspendable:				
Prepays	8,930	875	-	9,805
Inventories	27,084	-	-	27,084
Restricted for:				
Debt service	-	643,779	-	643,779
Food service	307,429	-	-	307,429
Assigned for capital projects	-	-	647,653	647,653
TOTAL FUND BALANCES	343,443	644,654	647,653	1,635,750
TOTAL LIABILITIES AND FUND BALANCES	\$ 411,863	\$ 656,852	\$ 647,653	\$ 1,716,368

**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, 2019**

	Food service special revenue	Debt service	2012 Capital projects	Total nonmajor funds
REVENUES:				
Local sources:				
Property taxes	\$ -	\$ 8,064,971	\$ -	\$ 8,064,971
Investment earnings	-	24,115	-	24,115
Food sales	468,643	-	-	468,643
Total local sources	468,643	8,089,086	-	8,557,729
State sources	54,534	-	-	54,534
Federal sources	657,902	-	-	657,902
Total revenues	1,181,079	8,089,086	-	9,270,165
EXPENDITURES:				
Current:				
Food service activities	1,104,835	-	-	1,104,835
Capital outlay	38,151	-	117,518	155,669
Debt service:				
Principal repayment	-	3,570,000	-	3,570,000
Interest expense	-	4,250,550	-	4,250,550
Other costs	-	17,903	-	17,903
Total expenditures	1,142,986	7,838,453	117,518	9,098,957
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	38,093	250,633	(117,518)	171,208
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(25,000)	(25,000)
NET CHANGE IN FUND BALANCES	38,093	250,633	(142,518)	146,208
FUND BALANCES:				
Beginning of year	305,350	394,021	790,171	1,489,542
End of year	\$ 343,443	\$ 644,654	\$ 647,653	\$ 1,635,750

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	<u>2015</u>	<u>2017 Debt</u>	<u>Total</u>
ASSETS	<u>Refunding</u>		<u>nonmajor</u>
ASSETS:			
Cash and cash equivalents	\$ 349,418	\$ 303,489	\$ 652,907
Prepays	375	500	875
Taxes receivable	<u>1,625</u>	<u>1,445</u>	<u>3,070</u>
TOTAL ASSETS	<u>\$ 351,418</u>	<u>\$ 305,434</u>	<u>\$ 656,852</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Due to other funds	\$ 500	\$ -	\$ 500
Due to other governmental units	<u>7,873</u>	<u>3,825</u>	<u>11,698</u>
TOTAL LIABILITIES	<u>8,373</u>	<u>3,825</u>	<u>12,198</u>
FUND BALANCES:			
Nonspendable:			
Prepays	375	500	875
Restricted for debt service	<u>342,670</u>	<u>301,109</u>	<u>643,779</u>
TOTAL FUND BALANCES	<u>343,045</u>	<u>301,609</u>	<u>644,654</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 351,418</u>	<u>\$ 305,434</u>	<u>\$ 656,852</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, 2019**

	<u>2015 Refunding</u>	<u>2017 Debt</u>	<u>Total nonmajor</u>
REVENUES:			
Local sources:			
Property taxes	\$ 4,216,879	\$ 3,848,092	\$ 8,064,971
Investment earnings	<u>13,524</u>	<u>10,591</u>	<u>24,115</u>
Total revenues	<u>4,230,403</u>	<u>3,858,683</u>	<u>8,089,086</u>
EXPENDITURES:			
Principal repayment	2,540,000	1,030,000	3,570,000
Interest expense	1,526,500	2,724,050	4,250,550
Other costs	<u>12,468</u>	<u>5,435</u>	<u>17,903</u>
Total expenditures	<u>4,078,968</u>	<u>3,759,485</u>	<u>7,838,453</u>
NET CHANGE IN FUND BALANCES	151,435	99,198	250,633
FUND BALANCES:			
Beginning of year	<u>191,610</u>	<u>202,411</u>	<u>394,021</u>
End of year	<u><u>\$ 343,045</u></u>	<u><u>\$ 301,609</u></u>	<u><u>\$ 644,654</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COMBINED DEBT SERVICE REQUIREMENTS
JUNE 30, 2019**

Year ending June 30,	2015 Refunding debt	2017 Debt	Combined
2020	\$ 3,964,500	\$ 3,912,850	\$ 7,877,350
2021	3,856,250	3,863,650	7,719,900
2022	3,742,000	4,039,050	7,781,050
2023	3,632,000	4,126,850	7,758,850
2024	3,486,000	4,278,850	7,764,850
2025	3,340,750	4,417,250	7,758,000
2026	3,171,250	4,537,250	7,708,500
2027	2,998,750	4,699,250	7,698,000
2028	2,873,500	4,616,250	7,489,750
2029	2,703,250	4,828,000	7,531,250
2030	2,525,250	4,688,000	7,213,250
2031	-	4,648,000	4,648,000
2032	-	4,503,000	4,503,000
2033	-	4,358,000	4,358,000
2034	-	4,213,000	4,213,000
2035	-	4,088,000	4,088,000
2036	-	3,942,000	3,942,000
2037	-	3,796,000	3,796,000
2038	-	3,650,000	3,650,000
2039	-	3,504,000	3,504,000
2040	-	3,358,000	3,358,000
2041	-	3,212,000	3,212,000
2042	-	3,066,000	3,066,000
	<u>\$ 36,293,500</u>	<u>\$ 94,345,250</u>	<u>\$ 130,638,750</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
2015 REFUNDING DEBT SERIES
JUNE 30, 2019**

2015 Debt Series

Calendar year	Principal due May 1,	Interest due		Total due annually
		November 1	May 1	
2020	\$ 2,565,000	\$ 699,750	\$ 699,750	\$ 3,964,500
2021	2,585,000	635,625	635,625	3,856,250
2022	2,600,000	571,000	571,000	3,742,000
2023	2,620,000	506,000	506,000	3,632,000
2024	2,605,000	440,500	440,500	3,486,000
2025	2,590,000	375,375	375,375	3,340,750
2026	2,550,000	310,625	310,625	3,171,250
2027	2,505,000	246,875	246,875	2,998,750
2028	2,505,000	184,250	184,250	2,873,500
2029	2,460,000	121,625	121,625	2,703,250
2030	2,405,000	60,125	60,125	2,525,250
Total 2015 bonded debt	<u>\$ 27,990,000</u>	<u>\$ 4,151,750</u>	<u>\$ 4,151,750</u>	<u>\$ 36,293,500</u>

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

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
2017 DEBT SERIES
JUNE 30, 2019**

2017 Debt Series

Calendar year	Principal due May 1,	Interest due		Total due annually
		November 1	May 1	
2020	\$ 1,230,000	\$ 1,341,425	\$ 1,341,425	\$ 3,912,850
2021	1,230,000	1,316,825	1,316,825	3,863,650
2022	1,430,000	1,304,525	1,304,525	4,039,050
2023	1,575,000	1,275,925	1,275,925	4,126,850
2024	1,790,000	1,244,425	1,244,425	4,278,850
2025	2,000,000	1,208,625	1,208,625	4,417,250
2026	2,200,000	1,168,625	1,168,625	4,537,250
2027	2,450,000	1,124,625	1,124,625	4,699,250
2028	2,465,000	1,075,625	1,075,625	4,616,250
2029	2,800,000	1,014,000	1,014,000	4,828,000
2030	2,800,000	944,000	944,000	4,688,000
2031	2,900,000	874,000	874,000	4,648,000
2032	2,900,000	801,500	801,500	4,503,000
2033	2,900,000	729,000	729,000	4,358,000
2034	2,900,000	656,500	656,500	4,213,000
2035	2,920,000	584,000	584,000	4,088,000
2036	2,920,000	511,000	511,000	3,942,000
2037	2,920,000	438,000	438,000	3,796,000
2038	2,920,000	365,000	365,000	3,650,000
2039	2,920,000	292,000	292,000	3,504,000
2040	2,920,000	219,000	219,000	3,358,000
2041	2,920,000	146,000	146,000	3,212,000
2042	2,920,000	73,000	73,000	3,066,000
Total 2017 bonded debt	<u>\$ 56,930,000</u>	<u>\$ 18,707,625</u>	<u>\$ 18,707,625</u>	<u>\$ 94,345,250</u>

The amount of the original bond issue was \$57,960,000.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
CAPITAL PROJECTS FUND - SINKING FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2019**

EXPENDITURES:

Donley Elementary	\$ 1,379
Marble Elementary	5,315
Pinecrest Elementary	5,625
Red Cedar Elementary	16,322
Whitehills Elementary	480
MacDonald Middle School	419,591
East Lansing High School	413,451
Other	<u>3,180</u>
 Total expenditures	 <u><u>\$ 865,343</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
2017 CAPITAL PROJECTS FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2019**

EXPENDITURES:

Donley Elementary	\$ 12,207,612
Glencairn Elementary	12,216,317
Marble Elementary	11,850
Pinecrest Elementary	734,286
Red Cedar Elementary	814,530
Whitehills Elementary	<u>702,212</u>
 Total expenditures	 <u><u>\$ 26,686,807</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
2012 CAPITAL PROJECTS FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2019**

EXPENDITURES:

Donley Elementary	\$ 8,028
Glencairn Elementary	7,727
Marble Elementary	7,727
Pinecrest Elementary	7,727
Red Cedar Elementary	7,164
Whitehills Elementary	7,727
MacDonald Middle School	28,754
East Lansing High School	<u>42,664</u>
 Total expenditures	 <u><u>\$ 117,518</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, 2019**

	Balance 7/1/18	Additions	Deductions	Balance 6/30/19
East Lansing High School	\$ 185,185	\$ 334,497	\$ 244,278	\$ 275,404
MacDonald Middle School	12,031	52,936	39,723	25,244
Donley Elementary School	9,954	13,066	11,486	11,534
Glencairn Elementary School	21,919	11,561	10,807	22,673
Marble Elementary School	48,402	41,401	38,690	51,113
Pinecrest Elementary School	20,111	22,477	24,436	18,152
Red Cedar Elementary School	29,390	24,376	31,389	22,377
Whitehills Elementary School	3,679	9,772	7,743	5,708
Other	38,210	14,235	13,745	38,700
	<u>\$ 368,881</u>	<u>\$ 524,321</u>	<u>\$ 422,297</u>	<u>\$ 470,905</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (unearned) revenue 7/1/2018	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued (unearned) revenue 6/30/2019
<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			\$ 90,936	\$ -	\$ -	\$ 90,936	\$ 90,936	\$ -
Cash Assistance:								
National School Lunch Program	10.555	181960	474,929	-	418,047	56,882	56,882	-
		191960	391,774	-	-	391,774	391,774	-
			866,703	-	418,047	448,656	448,656	-
Total CFDA# 10.555 National school lunch			957,639	-	418,047	539,592	539,592	-
School Breakfast Program	10.553	181970	132,430	-	119,809	12,621	12,621	-
		191970	103,192	-	-	103,192	103,192	-
Total CFDA # 10.553 Breakfast			235,622	-	119,809	115,813	115,813	-
Summer Food Service Program for Children	10.559	180900	4,540	2,235	-	2,305	4,540	-
		181900	381	189	-	192	381	-
Total CFDA # 10.559 Summer Food Service			4,921	2,424	-	2,497	4,921	-
Total Cash Assistance			1,107,246	2,424	537,856	566,966	569,390	-
Total Child Nutrition Cluster			1,198,182	2,424	537,856	657,902	660,326	-
Total U.S. Department of Agriculture			1,198,182	2,424	537,856	657,902	660,326	-

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, 2019**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (unearned) revenue 7/1/2018	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued (unearned) revenue 6/30/2019
<u>U.S. Department of Education:</u>								
Passed through the Michigan Department of Education:								
Title I Part A - Grants to Local Educational Agencies	84.010	181530 1718	\$ 473,797	\$ 124,164	\$ 409,562	\$ 5,598	\$ 129,762	\$ -
		191530 1819	475,808	-	-	350,948	288,545	62,403
Total CFDA #84.010			949,605	124,164	409,562	356,546	418,307	62,403
Title III Part A - English Language Acquisition	84.365	180580 1718	43,312	1,950	13,273	11,712	13,662	-
		190580 1819	53,198	-	-	28,199	18,961	9,238
		180570 1718	3,092	521	3,092	-	521	-
Total CFDA #84.365			99,602	2,471	16,365	39,911	33,144	9,238
Title II Part A - Supporting Effective Instruction	84.367	180520 1718	105,115	27,279	89,912	-	27,279	-
		190520 1819	140,885	-	-	85,915	67,493	18,422
Total CFDA #84.367			246,000	27,279	89,912	85,915	94,772	18,422
Title IV Part A - Student Support and Academic Enrichment Program	84.424	180750 1718	10,000	-	718	-	-	-
		190750 1819	38,663	-	-	26,671	20,550	6,121
Total CFDA #84.424			48,663	-	718	26,671	20,550	6,121
Total passed through Michigan Department of Education			1,343,870	153,914	516,557	509,043	566,773	96,184

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, 2019**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (unearned) revenue 7/1/2018	Prior year expenditures (memorandum only)	Current year expenditures	Current year receipts	Accrued (unearned) revenue 6/30/2019
<u>U.S. Department of Education (Concluded):</u>								
Passed through Ingham Intermediate School District:								
Special Education Cluster:								
Special Education Grants to States	84.027	180450 1718	\$ 8,987	\$ 8,987	\$ 8,987	\$ -	\$ 8,987	\$ -
		190450 1819	13,920	-	-	13,920	-	13,920
Total CFDA #84.027			22,907	8,987	8,987	13,920	8,987	13,920
Special Education Preschool Grants	84.173	180460 1718	22,120	22,120	22,120	-	22,120	-
		190460 1819	22,336	-	-	22,336	-	22,336
Total CFDA #84.173			44,456	22,120	22,120	22,336	22,120	22,336
Total Special Education Cluster			67,363	31,107	31,107	36,256	31,107	36,256
Total U.S. Department of Education			1,411,233	185,021	547,664	545,299	597,880	132,440
<u>U.S. Department of Health and Human Services:</u>								
Passed through Ingham Intermediate School District:								
Medical Assistance Program	93.778		12,625	-	-	12,625	12,625	-
<u>U.S. Department of Transportation</u>								
Passed through Michigan Fitness Foundation								
Highway Research and Development Program	20.200		19,075	4,029	10,693	8,382	12,411	-
			21,013	-	-	6,673	3,667	3,006
Total CFDA #20.200			40,088	4,029	10,693	15,055	16,078	3,006
Total Expenditures of Federal Awards			\$ 2,662,128	\$ 191,474	\$ 1,096,213	\$ 1,230,881	\$ 1,286,909	\$ 135,446

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, 2019**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School District of the City of East Lansing under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 financial position or changes in net position of the School District of the City of East Lansing.

The District qualifies for low-risk auditee status. Management has utilized the cash management system and the Grant Auditor Report in preparing the schedule of expenditures of federal awards. The District does not pass through federal funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are now 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. The School District of the City of East Lansing has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Reconciliation of federal revenues reported on the financial statements with expenditures per the schedule of expenditures of federal awards:

Federal revenue, per financial statements:

General fund:

Federal sources \$ 572,979

Other nonmajor governmental funds:

Federal sources 657,902

\$ 1,230,881

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, 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 the School District of the City of East Lansing as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the School District of the City of East Lansing's basic financial statements and have issued our report thereon dated September 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the School District of the City of East Lansing's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Maney Costeiran PC

September 10, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the School District of the City of East Lansing's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District of the City of East Lansing's major federal programs for the year ended June 30, 2019. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District of the City of East Lansing's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District of the City of East Lansing's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2019.

Report on Internal Control Over Compliance

Management of the School District of the City of East Lansing is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District of the City of East Lansing's internal control over compliance.

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

Maney Costeiran PC

September 10, 2019

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported with Title 2 CFR Section 200.516(a)?

 Yes X No

Identification of major programs:

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

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

 \$ 750,000

Auditee qualified as low-risk auditee?

 X Yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

There were no findings disclosed for the past 2 years.