

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

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

YEAR ENDED JUNE 30, 2020

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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, 2020, 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, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 12 to the financial statements, the School District of the City of East Lansing implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 17, 2020 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 17, 2020

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**



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, 2020. 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, 2020**



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 custodial funds. All of the District’s fiduciary activities are aggregated and reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. 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, 2020**



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, 2020 and June 30, 2019:

	2020	2019
ASSETS		
Current and other assets	\$ 52,319,590	\$ 51,132,136
Noncurrent assets	124,790,633	100,132,069
Total assets	177,110,223	151,264,205
DEFERRED OUTFLOWS		
Deferred charge on refunding	756,383	832,021
Related to other postemployment benefits	5,038,170	3,156,622
Related to pensions	19,680,343	20,842,396
Total deferred outflows	25,474,896	24,831,039
LIABILITIES		
Current liabilities	10,659,475	9,354,812
Noncurrent liabilities	121,439,032	99,498,403
Net other postemployment benefits liability	15,315,292	16,704,498
Net pension liability	70,097,391	64,411,434
Total liabilities	217,511,190	189,969,147
DEFERRED INFLOWS		
Related to other postemployment benefits	6,556,747	4,526,558
Related to pensions	3,994,200	6,234,864
Related to state aid funding for pension	2,346,603	2,319,725
Total deferred inflows	12,897,550	13,081,147
NET POSITION		
Net investment in capital assets	35,112,943	34,288,397
Restricted	2,510,512	2,269,095
Unrestricted	(65,447,076)	(63,512,542)
Total net position	\$(27,823,621)	\$(26,955,050)

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**



Analysis of Financial Position

The District's net position as of June 30, 2020 totaled (\$27,823,621) which was a decrease over the June 30, 2019 balance of (\$26,955,050). 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, 2020, the following was recorded as depreciation expense:

	2020	2019
Land improvements	\$ 711,697	\$ 543,435
Building and improvements	3,059,803	2,174,996
Furniture and equipment	397,062	351,559
Vehicles	29,015	21,850
Total	\$ 4,197,577	\$ 3,091,840

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, 2020, \$29,455,097 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 \$24,658,564 for the fiscal year ended June 30, 2020.

Long-Term Obligations

The District's total general long-term debt for the fiscal year ended June 30, 2020 increased by \$21,940,629. The majority of the increase is a result of the District issuing new bonds, including a premium of \$5,483,611, in the amount of \$26,643,611. The District also made debt payments on existing obligations of \$3,795,000.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**



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, 2020 and June 30, 2019, the District-wide results of operation were:

	2020	% of Total	2019	% of Total
General revenues				
Property taxes, levied for general operations	\$ 9,612,772	18.1	\$ 9,457,250	18.4
Property taxes, levied for debt service	7,803,566	14.7	8,064,971	15.6
Property taxes, levied for sinking fund	1,200,290	2.3	1,471,357	2.8
Investment earnings	514,258	1.0	1,200,636	2.3
State sources	20,874,369	39.2	19,909,101	38.6
County special education allocation	4,022,477	7.6	3,772,467	7.3
Other	427,540	0.8	375,538	0.7
Total general revenues	44,455,272	83.7	44,251,320	85.7
Program revenues				
Charges for services	490,679	0.9	636,959	1.2
Operating grants and contributions	8,310,320	15.4	6,740,996	13.1
Total revenues	<u>\$ 53,256,271</u>	<u>100.0</u>	<u>\$ 51,629,275</u>	<u>100.0</u>
Function/program expenses				
Instruction	\$ 27,309,433	50.1	\$ 24,592,029	50.6
Support services	16,432,482	30.1	14,951,082	30.7
Community services	18,881	-	24,261	-
Food services	1,387,452	2.5	1,138,347	2.3
Student/school activities	308,530	0.6	-	-
Interest on long-term debt	4,281,691	7.9	4,222,517	8.7
Loss on disposal of capital assets	598,956	1.1	683,037	1.4
Unallocated depreciation	4,197,577	7.7	3,091,840	6.3
Total expenses	<u>\$ 54,535,002</u>	<u>100.0</u>	<u>\$ 48,703,113</u>	<u>100.0</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**



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, 2020 was approximately \$30,000, or 0.3% of the total general fund levy. In addition, the District has a receivable recorded for approximately \$1 million due from the State as a result of an adjustment to taxable values that will be received in fiscal year 2021.

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
2019 - 2020	18.0000	6.5000	1.0000
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

The following schedule summaries 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
2019 - 2020	\$ 9,765,837	\$ 7,782,306	\$ 1,197,031
2018 - 2019	9,426,944	8,031,414	1,426,098
2017 - 2018	8,863,238	7,603,089	1,361,437
2016 - 2017	8,748,572	5,488,360	1,340,499
2015 - 2016	8,620,740	5,662,645	1,321,378

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**



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 2020 was \$8,529.

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

Fiscal year	Per pupil allowance	\$ increase (decrease) from prior year
2019 - 2020	\$ 8,529	\$ 120
2018 - 2019	8,409	120
2017 - 2018	8,289	60
2016 - 2017	8,229	60
2015 - 2016	8,169	70

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 \$8,529 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:

Fiscal year	Actual blended student FTE	FTE change from prior year
2019 - 2020	3,691	102
2018 - 2019	3,589	(23)
2017 - 2018	3,612	8
2016 - 2017	3,604	(11)
2015 - 2016	3,615	112

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, 2020 ended the District received \$2,670,140. This amount represents an increase of \$279,792 over the prior fiscal year.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**



5. Expenditure Comparison By Function

The following schedule provides a comparison of fund expenditures for fiscal years 2019 - 2020 and 2018 - 2019:

Function	2019 - 2020 Fiscal Year	%	2018 - 2019 Fiscal Year	%
Basic programs	\$ 19,653,905	48.2	\$ 18,758,932	48.6
Special education	3,826,167	9.4	3,415,852	8.8
Compensatory education	1,550,890	3.8	1,525,668	3.9
Total instruction	<u>25,030,962</u>	<u>61.4</u>	<u>23,700,452</u>	<u>61.3</u>
Pupil support services	3,173,621	7.8	2,912,956	7.5
Instructional staff support services	2,485,385	6.1	2,247,755	5.8
School administration	2,376,753	5.8	2,274,599	5.9
Total instructional support	<u>8,035,759</u>	<u>19.7</u>	<u>7,435,310</u>	<u>19.2</u>
General administration	424,420	1.0	341,090	0.9
Business office	616,291	1.5	550,449	1.4
Operations and maintenance	3,873,616	9.5	3,828,935	9.9
Pupil transportation	1,216,325	3.0	1,151,430	3.0
Central	903,774	2.2	888,625	2.3
Athletics	689,511	1.7	753,852	1.9
Community services	18,881	-	23,737	0.1
Total general fund	<u>40,809,539</u>	<u>100.0</u>	<u>38,673,880</u>	<u>100.0</u>
Food service fund	1,411,952		1,142,986	
Student/school activities	308,530		-	
Debt service funds	7,891,047		7,838,453	
Sinking funds	958,935		865,343	
2017 Capital projects fund	27,695,831		26,686,807	
2020 Capital projects fund	1,159,859		-	
2012 Capital projects fund	19,157		117,518	
Total	<u>\$ 80,254,850</u>		<u>\$ 75,324,987</u>	

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**



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:

<u>Fiscal Year</u>	<u>Revenues and Other Financing Sources</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
2019 - 2020	\$ 42,001,492	\$ 41,355,710	-1.54%
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%
Five year average actual over (under) budget			-1.07%

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

<u>Fiscal Year</u>	<u>Expenditures and Other Financing Uses</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
2019 - 2020	\$ 41,722,063	\$ 40,809,539	-2.19%
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%
Five year average actual over (under) budget			-1.80%

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**



Capital and Intangible Assets and Debt Administration

1. Capital Assets

At June 30, 2020 the District had \$124,790,633 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 \$24,658,564 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:

	2020			2019
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 480,535	\$ -	\$ 480,535	\$ 266,493
Construction in progress	26,020,754	-	26,020,754	27,802,275
Land improvements	14,968,696	8,055,475	6,913,221	5,032,858
Building and additions	124,173,852	35,384,062	88,789,790	65,403,896
Furniture and equipment	7,009,220	4,544,195	2,465,025	1,476,224
Transportation equipment	305,520	184,212	121,308	150,323
Total	<u>\$ 172,958,577</u>	<u>\$ 48,167,944</u>	<u>\$ 124,790,633</u>	<u>\$ 100,132,069</u>

2. Long-term Obligations

At June 30, 2020 the District had \$120,545,944 in general obligation debt outstanding versus \$98,622,637 at June 30, 2019.

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, 2020**



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 2021. The District is projecting an enrollment increase of 32 students for fiscal year 2020 - 2021.
- **Foundation Allowance:** The per pupil foundation allowance the District receives from the state was projected to decrease \$700 per pupil for the fiscal year 2020 - 2021. 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 2020 - 2021.
- **Pandemic:** In May 2020 the Consensus Revenue Estimating Conference projected State of Michigan revenues to be billions of dollars less than previously projected in January 2020 due to the global Coronavirus pandemic's impact to the economy. In August 2020 a special Consensus Revenue Estimating Conference was held with the outcome being positive revenue adjustments now projected for the State's General Fund General Purpose (GFGP) and School Aid Fund (SAF). It does not appear that the per pupil foundation allowance will be significantly reduced for fiscal year 2020-21 although the State has yet to pass a SAF budget for 2020-21.
- **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 28.21%, effective October 1, 2020, that is charged to districts to fund the retirement system. This represents 0.71 percentage points increase from the rate ending September 30, 2020. In addition, the State charges and funds a stabilization rate which is projected to be 14.51% for fiscal year 2020 - 2021. This represents 2.10 percentage points increase over fiscal year 2019 - 2020. 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, 2020**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 11,668,002
Receivables	
Accounts receivable	85,736
Taxes receivable	27,962
Intergovernmental	5,823,013
Inventories	63,077
Prepays	162,564
Restricted cash - capital projects	11,313,465
Restricted investments - capital projects	23,175,771
Capital assets not being depreciated	26,501,289
Capital assets, net of accumulated depreciation	98,289,344
TOTAL ASSETS	<u>177,110,223</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	756,383
Related to other postemployment benefits	5,038,170
Related to pensions	19,680,343
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>25,474,896</u>
LIABILITIES	
Accounts payable	5,154,795
Accrued salaries and related items	3,182,795
Accrued retirement	1,149,239
Accrued interest	879,733
Unearned revenue	248,893
Due to other governmental units	44,020
Noncurrent obligations:	
Due within one year	3,871,920
Due in more than a year	117,567,112
Net other postemployment benefits liability	15,315,292
Net pension liability	70,097,391
TOTAL LIABILITIES	<u>217,511,190</u>
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	6,556,747
Related to pensions	3,994,200
Related to state aid funding for pension	2,346,603
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>12,897,550</u>
NET POSITION	
Net investment in capital assets	35,112,943
Restricted for capital projects (sinking fund)	2,510,512
Unrestricted	(65,447,076)
TOTAL NET POSITION	<u>\$ (27,823,621)</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (expense) Revenue and Changes in Net Position</u>
Governmental activities				
Instruction	\$ 27,309,433	\$ -	\$ 6,653,053	\$ (20,656,380)
Support services	16,432,482	150,300	247,639	(16,034,543)
Community services	18,881	-	18,709	(172)
Food services	1,387,452	340,379	1,079,828	32,755
Student/school activities	308,530	-	311,091	2,561
Interest on long-term debt	4,281,691	-	-	(4,281,691)
Loss on disposal of capital assets	598,956	-	-	(598,956)
Unallocated depreciation	4,197,577	-	-	(4,197,577)
Total governmental activities	<u>\$ 54,535,002</u>	<u>\$ 490,679</u>	<u>\$ 8,310,320</u>	<u>(45,734,003)</u>
General revenues				
Property taxes, levied for general purposes				9,612,772
Property taxes, levied for debt service				7,803,566
Property taxes, levied for sinking fund				1,200,290
Investment earnings				514,258
State sources				20,874,369
Intermediate sources				4,022,477
Other				427,540
Total general revenues				<u>44,455,272</u>
CHANGE IN NET POSITION				(1,278,731)
NET POSITION, beginning of year, as restated				<u>(26,544,890)</u>
NET POSITION, end of year				<u>\$ (27,823,621)</u>

See notes to financial statements.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	2020 Capital Projects Fund	2017 Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,224,964	\$ -	\$ -	\$ 4,443,038	\$ 11,668,002
Receivables					
Taxes receivable	16,720	-	-	11,242	27,962
Accounts receivable	85,736	-	-	-	85,736
Intergovernmental	5,687,451	-	-	135,562	5,823,013
Due from other funds	-	-	-	423	423
Inventories	12,633	-	-	50,444	63,077
Prepays	155,614	-	-	6,950	162,564
Restricted cash	-	5,178,199	6,135,266	-	11,313,465
Restricted investments	-	21,066,356	2,109,415	-	23,175,771
TOTAL ASSETS	\$ 13,183,118	\$ 26,244,555	\$ 8,244,681	\$ 4,647,659	\$ 52,320,013
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 565,902	\$ 687,284	\$ 3,690,081	\$ 211,528	\$ 5,154,795
Accrued salaries and related items	3,182,795	-	-	-	3,182,795
Accrued retirement	1,149,239	-	-	-	1,149,239
Due to other funds	-	-	-	423	423
Due to other governmental units	44,020	-	-	-	44,020
Unearned revenue	185,010	-	-	63,883	248,893
TOTAL LIABILITIES	5,126,966	687,284	3,690,081	275,834	9,780,165
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,147,800	-	-	-	1,147,800
FUND BALANCES					
Nonspendable					
Inventories	12,633	-	-	50,444	63,077
Prepays	155,614	-	-	6,950	162,564

See notes to financial statements.

	<u>General Fund</u>	<u>2020 Capital Projects Fund</u>	<u>2017 Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES (continued)					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ 576,094	\$ 576,094
Capital projects	-	25,557,271	4,554,600	2,510,512	32,622,383
Food service	-	-	-	312,682	312,682
Committed:					
Student/school activities	-	-	-	376,647	376,647
Assigned for capital projects	-	-	-	538,496	538,496
Assigned for subsequent year expenditures	1,130,405	-	-	-	1,130,405
Unassigned general fund	5,609,700	-	-	-	5,609,700
TOTAL FUND BALANCES	<u>6,908,352</u>	<u>25,557,271</u>	<u>4,554,600</u>	<u>4,371,825</u>	<u>41,392,048</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 13,183,118</u>	<u>\$ 26,244,555</u>	<u>\$ 8,244,681</u>	<u>\$ 4,647,659</u>	<u>\$ 52,320,013</u>
Total governmental fund balances					\$ 41,392,048
Amounts reported for governmental activities in the statement of net position are different because:					
Deferred charges on refunding					756,383
Deferred outflows of resources - related to pensions					19,680,343
Deferred outflows of resources - related to other postemployment benefits					5,038,170
Deferred inflows of resources - related to pensions					(3,994,200)
Deferred inflows of resources - related to other postemployment benefits					(6,556,747)
Deferred inflows of resources - related to state funding for pension					(2,346,603)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					
The cost of the capital assets is				\$ 172,958,579	
Accumulated depreciation is				<u>(48,167,946)</u>	
					124,790,633
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
Deferred inflows - Taxes receivable at June 30th less allowance for doubtful accounts					1,047,800
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds payable					(120,545,944)
Compensated absences and termination benefits					(893,088)
Accrued interest is not included as a liability in government funds, it is recorded when paid					(879,733)
Net other postemployment benefits liability					(15,315,292)
Net pension liability					<u>(70,097,391)</u>
Net position of governmental activities					<u>\$ (27,823,621)</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, 2020**

	<u>General Fund</u>	<u>2020 Capital Projects Fund</u>	<u>2017 Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources					
Property taxes	\$ 9,777,142	\$ -	\$ -	\$ 9,003,918	\$ 18,781,060
Tuition	4,150	-	-	-	4,150
Investment earnings	117,456	73,519	303,487	19,796	514,258
Food sales and athletics	150,300	-	-	340,379	490,679
Student activity income	-	-	-	311,091	311,091
Other	344,670	-	-	-	344,670
Total local sources	10,393,718	73,519	303,487	9,675,184	20,445,908
State sources	26,059,801	-	-	51,402	26,111,203
Federal sources	717,678	-	-	1,038,995	1,756,673
Incoming transfers and other	4,060,396	-	-	-	4,060,396
Total revenues	41,231,593	73,519	303,487	10,765,581	52,374,180
EXPENDITURES					
Current					
Instruction	25,030,962	-	-	-	25,030,962
Supporting services	15,759,696	-	-	-	15,759,696
Food service activities	-	-	-	1,341,874	1,341,874
Student/school activities	-	-	-	308,530	308,530
Community service activities	18,881	-	-	-	18,881
Capital outlay	-	1,159,859	27,695,831	1,045,989	29,901,679

See notes to financial statements.

	<u>General Fund</u>	<u>2020 Capital Projects Fund</u>	<u>2017 Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
EXPENDITURES (continued)					
Debt service					
Principal repayment	\$ -	\$ -	\$ -	\$ 3,795,000	\$ 3,795,000
Interest	-	-	-	4,082,350	4,082,350
Other costs	-	-	-	15,878	15,878
Total expenditures	<u>40,809,539</u>	<u>1,159,859</u>	<u>27,695,831</u>	<u>10,589,621</u>	<u>80,254,850</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>422,054</u>	<u>(1,086,340)</u>	<u>(27,392,344)</u>	<u>175,960</u>	<u>(27,880,670)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from bond issuance	-	21,160,000	-	-	21,160,000
Premium on bond issuance	-	5,483,611	-	-	5,483,611
Proceeds from sale of capital assets	34,117	-	-	6,684	40,801
Transfers in	90,000	-	-	-	90,000
Transfers out	-	-	-	(90,000)	(90,000)
Total other financing sources (uses)	<u>124,117</u>	<u>26,643,611</u>	<u>-</u>	<u>(83,316)</u>	<u>26,684,412</u>
NET CHANGE IN FUND BALANCES	<u>546,171</u>	<u>25,557,271</u>	<u>(27,392,344)</u>	<u>92,644</u>	<u>(1,196,258)</u>
FUND BALANCES					
Beginning of year, as restated	<u>6,362,181</u>	<u>-</u>	<u>31,946,944</u>	<u>4,279,181</u>	<u>42,588,306</u>
End of year	<u>\$ 6,908,352</u>	<u>\$ 25,557,271</u>	<u>\$ 4,554,600</u>	<u>\$ 4,371,825</u>	<u>\$ 41,392,048</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, 2020**

Net change in fund balances total governmental funds	\$ (1,196,258)
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	(4,197,577)
Capital outlay	29,455,097
Net book value of assets disposed	(598,956)
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	680,392
Accrued interest payable, end of the year	(879,733)
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:	
Proceeds from bond issuance	(21,160,000)
Payments on debt	3,795,000
Premium on issuance of bonds	(5,483,611)
Amortization of deferred charges on refunding	(75,638)
Amortization of bond premium	925,304
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	(279,570)
Deferred inflows - unavailable revenue, end of the year	1,147,800
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	875,766
Accrued compensated absences and termination benefits, end of the year	(893,088)
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	1,240,565
Pension related items	(4,607,346)
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	2,319,725
State aid funding for pension, end of year	(2,346,603)
Change in net position of governmental activities	<u><u>\$ (1,278,731)</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020**

	<u>Custodial Funds</u>
ASSETS	
Cash	<u>\$ 48,209</u>
NET POSITION	
Restricted for student organizations	<u><u>\$ 48,209</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2020**

	<u>Custodial Funds</u>
DEDUCTIONS	
Payments made on behalf of student organizations	<u>\$ 12,535</u>
NET POSITION	
Beginning of year, as restated	<u> 60,744</u>
End of year	<u><u>\$ 48,209</u></u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

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.

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 *2020 capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The *2017 capital projects fund* accounts for the receipt of debt proceeds 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)

Basis of Presentation - Fund Financial Statements (continued)

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.

	2020	2017
Revenue, not including proceeds	\$ 73,519	\$ 1,761,546
Expenditures and transfers	\$ 1,159,859	\$ 64,603,658

The above revenue figures do not include total 2020 and 2017 bond proceeds and premium of \$26,643,611 and \$67,396,712, respectively.

Other Nonmajor Funds

The *special revenue funds* account for revenue sources that are legally restricted or committed to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities in special revenue funds.

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.

The capital projects *sinking funds* record capital project activities funded with sinking fund millage and other sources. For the sinking funds, 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.

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 custodial fund consists of assets for the benefit of individuals and the District does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the District's provision of goods or services to those individuals. 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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*. 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.

The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of the fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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.

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

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 funds. 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30, 2020. The District does not consider these amendments to be significant.

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

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.

Investments

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments (continued)

- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Inventories and Prepaid Items

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

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.

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.

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:

Capital Asset Classes	Lives
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)

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

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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

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.

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 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

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.

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, 2020 the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	6.5000
Sinking fund	
PRE, Non-PRE, Commercial Personal Property	1.0000

Compensated Absences and Termination Benefits

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.

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 (continued)

Revenues and Expenditures/Expenses (continued)

Long-term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2020, the District had deposits and investments subject to the following risk:

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, 2020, \$22,996,926 of the District's bank balance of \$23,246,926 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$21,207,933.

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.

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.

Investment Type	Fair Value	Weighted Average Maturity (years)
MILAF External Investment Pool - CMC	\$ 1,820,668	N/A
MILAF External Investment Pool - MAX	23,175,771	N/A
Total fair value	\$ 24,996,439	
Portfolio weighted average maturity		N/A

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 (continued)

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. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
MILAF External Investment Pool - CMC	\$ 1,820,668	AAAm	Standard & Poor's
MILAF External Investment Pool - MAX	23,175,771	AAAm	Standard & Poor's
Total	<u>\$ 24,996,439</u>		

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

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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF 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 Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF External Investment Pool - CMC	\$ 1,820,668
MILAF External Investment Pool - MAX	23,175,771
Total	\$ 24,996,439

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2020:

	Primary Government	Custodial Fund	Total
Cash and cash equivalents	\$ 11,668,002	\$ 48,209	\$ 11,716,211
Restricted cash - capital projects	11,313,465	-	11,313,465
Restricted investments - capital projects	23,175,771	-	23,175,771
	\$ 46,157,238	\$ 48,209	\$ 46,205,447

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2020 consist of the following:

Intergovernmental	
State aid	\$ 5,423,628
Federal revenue	293,796
Ingham Intermediate School District	105,589
	\$ 5,823,013

No allowance for doubtful accounts is considered necessary.

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

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets at June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Reclassifications/ Deletions	Balance June 30, 2020
Assets not being depreciated				
Land	\$ 266,493	\$ 214,042	\$ -	\$ 480,535
Construction in progress	27,802,275	24,439,355	26,220,876	26,020,754
	<u>28,068,768</u>	<u>24,653,397</u>	<u>26,220,876</u>	<u>26,501,289</u>
Other capital assets				
Land improvements	12,733,507	2,667,514	432,325	14,968,696
Buildings and additions	101,528,548	26,966,496	4,321,192	124,173,852
Furniture and equipment	5,912,005	1,388,566	291,351	7,009,220
Vehicles	330,720	-	25,200	305,520
Total other capital assets	<u>120,504,780</u>	<u>31,022,576</u>	<u>5,070,068</u>	<u>146,457,288</u>
Accumulated depreciation				
Land improvements	7,700,649	711,697	356,871	8,055,475
Building and improvements	36,124,652	3,059,803	3,800,393	35,384,062
Furniture and equipment	4,435,781	397,062	288,648	4,544,195
Vehicles	180,397	29,015	25,200	184,212
Total accumulated depreciat	<u>48,441,479</u>	<u>4,197,577</u>	<u>4,471,112</u>	<u>48,167,944</u>
Net other capital assets	<u>72,063,301</u>	<u>26,824,999</u>	<u>598,956</u>	<u>98,289,344</u>
Net capital assets	<u>\$ 100,132,069</u>	<u>\$ 51,478,396</u>	<u>\$ 26,819,832</u>	<u>\$ 124,790,633</u>

Depreciation for the fiscal year ended June 30, 2020 amounted to \$4,197,577. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Receivable Fund	Amount	Payable Fund	Amount
General fund	<u>\$ 423</u>	Nonmajor debt funds	<u>\$ 423</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.

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

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2020.

	General Obligation Bonds	Compensated Absences and Termination Benefits	Total
Balance, July 1, 2019	\$ 98,622,637	\$ 875,766	\$ 99,498,403
Additions	26,643,611	106,979	26,750,590
Deletions	<u>(4,720,304)</u>	<u>(89,657)</u>	<u>(4,809,961)</u>
Balance, June 30, 2020	120,545,944	893,088	121,439,032
Due within one year	<u>(3,815,000)</u>	<u>(56,920)</u>	<u>(3,871,920)</u>
Due in more than one year	<u>\$ 116,730,944</u>	<u>\$ 836,168</u>	<u>\$ 117,567,112</u>

The District issues general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations at June 30, 2020 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%.	\$ 25,425,000
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%.	55,700,000
2020 Building and site bonds due in annual installments of \$345,000 to \$1,045,000 through May 1, 2044, with interest rates from 4% to 5%.	21,160,000
Plus issuance premium	<u>18,260,944</u>
Total general obligation bonds	<u>120,545,944</u>
Compensated absences and termination benefits	<u>893,088</u>
Total general long-term obligations	<u>\$ 121,439,032</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, 2020, \$30,325,000 of bonds outstanding are considered defeased.

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

NOTE 6 - LONG-TERM OBLIGATIONS

The annual requirements to amortize the long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2020 are as follows:

Year Ending June 30,	General Obligation Bonds		Compensated Absences and Termination Benefits	Total
	Principal	Interest		
2021	\$ 3,815,000	\$ 5,096,199	\$ -	\$ 8,911,199
2022	4,030,000	4,760,150	-	8,790,150
2023	4,540,000	4,572,950	-	9,112,950
2024	5,045,000	4,365,150	-	9,410,150
2025	5,505,000	4,137,300	-	9,642,300
2026 - 2030	30,120,000	16,757,450	-	46,877,450
2031 - 2035	19,530,000	10,357,500	-	29,887,500
2036 - 2040	19,700,000	5,457,000	-	25,157,000
2041 - 2044	10,000,000	959,250	-	10,959,250
	102,285,000	56,462,949	-	158,747,949
Issuance premium	18,260,944	-	-	18,260,944
Compensated absences and termination benefits	-	-	893,088	893,088
	<u>\$ 120,545,944</u>	<u>\$ 56,462,949</u>	<u>\$ 893,088</u>	<u>\$ 177,901,981</u>

Interest expense (all funds) for the year ended June 30, 2020 was approximately \$4,282,000.

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 of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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.

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 (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

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.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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 closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 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 Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included 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.

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.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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 pension benefits and 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2019 were determined as of the September 30, 2016 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2016 are amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

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:

	Pension	Other Postemployment Benefit
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Total pension contributions were approximately \$5,928,000. Of the total pension contributions, approximately \$5,834,000 was contributed to fund the Defined Benefit Plan and approximately \$94,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. Total OPEB contributions were approximately \$1,726,000. Of the total OPEB contributions, approximately \$1,648,000 was contributed to fund the Defined Benefit Plan and approximately \$78,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPERS 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

The net pension liability was measured as of September 30, 2019, 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.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total Pension Liability	\$ 83,442,507,212	\$ 79,863,694,444
Plan Fiduciary Net Position	\$ 50,325,869,388	\$ 49,801,889,205
Net Pension Liability	\$ 33,116,637,824	\$ 30,061,805,239
Proportionate Share	0.21167%	0.21426%
Net Pension Liability for the District	\$ 70,097,391	\$ 64,411,434

**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, 2020, the District recognized pension expense of \$10,441,532.

At June 30, 2020, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 13,725,119	\$ -
Net difference between projected and actual pension plan investments earnings	-	2,246,502
Changes in proportion and differences between employer contributions and proportionate share of contributions	197,016	1,455,399
Differences between expected and actual experience	314,199	292,299
Reporting Unit's contributions subsequent to the measurement date	<u>5,444,009</u>	<u>-</u>
	<u>\$ 19,680,343</u>	<u>\$ 3,994,200</u>

\$5,444,009, 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:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 4,221,455
2021	3,158,420
2022	2,007,720
2023	854,539

**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

The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB 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 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.

<u>MPSEERS (Plan) Non-university Employers</u>	<u>September 30, 2019</u>		<u>September 30, 2018</u>	
Total other postemployment benefit liability	\$	13,925,860,688	\$	13,932,170,264
Plan fiduciary net position	\$	6,748,112,668	\$	5,983,218,473
Net other postemployment benefit liability	\$	7,177,748,020	\$	7,948,951,791
Proportionate share		0.21337%		0.21015%
Net other postemployment benefit liability for the District	\$	15,315,292	\$	16,704,498

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$406,953.

At June 30, 2020, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,619,614
Changes of assumptions	3,318,514	-
Net difference between projected and actual earnings on OPEB plan investments	-	266,340
Changes in proportion and differences between employer contributions and proportionate share of contributions	240,243	670,793
Employer contributions subsequent to the measurement date	1,479,413	-
	<u>\$ 5,038,170</u>	<u>\$ 6,556,747</u>

\$1,479,413, 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.

**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 (continued)

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 Ending September 30,	Amount
2020	\$ (843,337)
2021	(843,337)
2022	(711,092)
2023	(438,240)
2024	(161,984)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

Investment Rate of Return for OPEB - 6.95% 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 morality improvements using projection scale MP-2017 from 2006.

Active - RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for morality 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, 2018. 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.

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, 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 and OPEB 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 3.5% in year twelve.

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, 2019 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%	5.50%
Private Equity Pools	18.00%	8.60%
International Equity	16.00%	7.30%
Fixed Income Pools	10.50%	1.20%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.40%
Short Term Investment Pools	2.00%	0.80%
	<u>100.00%</u>	

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

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (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.

OPEB Discount Rate - A single discount rate of 6.95% 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 6.95%. 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 6.80% (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		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 91,131,093	\$ 70,097,391	\$ 52,659,728

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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 6.95%, 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 one percentage point lower or one percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	<u>\$ 18,786,507</u>	<u>\$ 15,315,292</u>	<u>\$ 12,400,435</u>

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 3.5%), 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 one percentage point lower or one percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	<u>\$ 12,276,858</u>	<u>\$ 15,315,292</u>	<u>\$ 18,786,095</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 2019 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).

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

NOTE 8 - RISK MANAGEMENT

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

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

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2020 or any of the prior 3 years.

NOTE 9 - TRANSFERS

The transfer of \$90,000 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:

Municipality	Taxes Abated
City of East Lansing	\$ 441,429
City of Lansing	129,980
Total	\$ 571,409

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 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2020, the District implemented the following new pronouncement, GASB Statement No. 84, *Fiduciary Activities*.

Summary

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017. 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.

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

	Fund Balances			Total Governmental Funds
	General Fund	Food Service Fund	Student/School Activity Fund	
Fund balance as of July 1, 2019, as previously stated	\$ 6,326,357	\$ 343,443	\$ -	\$ 42,178,146
Adoption of GASB Statement 84	35,824	250	374,086	410,160
Fund balance as of July 1, 2019, as restated	\$ 6,362,181	\$ 343,693	\$ 374,086	\$ 42,588,306
			Net Position	
			Governmental Activities	Custodial Fund
Net position as of July 1, 2019, as previously stated			\$ (26,955,050)	\$ -
Adoption of GASB Statement 84			410,160	60,744
Net position as of July 1, 2019, as restated			\$ (26,544,890)	\$ 60,744

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

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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 2022-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, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Local sources	\$ 10,872,586	\$ 10,737,948	\$ 10,393,718	\$ (344,230)
State sources	25,626,099	26,269,971	26,059,801	(210,170)
Federal sources	773,200	860,300	717,678	(142,622)
Incoming transfers and other	3,816,319	4,022,273	4,060,396	38,123
Total revenues	<u>41,088,204</u>	<u>41,890,492</u>	<u>41,231,593</u>	<u>(658,899)</u>
EXPENDITURES				
Current				
Instruction				
Basic programs	19,536,490	19,685,324	19,653,905	31,419
Added needs	5,408,068	5,480,200	5,377,057	103,143
Total instruction	<u>24,944,558</u>	<u>25,165,524</u>	<u>25,030,962</u>	<u>134,562</u>
Supporting services				
Pupil	3,421,092	3,229,931	3,173,621	56,310
Instructional staff	2,734,331	2,717,911	2,485,385	232,526
General administration	459,742	451,418	424,420	26,998
School administration	2,387,316	2,402,248	2,376,753	25,495
Business	593,634	603,679	616,291	(12,612)
Operation/maintenance	4,280,848	4,135,209	3,873,616	261,593
Pupil transportation	1,348,091	1,316,630	1,216,325	100,305
Central	888,026	940,552	903,774	36,778
Athletics	751,797	713,235	689,511	23,724
Total supporting services	<u>16,864,877</u>	<u>16,510,813</u>	<u>15,759,696</u>	<u>751,117</u>
Community services	19,610	45,726	18,881	26,845
Total expenditures	<u>41,829,045</u>	<u>41,722,063</u>	<u>40,809,539</u>	<u>912,524</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(740,841)</u>	<u>168,429</u>	<u>422,054</u>	<u>253,625</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	14,000	21,000	34,117	13,117
Transfers in	90,000	90,000	90,000	-
Total other financing sources (uses)	<u>104,000</u>	<u>111,000</u>	<u>124,117</u>	<u>13,117</u>
NET CHANGE IN FUND BALANCE	<u>\$ (636,841)</u>	<u>\$ 279,429</u>	<u>546,171</u>	<u>\$ 266,742</u>
FUND BALANCE				
Beginning of year, as restated			<u>6,362,181</u>	
End of year			<u>\$ 6,908,352</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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability (%)	0.21167%	0.21426%	0.21939%	0.21837%	0.21480%	0.22017%
Reporting Unit's proportionate share of net pension liability	\$ 70,097,391	\$ 64,411,434	\$ 56,853,910	\$ 54,481,960	\$ 52,465,688	\$ 48,496,759
Reporting Unit's covered-employee payroll	\$ 18,626,250	\$ 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	376.34%	360.18%	309.46%	293.00%	292.66%	259.17%
Plan fiduciary net position as a percentage of total pension liability (Non-university employee)	60.31%	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)**

	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 5,834,186	\$ 5,549,581	\$ 5,700,705	\$ 5,129,913	\$ 4,676,809	\$ 3,817,387
Contributions in relation to statutorily required contributions	5,834,186	5,549,581	5,700,705	5,129,913	4,676,809	3,817,387
Contribution deficiency (excess)	<u>\$ -</u>					
Reporting Unit's covered-employee payroll	\$ 19,166,115	\$ 18,410,181	\$ 17,992,654	\$ 18,395,718	\$ 16,608,983	\$ 18,107,753
Contributions as a percentage of covered-employee payroll	30.44%	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>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.21337%	0.21015%	0.21979%
Reporting Unit's proportionate share of net OPEB liability	\$ 15,315,292	\$ 16,704,498	\$ 19,463,607
Reporting Unit's covered-employee payroll	\$ 18,626,250	\$ 17,883,246	\$ 18,372,230
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	82.22%	93.41%	105.94%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employee)	48.46%	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>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 1,647,518	\$ 1,541,169	\$ 1,599,006
Contributions in relation to statutorily required contributions	<u>1,647,518</u>	<u>1,541,169</u>	<u>1,599,006</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 19,166,115	\$ 18,410,181	\$ 17,992,654
Contributions as a percentage of covered-employee payroll	8.60%	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, 2020**

NOTE 1 - PENSION INFORMATION

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.

Discount rate for Pension Plus decreased to 6.80% from 7.00%.

NOTE 2 - OPEB INFORMATION

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for decreased to 6.95% from 7.15%.

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

ADDITIONAL SUPPLEMENTARY INFORMATION

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
YEAR ENDED JUNE 30, 2020**

LOCAL SOURCES	
Property taxes	\$ 9,777,142
Tuition	4,150
Investment earnings	117,456
Other local revenue	344,670
Athletics	150,300
TOTAL LOCAL SOURCES	<u>10,393,718</u>
STATE SOURCES	
Foundation grant	13,610,676
Special education	1,466,795
Other state revenue	10,982,330
TOTAL STATE SOURCES	<u>26,059,801</u>
FEDERAL SOURCES	
Title I	477,351
Title II	98,460
Title III	46,948
Other federal revenue	94,919
TOTAL FEDERAL SOURCES	<u>717,678</u>
INCOMING TRANSFERS AND OTHER TRANSACTIONS	
Special education	4,002,953
Other	57,443
TOTAL INCOMING TRANSFERS AND OTHER TRANSACTIONS	<u>4,060,396</u>
TOTAL REVENUES	<u>41,231,593</u>
OTHER FINANCING SOURCES	
Proceeds from sale of capital assets	34,117
Transfers in	90,000
TOTAL OTHER FINANCING SOURCES	<u>124,117</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u><u>\$ 41,355,710</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2020**

INSTRUCTION

Basic programs		
Elementary		
Salaries	\$	5,196,750
Benefits		3,393,475
Purchased services		21,256
Supplies and materials		102,674
Capital outlay		16,706
Other expenses		340,690
Total elementary		<u>9,071,551</u>
Middle school		
Salaries		2,338,051
Benefits		1,530,313
Purchased services		23,320
Supplies and materials		42,830
Capital outlay		11,557
Other expenses		63,496
Total middle school		<u>4,009,567</u>
High school		
Salaries		3,349,665
Benefits		2,175,252
Purchased services		122,424
Supplies and materials		99,067
Capital outlay		115,741
Other expenses		427,461
Total high school		<u>6,289,610</u>
Pre-school		
Salaries		160,098
Benefits		113,668
Supplies and materials		4,877
Capital outlay		1,580
Other expenses		1,229
Total pre-school		<u>281,452</u>
Summer school		
Salaries		1,170
Benefits		555
Total summer school		<u>1,725</u>
Total basic programs		<u>19,653,905</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2020**

INSTRUCTION (continued)

Added needs	
Special education	
Salaries	\$ 1,800,800
Benefits	1,322,034
Purchased services	59,809
Supplies and materials	12,048
Capital outlay	1,848
Other expenses	<u>629,628</u>
Total special education	<u>3,826,167</u>
Compensatory education	
Salaries	899,553
Benefits	620,870
Purchased services	14,940
Supplies and materials	10,267
Other expenses	<u>5,260</u>
Total compensatory education	<u>1,550,890</u>
Total added needs	<u>5,377,057</u>
TOTAL INSTRUCTION	<u>25,030,962</u>

SUPPORTING SERVICES

Pupil services	
Salaries	1,718,927
Benefits	1,081,525
Purchased services	26,426
Supplies and materials	17,590
Capital outlay	605
Other expenses	<u>328,548</u>
Total pupil services	<u>3,173,621</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2020**

SUPPORTING SERVICES (continued)

Instructional staff services	
Salaries	\$ 1,299,064
Benefits	830,970
Purchased services	87,881
Supplies and materials	165,354
Capital outlay	1,953
Other expenses	<u>100,163</u>
Total instructional staff services	<u>2,485,385</u>
General administration	
Salaries	209,829
Benefits	130,406
Purchased services	70,697
Supplies and materials	5,390
Capital outlay	858
Other expenses	<u>7,240</u>
Total general administration	<u>424,420</u>
School administration	
Salaries	1,417,302
Benefits	901,334
Purchased services	16,877
Supplies and materials	28,617
Capital outlay	6,063
Other expenses	<u>6,560</u>
Total school administration	<u>2,376,753</u>
Business services	
Salaries	264,921
Benefits	174,022
Purchased services	81,749
Supplies and materials	8,867
Other expenses	<u>86,732</u>
Total business services	<u>616,291</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2020**

SUPPORTING SERVICES (continued)

Operations and maintenance	
Salaries	\$ 320,995
Benefits	207,190
Purchased services	1,955,995
Supplies and materials	1,357,541
Capital outlay	13,335
Other expenses	18,560
Total operations and maintenance	<u>3,873,616</u>
Transportation	
Purchased services	3,531
Supplies and materials	38,924
Other expenses	1,173,870
Total transportation	<u>1,216,325</u>
Central services	
Salaries	339,422
Benefits	212,554
Purchased services	255,174
Supplies and materials	5,357
Capital outlay	75,003
Other expenses	16,264
Total central services	<u>903,774</u>
Athletics	
Salaries	357,034
Benefits	191,778
Purchased services	70,496
Supplies and materials	60,340
Capital outlay	696
Other expenses	9,167
Total athletics	<u>689,511</u>
TOTAL SUPPORTING SERVICES	<u>15,759,696</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2020**

COMMUNITY SERVICES	
Salaries	\$ 6,651
Benefits	4,957
Purchased services	6,367
Supplies and materials	<u>906</u>
TOTAL COMMUNITY SERVICES	<u>18,881</u>
TOTAL EXPENDITURES	<u><u>\$ 40,809,539</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2020**

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Funds
ASSETS				
ASSETS				
Cash and cash equivalents	\$ 764,603	\$ 566,354	\$ 3,112,081	\$ 4,443,038
Taxes receivable	-	9,740	1,502	11,242
Intergovernmental	135,562	-	-	135,562
Due from other funds	-	423	-	423
Prepays	6,075	875	-	6,950
Inventories	50,444	-	-	50,444
TOTAL ASSETS	\$ 956,684	\$ 577,392	\$ 3,113,583	\$ 4,647,659
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 146,953	\$ -	\$ 64,575	\$ 211,528
Due to other funds	-	423	-	423
Unearned revenue	63,883	-	-	63,883
TOTAL LIABILITIES	210,836	423	64,575	275,834
FUND BALANCES				
Nonspendable				
Prepays	6,075	875	-	6,950
Inventories	50,444	-	-	50,444
Restricted for:				
Debt service	-	576,094	-	576,094
Capital projects	-	-	2,510,512	2,510,512
Food service	312,682	-	-	312,682
Committed	376,647	-	-	376,647
Assigned for capital projects	-	-	538,496	538,496
TOTAL FUND BALANCES	745,848	576,969	3,049,008	4,371,825
TOTAL LIABILITIES AND FUND BALANCES	\$ 956,684	\$ 577,392	\$ 3,113,583	\$ 4,647,659

**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, 2020**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Local sources				
Property taxes	\$ -	\$ 7,803,566	\$ 1,200,352	\$ 9,003,918
Investment earnings	-	19,796	-	19,796
Food sales	340,379	-	-	340,379
Student/school activity income	311,091	-	-	311,091
Total local sources	651,470	7,823,362	1,200,352	9,675,184
State sources	51,402	-	-	51,402
Federal sources	1,038,995	-	-	1,038,995
Total revenues	1,741,867	7,823,362	1,200,352	10,765,581
EXPENDITURES				
Current				
Food service activities	1,341,874	-	-	1,341,874
Student/school activities	308,530	-	-	308,530
Capital outlay	70,078	-	975,911	1,045,989
Debt service				
Principal repayment	-	3,795,000	-	3,795,000
Interest expense	-	4,082,350	-	4,082,350
Other costs	-	13,697	2,181	15,878
Total expenditures	1,720,482	7,891,047	978,092	10,589,621
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	21,385	(67,685)	222,260	175,960
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	6,684	-	-	6,684
Transfers out	-	-	(90,000)	(90,000)
Total other financing sources (uses)	6,684	-	(90,000)	(83,316)
NET CHANGE IN FUND BALANCES	28,069	(67,685)	132,260	92,644
FUND BALANCES				
Beginning of year, as restated	717,779	644,654	2,916,748	4,279,181
End of year	\$ 745,848	\$ 576,969	\$ 3,049,008	\$ 4,371,825

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
YEAR ENDED JUNE 30, 2020**

	Food Service	Student/School Activities	Total Nonmajor Special Revenue
ASSETS			
ASSETS			
Cash and cash equivalents	\$ 383,965	\$ 380,638	\$ 764,603
Due from other governmental units	135,562	-	135,562
Prepaid expenditures	6,075	-	6,075
Inventories	50,444	-	50,444
	TOTAL ASSETS	\$ 380,638	\$ 956,684
	\$ 576,046	\$ 380,638	\$ 956,684
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 142,962	\$ 3,991	\$ 146,953
Unearned revenue	63,883	-	63,883
	TOTAL LIABILITIES	3,991	210,836
	206,845	3,991	210,836
FUND BALANCES			
Nonspendable			
Prepaid expenditures	6,075	-	6,075
Inventories	50,444	-	50,444
Restricted	312,682	-	312,682
Committed	-	376,647	376,647
	TOTAL FUND BALANCES	376,647	745,848
	369,201	376,647	745,848
	\$ 576,046	\$ 380,638	\$ 956,684

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

	<u>Food Service</u>	<u>Student/School Activities</u>	<u>Total Nonmajor Special Revenue</u>
REVENUES			
Sales	\$ 340,379	\$ -	\$ 340,379
State aid	51,402	-	51,402
Federal aid	1,038,995	-	1,038,995
Student activity income	-	311,091	311,091
Total revenues	<u>1,430,776</u>	<u>311,091</u>	<u>1,741,867</u>
EXPENDITURES			
Salaries	71,178	-	71,178
Benefits	32,957	-	32,957
Purchased services	137,673	-	137,673
Supplies and materials	746,037	-	746,037
Capital outlay	70,078	-	70,078
Other expenses	354,029	308,530	662,559
Total expenditures	<u>1,411,952</u>	<u>308,530</u>	<u>1,720,482</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>18,824</u>	<u>2,561</u>	<u>21,385</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	<u>6,684</u>	<u>-</u>	<u>6,684</u>
NET CHANGE IN FUND BALANCES	25,508	2,561	28,069
FUND BALANCES			
Beginning of year, as restated	<u>343,693</u>	<u>374,086</u>	<u>717,779</u>
End of year	<u>\$ 369,201</u>	<u>\$ 376,647</u>	<u>\$ 745,848</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020**

	2015	2017 Debt	Total Nonmajor Debt Service
	<u>Refunding</u>	<u>2017 Debt</u>	<u>Service</u>
ASSETS			
ASSETS			
Cash and cash equivalents	\$ 278,156	\$288,198	\$566,354
Prepays	375	500	875
Due from other funds	423	-	423
Taxes receivable	<u>4,870</u>	<u>4,870</u>	<u>9,740</u>
TOTAL ASSETS	<u>\$ 283,824</u>	<u>\$293,568</u>	<u>\$577,392</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	<u>\$ -</u>	<u>\$ 423</u>	<u>\$ 423</u>
FUND BALANCES			
Nonspendable			
Prepays	375	500	875
Restricted for debt service	<u>283,449</u>	<u>292,645</u>	<u>576,094</u>
TOTAL FUND BALANCES	<u>283,824</u>	<u>293,145</u>	<u>576,969</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 283,824</u>	<u>\$293,568</u>	<u>\$577,392</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, 2020**

	<u>2015 Refunding</u>	<u>2017 Debt</u>	<u>Total Nonmajor Debt Service</u>
REVENUES			
Local sources			
Property taxes	\$3,901,783	\$ 3,901,783	\$ 7,803,566
Investment earnings	10,692	9,104	19,796
	<u>3,912,475</u>	<u>3,910,887</u>	<u>7,823,362</u>
Total revenues			
EXPENDITURES			
Principal repayment	2,565,000	1,230,000	3,795,000
Interest expense	1,399,500	2,682,850	4,082,350
Other costs	7,196	6,501	13,697
	<u>3,971,696</u>	<u>3,919,351</u>	<u>7,891,047</u>
Total expenditures			
NET CHANGE IN FUND BALANCES	(59,221)	(8,464)	(67,685)
FUND BALANCES			
Beginning of year	<u>343,045</u>	<u>301,609</u>	<u>644,654</u>
End of year	<u>\$ 283,824</u>	<u>\$ 293,145</u>	<u>\$ 576,969</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
YEAR ENDED JUNE 30, 2020**

	2012 Capital Projects Fund	Sinking Fund	2019 Sinking Fund	Total Nonmajor Capital Projects
ASSETS				
ASSETS				
Cash and cash equivalents	\$ 538,496	\$ 1,506,066	\$ 1,067,519	\$ 3,112,081
Taxes receivable	-	23	1,479	1,502
	\$ 538,496	\$ 1,506,089	\$ 1,068,998	\$ 3,113,583
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 50,784	\$ 13,791	\$ 64,575
FUND BALANCES				
Restricted	-	1,455,305	1,055,207	2,510,512
Assigned	538,496	-	-	538,496
	538,496	1,455,305	1,055,207	3,049,008
	\$ 538,496	\$ 1,506,089	\$ 1,068,998	\$ 3,113,583

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

	<u>2012 Capital Projects Fund</u>	<u>Sinking Fund</u>	<u>2019 Sinking Fund</u>	<u>Total Nonmajor Capital Projects</u>
REVENUE				
Property taxes	\$ -	\$ 286	\$ 1,200,066	\$ 1,200,352
EXPENDITURES				
Capital outlay	19,157	811,895	144,859	975,911
Other	-	2,181	-	2,181
Total expenditures	<u>19,157</u>	<u>814,076</u>	<u>144,859</u>	<u>978,092</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(19,157)</u>	<u>(813,790)</u>	<u>1,055,207</u>	<u>222,260</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(90,000)</u>	-	-	<u>(90,000)</u>
NET CHANGE IN FUND BALANCES	(109,157)	(813,790)	1,055,207	132,260
FUND BALANCES				
Beginning of year	<u>647,653</u>	<u>2,269,095</u>	<u>-</u>	<u>2,916,748</u>
End of year	<u>\$ 538,496</u>	<u>\$ 1,455,305</u>	<u>\$ 1,055,207</u>	<u>\$ 3,049,008</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COMBINED DEBT SERVICE REQUIREMENTS
JUNE 30, 2020**

<u>Year Ending June 30,</u>	<u>2015 Refunding Debt</u>	<u>2017 Debt</u>	<u>2020 Debt</u>	<u>Combined</u>
2021	\$ 3,856,250	\$ 3,863,650	\$ 686,749	\$ 8,406,649
2022	3,742,000	4,039,050	1,009,100	8,790,150
2023	3,632,000	4,126,850	1,009,100	8,767,950
2024	3,486,000	4,278,850	1,347,200	9,112,050
2025	3,340,750	4,417,250	1,632,300	9,390,300
2026	3,171,250	4,537,250	1,866,000	9,574,500
2027	2,998,750	4,699,250	1,893,100	9,591,100
2028	2,873,500	4,616,250	1,873,500	9,363,250
2029	2,703,250	4,828,000	1,833,500	9,364,750
2030	2,525,250	4,688,000	1,788,500	9,001,750
2031	-	4,648,000	1,738,500	6,386,500
2032	-	4,503,000	1,688,500	6,191,500
2033	-	4,358,000	1,638,500	5,996,500
2034	-	4,213,000	1,588,500	5,801,500
2035	-	4,088,000	1,538,500	5,626,500
2036	-	3,942,000	1,498,250	5,440,250
2037	-	3,796,000	1,447,750	5,243,750
2038	-	3,650,000	1,407,000	5,057,000
2039	-	3,504,000	1,356,000	4,860,000
2040	-	3,358,000	1,305,000	4,663,000
2041	-	3,212,000	1,263,750	4,475,750
2042	-	3,066,000	1,212,250	4,278,250
2043	-	-	1,170,500	1,170,500
2044	-	-	1,123,375	1,123,375
2045	-	-	1,071,125	1,071,125
	<u>\$ 32,329,000</u>	<u>\$ 90,432,400</u>	<u>\$ 35,986,549</u>	<u>\$ 158,747,949</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
2015 REFUNDING DEBT SERIES
JUNE 30, 2020**

2015 Debt Series

Calendar Year	Principal Due May 1,	Interest Due		Total Due Annually
		November 1	May 1	
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>\$ 25,425,000</u>	<u>\$ 3,452,000</u>	<u>\$ 3,452,000</u>	<u>\$ 32,329,000</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, 2020**

2017 Debt Series

Calendar Year	Principal Due May 1,	Interest Due		Total Due Annually
		November 1	May 1	
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	\$ 55,700,000	\$ 17,366,200	\$ 17,366,200	\$ 90,432,400

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

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
2020 DEBT SERIES
JUNE 30, 2020**

2020 Debt Series

Calendar Year	Principal Due May 1,	Interest Due		Total Due Annually
		November 1	May 1	
2020	\$ -	\$ 686,749	\$ -	\$ 686,749
2021	-	504,550	504,550	1,009,100
2022	-	504,550	504,550	1,009,100
2023	345,000	497,650	504,550	1,347,200
2024	650,000	484,650	497,650	1,632,300
2025	915,000	466,350	484,650	1,866,000
2026	980,000	446,750	466,350	1,893,100
2027	1,000,000	426,750	446,750	1,873,500
2028	1,000,000	406,750	426,750	1,833,500
2029	1,000,000	381,750	406,750	1,788,500
2030	1,000,000	356,750	381,750	1,738,500
2031	1,000,000	331,750	356,750	1,688,500
2032	1,000,000	306,750	331,750	1,638,500
2033	1,000,000	281,750	306,750	1,588,500
2034	1,000,000	256,750	281,750	1,538,500
2035	1,010,000	231,500	256,750	1,498,250
2036	1,010,000	206,250	231,500	1,447,750
2037	1,020,000	180,750	206,250	1,407,000
2038	1,020,000	155,250	180,750	1,356,000
2039	1,020,000	129,750	155,250	1,305,000
2040	1,030,000	104,000	129,750	1,263,750
2041	1,030,000	78,250	104,000	1,212,250
2042	1,040,000	52,250	78,250	1,170,500
2043	1,045,000	26,125	52,250	1,123,375
2044	1,045,000	-	26,125	1,071,125
Total 2020 bonded debt	\$ 21,160,000	\$ 7,504,374	\$ 7,322,175	\$ 35,986,549

The amount of the original bond issue was \$21,160,000.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
CAPITAL PROJECTS FUND - SINKING FUNDS
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2020**

SINKING FUND EXPENDITURES

Donley Elementary	\$ 47,049
Glencairn Elementary	804
Marble Elementary	221,438
Red Cedar Elementary	12,393
MacDonald Middle School	106,080
East Lansing High School	424,131
Other	<u>2,181</u>
Total expenditures	<u><u>\$ 814,076</u></u>

2019 SINKING FUND EXPENDITURES

Donley Elementary	\$ 750
Glencairn Elementary	750
Marble Elementary	750
Pinecrest Elementary	750
Whitehills Elementary	750
MacDonald Middle School	61,417
East Lansing High School	79,630
Other	<u>62</u>
Total expenditures	<u><u>\$ 144,859</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
2017 CAPITAL PROJECTS FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2020**

EXPENDITURES	
Donley Elementary	\$ 1,746,922
Glencairn Elementary	2,419,461
Marble Elementary	418,484
Pinecrest Elementary	11,514,297
Red Cedar Elementary	165,066
Whitehills Elementary	<u>11,431,601</u>
 Total expenditures	 <u><u>\$ 27,695,831</u></u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
2012 CAPITAL PROJECTS FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2020**

2012 Capital projects

EXPENDITURES

East Lansing High School

\$ 19,157

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
2020 CAPITAL PROJECTS FUND
DETAIL OF EXPENDITURES
YEAR ENDED JUNE 30, 2020**

EXPENDITURES	
Donley Elementary	\$ 32,740
Glencairn Elementary	32,740
Marble Elementary	563,370
Pinecrest Elementary	32,740
Red Cedar Elementary	465,527
Whitehills Elementary	<u>32,742</u>
Total expenditures	<u>\$ 1,159,859</u>

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND NET POSITION BY SCHOOL - CUSTODIAL FUND
YEAR ENDED JUNE 30, 2020**

	Net Position 7/1/19 (as restated)	Additions	Deductions	Net Position 6/30/20
East Lansing High School	\$ 60,745	\$ -	\$ 12,536	\$ 48,209

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Award Amount	Accrued (unearned) Revenue 7/1/2019	Prior Year Expenditures (memorandum only)	Current Year Expenditures	Current Year Receipts	Accrued (unearned) Revenue 6/30/2020
U.S. Department of Agriculture								
Passed through the Michigan Department of Education								
Child Nutrition Cluster								
Non-Cash Assistance (Donated Foods)								
National School Lunch Program Entitlement	10.555		\$ 88,561	\$ -	\$ -	\$ 88,561	\$ 88,561	\$ -
Cash Assistance								
National School Lunch Program	10.555	191960	459,299	-	391,773	67,526	67,526	-
		201960	314,972	-	-	314,972	314,972	-
COVID-19 National School Lunch Program - unanticipated school closure		200902	473,798	-	-	473,798	345,879	127,919
			<u>1,248,069</u>	<u>-</u>	<u>391,773</u>	<u>856,296</u>	<u>728,377</u>	<u>127,919</u>
Total CFDA# 10.555 National school lunch			<u>1,336,630</u>	<u>-</u>	<u>391,773</u>	<u>944,857</u>	<u>816,938</u>	<u>127,919</u>
School Breakfast Program	10.553	191970	117,234	-	103,192	14,042	14,042	-
		201970	78,047	-	-	78,047	78,047	-
Total CFDA # 10.553 Breakfast			<u>195,281</u>	<u>-</u>	<u>103,192</u>	<u>92,089</u>	<u>92,089</u>	<u>-</u>
Summer Food Service Program for Children	10.559	190900	1,887	-	-	1,887	1,887	-
		191900	162	-	-	162	162	-
Total CFDA # 10.559 Summer Food Service			<u>2,049</u>	<u>-</u>	<u>-</u>	<u>2,049</u>	<u>2,049</u>	<u>-</u>
Total Cash Assistance			<u>1,445,399</u>	<u>-</u>	<u>494,965</u>	<u>950,434</u>	<u>822,515</u>	<u>127,919</u>
Total Child Nutrition Cluster			<u>1,533,960</u>	<u>-</u>	<u>494,965</u>	<u>1,038,995</u>	<u>911,076</u>	<u>127,919</u>
Total U.S. Department of Agriculture			<u>1,533,960</u>	<u>-</u>	<u>494,965</u>	<u>1,038,995</u>	<u>911,076</u>	<u>127,919</u>

The accompanying notes are an integral part of this schedule.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Award Amount	Accrued (unearned) Revenue 7/1/2019	Prior Year Expenditures (memorandum only)	Current Year Expenditures	Current Year Receipts	Accrued (unearned) Revenue 6/30/2020
<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	191530 1819 201530 1920	\$ 475,808 530,986	\$ 62,403 -	\$ 350,948 -	\$ 3,260 474,091	\$ 65,663 377,711	\$ - 96,380
Total CFDA #84.010			<u>1,006,794</u>	<u>62,403</u>	<u>350,948</u>	<u>477,351</u>	<u>443,374</u>	<u>96,380</u>
Title III Part A - English Language Acquisition	84.365	190580 1819 200580 1920	53,198 48,607	9,238 -	28,199 -	9,035 37,913	18,273 33,262	- 4,651
Total CFDA #84.365			<u>101,805</u>	<u>9,238</u>	<u>28,199</u>	<u>46,948</u>	<u>51,535</u>	<u>4,651</u>
Title II Part A - Supporting Effective Instruction	84.367	190520 1819 200520 1920	140,885 149,510	18,422 -	85,915 -	187 98,273	18,609 80,265	- 18,008
Total CFDA #84.367			<u>290,395</u>	<u>18,422</u>	<u>85,915</u>	<u>98,460</u>	<u>98,874</u>	<u>18,008</u>
Title IV Part A - Student Support and Academic Enrichment Program	84.424	190750 1819 200750 1920	38,663 41,526	6,121 -	26,671 -	80 26,118	6,201 18,677	- 7,441
Total CFDA #84.424			<u>80,189</u>	<u>6,121</u>	<u>26,671</u>	<u>26,198</u>	<u>24,878</u>	<u>7,441</u>
Total passed through Michigan Department of Education			<u>1,479,183</u>	<u>96,184</u>	<u>491,733</u>	<u>648,957</u>	<u>618,661</u>	<u>126,480</u>

The accompanying notes are an integral part of this schedule.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Award Amount	Accrued (unearned) Revenue 7/1/2019	Prior Year Expenditures (memorandum only)	Current Year Expenditures	Current Year Receipts	Accrued (unearned) Revenue 6/30/2020
<u>U.S. Department of Education (continued):</u>								
Passed through Ingham Intermediate School District								
Special Education Cluster								
Special Education Grants to States	84.027	190450 1819 200450 1920	\$ 13,920	\$ 13,920	\$ 13,920	\$ -	\$ 13,920	\$ -
			11,608	-	-	11,608	-	11,608
Total CFDA #84.027			<u>25,528</u>	<u>13,920</u>	<u>13,920</u>	<u>11,608</u>	<u>13,920</u>	<u>11,608</u>
Special Education Preschool Grants	84.173	190460 1819 200460 1920	22,336	22,336	22,336	-	22,336	-
			25,342	-	-	25,342	-	25,342
Total CFDA #84.173			<u>47,678</u>	<u>22,336</u>	<u>22,336</u>	<u>25,342</u>	<u>22,336</u>	<u>25,342</u>
Total Special Education Cluster			<u>73,206</u>	<u>36,256</u>	<u>36,256</u>	<u>36,950</u>	<u>36,256</u>	<u>36,950</u>
Total U.S. Department of Education			<u>1,552,389</u>	<u>132,440</u>	<u>527,989</u>	<u>685,907</u>	<u>654,917</u>	<u>163,430</u>
<u>U.S. Department of Health and Human Services</u>								
Passed through Ingham Intermediate School District								
Medicaid Cluster								
Medical Assistance Program	93.778		22,856	-	-	22,856	22,856	-
<u>U.S. Department of Transportation</u>								
Passed through Michigan Fitness Foundation								
Highway Research and Development Program	20.200		21,013	3,006	6,673	8,915	9,474	2,447
Total Expenditures of Federal Awards			<u>\$ 3,130,218</u>	<u>\$ 135,446</u>	<u>\$ 1,029,627</u>	<u>\$ 1,756,673</u>	<u>\$ 1,598,323</u>	<u>\$ 293,796</u>

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, 2020**

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, 2020. 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	\$ 717,678
Other nonmajor governmental funds:	
Federal sources	<u>1,038,995</u>
	<u>\$ 1,756,673</u>

**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, 2020 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 17, 2020.

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 17, 2020

**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, 2020. 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, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

The School District of the City of East Lansing's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District of the City of East Lansing's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be significant deficiencies.

The School District of the City of East Lansing's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District of the City of East Lansing's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 17, 2020

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

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? X Yes 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)? X Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster

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

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section III - Federal Awards Finding and Questioned Costs

Finding 2020-001

Federal Program: Child Nutrition Cluster – CFDA #10.553, #10.555, and #10.559

Criteria: Annual on-site reviews must be conducted by the District in each building each year prior to February 1.

Condition: We reviewed the on-site review reports on file for the 2019-2020 school year. The results were that reviews were conducted and documented in February 2020, but they were not performed prior to February 1, 2020.

Context: The District was aware that on-site reviews were required to be conducted each year. They were not completed prior to February 1, 2020 as a result of the District changing the personnel who were in-charge of conducting the reviews.

Questioned Costs: \$0

Cause: The District had an oversight in getting the reviews scheduled prior to February 1, 2020.

Recommendation: The District should communicate the timeline for completing the on-site reviews at the start of the school year. This would allow them to schedule the dates in-advance in order to ensure that they are completed prior to February 1 each year.

View of Responsible Officials: The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.



East Lansing Public Schools Board Office, 501 Burcham Drive, East Lansing, MI 48823

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2020**

The School District of the City of East Lansing respectfully submits the following corrective action plan for the year ended June 30, 2020.

Auditor: Maner Costerisan
2425 E. Grand River Avenue, Suite 1
Lansing, MI 48912

Audit Period: Year ended June 30, 2020

District responsible individual to implement this plan: Scott Baker-Young, Accountant

The findings from the June 30, 2020 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding – Federal Award Finding

Finding 2020-001

Recommendation: The District should communicate the timeline for completing the on-site reviews at the start of the school year. This would allow them to schedule the dates in-advance in order to ensure that they are completed prior to February 1 each year.

Action to be taken: The District will schedule the on-site reviews at the beginning of the school year in order to ensure that dates are reserved in advance of the February 1 deadline.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

There were no findings disclosed for the past two years.