

City of East Lansing, Michigan

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2013

**Prepared by:
Department of Finance
Mary Haskell, CPA
Director of Finance**

City of East Lansing, Michigan

Contents

Introductory Section

Table of Contents	i-iii
Letter of Transmittal	iv-ix
Certificate of Achievement for Excellence in Financial Reporting	x
Organization Chart	xi

Financial Section

Report Letter	1-2
Management's Discussion and Analysis	3-20
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	21
Statement of Activities	22-23
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	24
Reconciliation of the Balance Sheet to the Statement of Net Position	25
Statement of Revenue, Expenditures, and Changes in Fund Balances	26
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Proprietary Funds:	
Statement of Net Position	28
Statement of Revenue, Expenses, and Changes in Net Position	29
Statement of Cash Flows	30-31
Fiduciary Funds - Statement of Fiduciary Net Position - Agency	32
Component Units:	
Statement of Net Position	33
Statement of Activities	34-35

City of East Lansing, Michigan

Contents (Continued)

Basic Financial Statements (Continued)

Notes to Financial Statements	36-65
-------------------------------	-------

Required Supplemental Information

	66
Budgetary Comparison Schedule - General Fund	67
Note to Required Supplemental Information	68-69

Other Supplemental Information

	70
Nonmajor Governmental Funds:	
Fund Descriptions	71
Combining Balance Sheet	72-73
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)	74-75
Budgetary Comparisons	76-84
Internal Service Funds:	
Fund Descriptions	85
Combining Statement of Net Position	86
Combining Statement of Revenue, Expenses, and Changes in Net Position	87
Combining Statement of Cash Flows	88
Statement of Net Position	89
Fiduciary Funds - Schedule of Changes in Assets and Liabilities	90
Component Unit - Downtown Development Authority:	
Balance Sheet/Statement of Net Position	91
Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	92
Component Unit - Downtown Management Board:	
Balance Sheet/Statement of Net Position	93
Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	93
Component Unit - Brownfield Redevelopment Authority:	
Balance Sheet/Statement of Net Position	94
Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	94

City of East Lansing, Michigan

Contents (Continued)

Other Supplemental Information (Continued)

Component Unit - Economic Development Corporation:	
Balance Sheet/Statement of Net Position	95
Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	95
Component Unit - Local Development Financing Authority:	
Balance Sheet/Statement of Net Position	96
Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	96

Statistical Section 97

Financial Trend Information:	98
Net Position by Component	99-100
Changes in Governmental Net Position	101-102
Changes in Business-type Net Position	103-104
Fund Balances, Governmental Funds	105-106
Changes in Fund Balances, Governmental Funds	107-108
Revenue Capacity Information:	109
Taxable Value and Actual Value of Taxable Property	110-111
Direct and Overlapping Property Tax Rates	112-113
Principal Property Taxpayers	114
Property Tax Levies and Collections	115
Debt Capacity Information:	116
Ratios of Outstanding Debt	117-118
Ratios of General Bonded Debt Outstanding	119-120
Direct and Overlapping Governmental Activities Debt	121
Legal Debt Margin	122-123
Pledged-revenue Coverage	124
Demographic and Economic Information:	125
Demographic and Economic Statistics	126
Principal Employers	127
Operating Information:	128
Full-time Equivalent Government Employees	129-130
Operating Indicators	131-132
Capital Asset Statistics	133-134



November 20, 2013

Mayor and Members of City Council
City of East Lansing
East Lansing, Michigan 48823

City of East Lansing
410 Abbot Road
East Lansing, MI 48823

(517) 337-1731
Fax (517) 337-1607
www.cityofeastlansing.com

The Comprehensive Annual Financial Report of the City of East Lansing for the fiscal year ending June 30, 2013 is submitted herewith. This report was prepared by the City's Finance Department. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City's administration. We believe this financial information is accurate in all material aspects; that it is presented in a manner designated to fairly state the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities are included.

The statements for the fiscal year ending June 30, 2013 were prepared in accordance with Statement No. 34 of the Government Accounting Standards Board (GASB #34) entitled "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." Before GASB #34 implementation, the financial statements only provided information about individual funds of the City. These funds established by the City show restrictions on planned use of resources or to measure, in the short term, the revenues and expenditures arising from municipal activities. While some of the statements in the CAFR are still on an individual fund basis, GASB #34 requires government-wide financial statements which were prepared using accrual accounting for all government activities. These statements at the government-wide level will help readers assess the finances of the government in its entirety; determine if the City's overall financial position improved or deteriorated, and see how the City invested in capital assets like roads, bridges, sewers, parks, etc. The government-wide statements are aimed at looking at the City as a whole and how it looks in the long term. Also included is a section called Management Discussion and Analysis, which is intended to give an easily readable analysis of the City's financial performance for the year.

CITY SERVICES

The City provides the full range of municipal services reflected by statute and/or charter. These services include police, fire, rescue, ambulance, district court, sanitation, recycling, recreation, library, streets and roads, public improvements, downtown parking, water, sewer, planning, zoning, building and general administrative services.

ECONOMIC CONDITION AND OUTLOOK

East Lansing is located in central Lower Michigan adjacent to the City of Lansing, the state capital of Michigan. East Lansing is a residential, commercial-oriented community serving as a local business, marketing and cultural center and is the home of Michigan State University.

The East Lansing economy has felt the impact of the prolonged economic recession in the State. The state equalized value (SEV) of all property in the City declined by over \$57.0 million in the last year with an inflationary decrease of 5.67 percent.

In November 1993, Michigan voters passed Proposal A which affects how K-12 education is funded. School operating property taxes were drastically reduced which cut many homeowners' property taxes in half. In its place, a 2 cent sales tax increase was implemented which was earmarked for education, as well as a state wide 6 mill education property tax. While the ballot initiative had the greatest impact on school funding, there were several City budget impacts as well. Proposal A also limited the increase on assessment of individual properties to the lesser of 5% or the consumer price index (CPI). The only exception to this provision is the uncapping of taxable value upon the transfer of property ownership. The initiative also called for an assessment increase limit of 5% or consumer price index whichever is LESS by individual parcel, except when the ownership of a parcel is transferred. The unprecedented economic conditions of the last several years have led to real declines in the SEV's of homes across the nation. While Michigan was impacted greatly with the economic downturn, in the past year East Lansing has seen an encouraging number of sales and slightly increasing home prices, possibly indicating market stabilization.

Statutory revenue sharing payments to local governments are now subject to participation in the Economic Vitality Incentive Program (EVIP) created by Public Act 63 of 2011. In order to qualify for a share of the state budgeted statutory revenue sharing, the City must certify that it is meeting the criteria established by the act in areas of: accountability and transparency, consolidation of services, and employee compensation (benefits). The three areas have staggered due dates and the City successfully completed all three areas last fiscal year. We have just completed the first, accountability and transparency, certification for this fiscal year by the due date of October 1, 2013. The Citizens Guide and Performance Dashboard are available for viewing on the city's website and in the clerk's office and library.

MAJOR INITIATIVES

In 1996, 1998, 2000, 2002, 2004, 2006, 2008, 2010, and 2012 the City Council adopted a set of strategic priorities which guide initiatives and decisions regarding the allocation of resources. These priorities are set forth in 29 objectives with attendant action items. This document will be used to guide policy-setting over the next two years. A summary of these priorities include:

STRONG NEIGHBORHOODS

Safe and stable neighborhoods provide the foundation for East Lansing as a community. Their continued appeal will be achieved by meeting the needs of a diverse population through the provision of quality public services, maintenance of infrastructure and housing stock, along with targeted outreach geared towards supporting neighborhood connectivity and competence.

VIBRANT ECONOMY

Industry diversity is a hallmark of a vibrant economy. Continued efforts to attract and retain diverse businesses through creative initiatives, key partnerships and innovation will help to cultivate a model of economic development in East Lansing that is transformational and dynamic.

ENHANCED PUBLIC ASSETS

East Lansing's public assets contribute to the high quality of life that helps to define the community. Maintaining and improving these assets, which include physical structures and facilities, as well as recreational, cultural and educational programs, is critical to the well being of the community and its residents.

ENVIRONMENTAL QUALITY

Environmental stewardship is a key function of city government. Protecting the health of East Lansing's natural resources through efficient, safe and effective water, sewer, street and transportation systems are all key elements in achieving a high quality, healthy environment that is sustainable.

HIGH PERFORMING CITY GOVERNMENT

The primary role of local government in East Lansing is to provide residents with high quality services in the most efficient, cost-effective and transparent manner. This is achievable through collaborative initiatives, both internal and external, and by maintaining an organizational culture in which employees are empowered and outstanding service provision is paramount.

The City and its leadership are also committed to prudent fiscal management and stewardship of our citizens' tax dollars. To honor this commitment, we continually update our five-year financial plan and several financial policies to provide guidance in short and long-term decision-making. The City's debt management policy and fund balance reserve policy are particularly useful as we strive to preserve the optimal amount of "rainy-day" funds, while still encouraging the economic development that continues throughout the City.

Significant Initiatives, events or projects-

The following is a partial list of significant initiatives, events or projects either underway or accomplished in FY2013:

- The five year financial forecast for the General Fund was updated for the eighth consecutive year as part of the City's strategic fiscal planning practices. The forecast has become a framework for making financial decisions throughout fiscal year 2013 and an integral part of developing the fiscal year 2014 budget.
- Once again, the City will make 100 percent of the actuarially determined, annual required contributions for Other Post-Employment Benefits (OPEB). A partial payment of \$900,000 was transferred to the MERS Retiree Healthcare trust before June 30th and the remainder of the pre-funding amount is assigned in General Fund's FY2013 year end equity to be made in the upcoming months. As of the September 30, 2013 statement from MERS, the City had over \$9.1 million in plan assets set aside to fund the OPEB liability.
- The City's bond rating was affirmed at AAA by Fitch Ratings in March, 2013. Fitch noted that City management has demonstrated a history of prudent financial stewardship utilizing conservative budgeting and extensive forecasting processes.
- The City successfully partnered with labor groups in FY2013 to extend all labor contracts for a three year period. This provides the unions with three years of modest wage increases and the City with the stability of known costs for three years.
- The City has continued to make progress in the development of service-sharing agreements with local partners. We continue to participate in inter-local agreements with Meridian Township to share an assessor and provide building inspection services for both jurisdictions. The City has continued its partnership with five local jurisdictions to review opportunities for collaborations and efficiencies among fire services. Five of the jurisdictions have signed on to the Mutual Aid Box Alarm System and Joint Arson Task Force, with the sixth jurisdiction expected to follow shortly.
- In FY2013, the City's Healthcare Task Force once again maintained cost competitive healthcare for all full time employees. The Task Force has enabled the City's healthcare plan to continuously meet the hard cap limits established by State of Michigan Public Act 152.
- After a successful pilot year, the City expanded the Neighborhood Partnerships Initiative in 2013. The goals of the initiative are to support citizenship, foster two-way communication and build community in East Lansing's neighborhoods. The initiative includes a City sponsored, community maintained website and City staff liaisons assigned to work one-on-one with neighborhoods. There were three initial pilot neighborhoods, but due to strong demand the program has expanded to twelve neighborhoods with staff liaisons.
- For the 26th year, the City was named a Tree City USA by the National Arbor Day Foundation in 2013. In celebration, the City hosted its annual school tree planting at Pinecrest Elementary during April's Arbor Day.
- The One Book, One Community program celebrated its 12th Anniversary with debut novelist and Iraq War veteran Kevin Powers and his novel "the Yellow Birds." The One Book program encourages the East Lansing-Michigan State University community to read the same book and come together to discuss it at a variety of events hosted each fall throughout the community.
- The East Lansing Public Library hosted the 4th Annual East Lansing Welcomes the World event in 2013, which serves to welcome MSU international students and families to the community.

INTERNAL CONTROLS

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the City assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of the control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

MUNICIPAL SECONDARY MARKET DISCLOSURE

Certain financial information is required to be disclosed annually in compliance with Security and Exchange Commission Rule 15c, 2-12. We maintain the information contained in this Comprehensive Annual Financial Report that meets the annual reporting guidelines.

INDEPENDENT AUDIT

The City Charter and State Law require an audit of the accounts of the City annually by qualified accountants experienced in municipal accounting. The City contracted with the auditing firm of Plante & Moran, PLLC, to conduct the audit and their report is included in the Comprehensive Annual Financial Report. The audit team consisted of Joe Heffernan, Partner and other supporting staff.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of East Lansing for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012, as well as the twenty eight previous fiscal years.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENT

The attached report represents the final product in the accounting cycle of the City for the year ended June 30, 2013. The issuance of this report is the culmination of many hours of effort in analyzing and reporting city-wide fiscal operations for the 2013 year. We would like to express our appreciation to Plante & Moran, PLLC, auditors for their efforts in making their audit run smoothly. We also wish to acknowledge the efforts of the accounting staff, Vicki Rigney, Finance Secretary; Jamen Winters, Assistant Treasurer and other staff members in their efforts in closing the books and assisting the auditors in their examination. We would like to give special thanks to Jill Feldpausch, CPA, Assistant Finance Director and Treasurer, who provided such valuable support during the audit and report-writing process. We would also like to thank the Mayor and the City Council for their interest and support in the financial condition of the City. For further information regarding the City's financial condition, please see the Management Discussion and Analysis included in the report.

Sincerely,



George Lahanas
City Manager



Mary L. Haskell, CPA
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

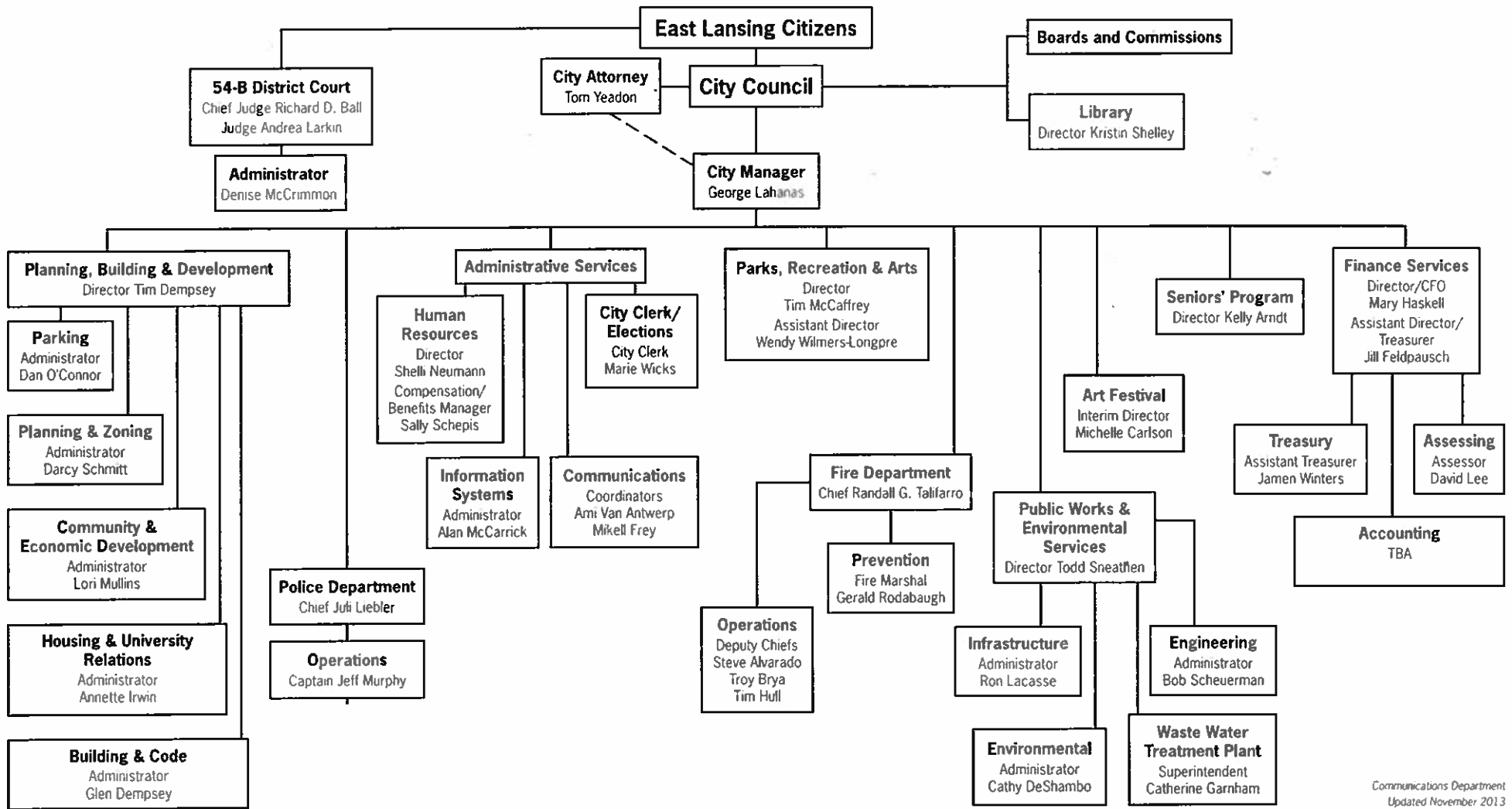
**City of East Lansing
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

**City of East Lansing, Michigan
ORGANIZATIONAL CHART**



Communications Department
Updated November 2013

Independent Auditor's Report

To the City Council
City of East Lansing, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Lansing, Michigan as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City of East Lansing, Michigan'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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Lansing, Michigan as of June 30, 2013 and the respective changes in its financial position and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of East Lansing, Michigan

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the General Fund budgetary comparison schedule, 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, which 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 supplemental 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 City of East Lansing, Michigan's basic financial statements. The other supplemental information, introductory section, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements.

The other supplemental information, as identified in the table of contents, 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. Such 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 basic 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 other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section, as identified in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 on our consideration of the City of East Lansing, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of East Lansing, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 20, 2013

City of East Lansing, Michigan

Management's Discussion and Analysis

Overview of the Financial Statements

The City of East Lansing, Michigan's (the "City") 2013 annual report follows the same format as last year. The annual report consists of five parts - management's discussion and analysis, the basic financial statements, required supplemental information, other supplemental information, which presents combining statements for nonmajor governmental funds and fiduciary funds, and a statistical section. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the City's net position and how they have changed. Net position, the difference between the City's assets and liabilities, is one way to measure the City's financial health or position.

The government-wide financial statements of the City are divided into three categories:

- **Governmental activities** - Most of the City's basic services are included here, such as police, fire, public works, court, streets, recreation, library, solid waste disposal, parks departments, and general administration. Property taxes, state-shared revenue, charges for services, and court revenue provide most of the funding.
- **Business-type activities** - The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer systems and automobile parking system are treated as business-type activities.
- **Component units** - The City includes five other entities in its report: the Downtown Development Authority, the Downtown Management Board, the Brownfield Redevelopment Authority, the Economic Development Corporation, and the Local Development Financing Authority. Although legally separate, these "component units" are important because the City is financially accountable for them, including debt, which was issued on behalf of the authorities by the City.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.
- Fiduciary fund - The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Financial Overview

Our continued success in achieving concrete savings is evident in the financial results presented in most of the governmental activities in these financial statements; however, we are mindful that much work remains to be done. Until we can reinstate meaningful contributions to much-needed infrastructure and facility improvement projects, increase our defined benefit pension funding ratio, and budget the pre-funding portion of our annual required contribution for retiree health care, we will continue to re-evaluate what we do and how we do it.

In fiscal year 2013, one of our cost saving plans involved the privatization of our Active Living for Adults program. On August 20, 2012, the City transferred the operations of this program to a private company. LAP Respite is now managing a respite program for our city and the surrounding area and the service is still housed in Valley Court, a city facility.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Another significant change, not of our choosing, occurred at the very end of fiscal year 2012. As of June 27, 2012, the City's dispatch center closed its location at City Hall for the last time. Dispatch services are funded by a 911 millage, levied by Ingham County, and centers were housed in City of Lansing and City of East Lansing facilities. The cities' operating costs were reimbursed by the County, up to a maximum annual amount. After preparing a consolidation study, Ingham County determined it would cost less and be more efficient for them to build a central location and take control of the entire dispatch operation. Employees who expressed an interest in moving to the County's operation were transitioned from the City to their new employer. This change has not saved the City of East Lansing money since the City still has to bear the cost of retiree health care and defined benefit pension costs for those who retired before the consolidation date. In addition to the legacy costs paid in fiscal year 2013 (\$62,130), the City incurred another \$20,415 in costs associated with the closure.

State of Michigan Public Act 63 of 2011 introduced the Economic Vitality Incentive Program (EVIP) for local governments to follow to receive statutory revenue sharing from the State. In order to qualify for a share of the state-budgeted statutory revenue sharing, the City must certify annually that it is meeting the criteria established by the act in areas of accountability and transparency, consolidation of services, and employee compensation and benefits. The three standards had different phase-in dates and the City has been certified in all three of the standards in both fiscal years 2012 and 2013. The citizens guide and performance dashboard may be viewed on the City's website (www.cityofeastlansing.com), in the clerk's office, or at the City library.

The City of East Lansing, Michigan has combined net position of approximately \$94.4 million. Business-type activities comprise approximately \$40.7 million and governmental activities make up approximately \$53.7 million of the total net position. In a condensed format, the table below shows a comparison of the net position as of the current date to the prior year:

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

	Governmental Activities			Percent Change
	2012	2013	Change	
Assets				
Other assets	\$ 18,537,816	\$ 19,033,302	\$ 495,486	3%
Capital assets	<u>67,308,813</u>	<u>66,049,883</u>	<u>(1,258,930)</u>	-2%
Total assets	85,846,629	85,083,185	(763,444)	-1%
Liabilities				
Current liabilities	4,161,733	3,578,544	(583,189)	-14%
Long-term liabilities	<u>29,614,180</u>	<u>27,775,258</u>	<u>(1,838,922)</u>	-6%
Total liabilities	<u>33,775,913</u>	<u>31,353,802</u>	<u>(2,422,111)</u>	-7%
Net Position				
Net investment in capital assets	42,247,692	42,655,752	408,060	1%
Restricted	3,147,485	2,549,268	(598,217)	-19%
Unrestricted	<u>6,675,539</u>	<u>8,524,363</u>	<u>1,848,824</u>	28%
Total net position	<u>\$ 52,070,716</u>	<u>\$ 53,729,383</u>	<u>\$ 1,658,667</u>	3%

	Business-type Activities			Percent Change
	2012	2013	Change	
Assets				
Other assets	\$ 9,081,130	\$ 9,490,388	\$ 409,258	5%
Capital assets	<u>68,014,190</u>	<u>67,478,883</u>	<u>(535,307)</u>	-1%
Total assets	77,095,320	76,969,271	(126,049)	0%
Liabilities				
Current liabilities	2,375,215	1,966,115	(409,100)	-17%
Long-term liabilities	<u>35,841,053</u>	<u>34,259,532</u>	<u>(1,581,521)</u>	-4%
Total liabilities	38,216,268	36,225,647	(1,990,621)	-5%
Net Position				
Net investment in capital assets	34,362,979	34,919,749	556,770	2%
Restricted	91,128	76,713	(14,415)	-16%
Unrestricted	<u>4,424,945</u>	<u>5,747,162</u>	<u>1,322,217</u>	30%
Total net position	<u>\$ 38,879,052</u>	<u>\$ 40,743,624</u>	<u>\$ 1,864,572</u>	5%

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

	Total			Percent Change
	2012	2013	Change	
Assets				
Other assets	\$ 27,618,946	\$ 28,523,690	\$ 904,744	3%
Capital assets	<u>135,323,003</u>	<u>133,528,766</u>	<u>(1,794,237)</u>	-1%
Total assets	162,941,949	162,052,456	(889,493)	-1%
Liabilities				
Current liabilities	6,536,948	5,544,659	(992,289)	-15%
Long-term liabilities	<u>65,455,233</u>	<u>62,034,790</u>	<u>(3,420,443)</u>	-5%
Total liabilities	71,992,181	67,579,449	(4,412,732)	-6%
Net Position				
Net investment in capital assets	76,610,671	77,575,501	964,830	1%
Restricted	3,238,613	2,625,981	(612,632)	-19%
Unrestricted	<u>11,100,484</u>	<u>14,271,525</u>	<u>3,171,041</u>	29%
Total net position	<u>\$ 90,949,768</u>	<u>\$ 94,473,007</u>	<u>\$ 3,523,239</u>	4%

Net position increased in total by \$3.5 million or 4.0 percent.

Similarly, the governmental activities' net position increased just below \$1.7 million or 3.2 percent.

Most of the increase arises from the changes in fund balance (\$1.37 million) found on the governmental funds report (see page 26). These changes are discussed under the governmental fund section of this narrative. The additional change in governmental activities is the result of the net changes found in the reconciliation of the statement of revenue, expenditures, and changes in fund balances of governmental funds to the statement of activities (see page 27) of the audit report.

Business-type activities' net position increased just below \$1.9 million or 5.0 percent when compared to the prior fiscal year. This was largely driven by the decrease in long-term liabilities as principal payments reduced the outstanding amount of debt, particularly in the Automobile Parking System Fund.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net position:

	Governmental Activities			Percent Change
	2012	2013	Change	
Revenue				
Program revenue:				
Charges for services	\$ 12,741,173	\$ 12,545,498	\$ (195,675)	-2%
Operating grants	7,379,504	7,066,422	(313,082)	-4%
Capital grants	855,154	285,064	(570,090)	-67%
General revenue:				
Property taxes	19,115,750	19,538,168	422,418	2%
Unrestricted state-shared revenue	4,790,468	4,943,300	152,832	3%
Unrestricted investment earnings	128,104	100,155	(27,949)	-22%
Unrestricted franchise fees	447,227	449,989	2,762	1%
Miscellaneous	25,069	51,302	26,233	105%
Transfers	40,000	40,000	-	0%
Total revenue	45,522,449	45,019,898	(502,551)	-1%
Program Expenses				
General government	7,669,777	7,847,593	177,816	2%
Public safety	19,120,860	18,355,633	(765,227)	-4%
Public works	6,760,580	6,496,044	(264,536)	-4%
Health and welfare and community development	1,473,100	2,002,005	528,905	36%
Recreation and culture	8,005,423	7,823,034	(182,389)	-2%
Interest on long-term debt	914,820	836,922	(77,898)	-9%
Total program expenses	43,944,560	43,361,231	(583,329)	-1%
Change in Net Position	\$ 1,577,889	\$ 1,658,667	\$ 80,778	5%

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			Percent Change
	2012	2013	Change	
Revenue				
Program revenue:				
Charges for services:				
Water	\$ 3,113,018	\$ 3,557,704	\$ 444,686	14%
Sewer	8,253,146	8,918,019	664,873	8%
Parking	3,928,079	3,867,892	(60,187)	-2%
Capital contributions	1,173,281	562,788	(610,493)	-52%
General revenue - Investment earnings	13,000	11,137	(1,863)	-14%
Total revenue	16,480,524	16,917,540	437,016	3%
Program Expenses				
Water	3,342,856	3,346,737	3,881	0%
Sewer	8,215,265	8,056,613	(158,652)	-2%
Parking	3,698,637	3,609,618	(89,019)	-2%
Total program expenses	15,256,758	15,012,968	(243,790)	-2%
Excess - Before transfers	1,223,766	1,904,572	680,806	56%
Transfers	(40,000)	(40,000)	-	0%
Change in Net Position	\$ 1,183,766	\$ 1,864,572	\$ 680,806	58%

Governmental Activities

Total revenue for governmental activities totaled approximately \$45.0 million in fiscal year 2013, which is a decrease of \$502.6 thousand or 1.1 percent when compared to fiscal year 2012. Details of these changes will be discussed further in the following paragraphs.

Charges for services decreased by \$195.7 thousand or 1.5 percent. This was primarily due to the privatization of the City's Active Living for Adults program in fiscal year 2013 and from the lower sales of daily admissions at the Aquatic Center (\$113.5 thousand) due to the cooler weather at the start of the season.

Operating grants decreased by \$313.1 thousand or 4.2 percent, largely due the elimination of \$1.6 million in proceeds of a 911 millage, distributed by Ingham County, due to them consolidating the East Lansing and Lansing dispatch center and taking over operations. This large decrease in revenue was offset by the City receiving an unexpected payment of \$1.0 million in PA289 fire protection money in May 2013 from the State, an increase in gas and weight tax from the State, and \$215.4 thousand in contributed capital from the first developer of the St. Anne plaza reconstruction project (the City had to finish the project).

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Capital grants and contributions decreased by \$570.1 thousand or 66.7 percent, as contributions from external developers were much lower than last year. Additionally, special assessment revenue was lower as several assessments were paid off in fiscal year 2012.

Property tax revenue (net of delinquent amounts) increased by \$422.4 thousand or 2.2 percent over last year's revenue. The City Council approved, for the first time, a 1 mill levy dedicated for funding the City library's operations and this generated \$861.4 thousand in tax revenue. The solid waste millage was increased to 1.9000 from 1.7000 in fiscal year 2013. The additional revenue was needed to cover continuing Burcham Park landfill closure costs and to pay operating costs in the Solid Waste Fund. These combined increases in tax revenue were offset by the decline in the general tax revenue (\$581.5 thousand). The operating millage remained at fiscal year 2012 levels, 17.5891; however, we are still feeling the effects of declining taxable values and tax appeals.

State of Michigan Public Act 63 of 2011 introduced the Economic Vitality Incentive Program (EVIP) for local governments to follow to receive statutory revenue sharing from the State. In order to qualify for a share of the state-budgeted statutory revenue sharing, the City must certify that it is meeting the criteria established by the act in areas of accountability and transparency, consolidation of services, and employee compensation and benefits. The City certified in all three areas in fiscal year 2013, and actually received an increase in our payments from the State by \$152.8 thousand over fiscal year 2012 levels.

Unrestricted investment earnings decreased by \$27.9 thousand due to continued low yields in PA20-allowed instruments.

Unrestricted franchise fees increase of \$2.8 thousand (.62 percent) is the result of a small amount of additional franchise fees based on the income reported by the franchisees.

Miscellaneous revenue increased by \$26.2 thousand or 104.6 percent because of a reimbursement from our insurance carrier for legal fees expended in excess of our self-insured retention on the successful defense of a lawsuit.

On the expense side, we saw the most significant changes from the prior year in the following:

General government increased by \$177.8 thousand (2.3 percent) due to several capital projects being completed at various City buildings. This is only a small portion of several necessary projects that have been deferred from past fiscal years.

Public safety expenses decreased by \$765.2 thousand or 4.0 percent in fiscal year 2013, largely due to the closure of the City's dispatch center in June 2012. This decrease offset was partially offset by increases in compensated absences and defined benefit pension costs.

Public works expenses decreased by \$264.5 thousand as capital project spending in both Major and Local Streets Funds declined this fiscal year.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Health, welfare, and community development saw an increase of \$528.9 thousand (35.9 percent) in costs when compared to the prior fiscal year as several more lots were sold in the Avondale Square project and costs inventoried in assets available for sale (\$378,000) were expensed. In addition to relieving the inventory of property held for sale, down payment assistance in the amount of \$120,000 was provided to several households for acquisition of income qualified units in the same development project.

Recreation and culture expenses decreased by \$182.4 thousand or 2.3 percent due to the privatization of the parks and recreation program, Active Living for Adults, in August 2012. Expenses dropped from \$321.6 thousand in fiscal year 2012 to \$123.0 thousand in the year of closure.

Business-type Activities

The City of East Lansing, Michigan has three business-type activities. These include water, sewer, and automobile parking operations. Total revenue for business-type activities was \$16.9 million. This is up by \$437.0 thousand from fiscal year 2012 predominantly due to increases in metered billing revenue in the Water and Sewer Funds, which were offset by a decrease in the amount of capital contributions for water and sewer infrastructure by external developers.

The automobile parking system consists of four attended parking ramps, two attended surface lots, six metered lots, one permit-only lot, and various street meters all in the downtown area. Parking revenue includes monthly permits, transient parking (spitter tickets), merchant validations, and meter revenue. Parking revenue declined slightly, just under \$60.2 thousand or 1.5 percent.

Program expenses for the business-type activities decreased by \$243.8 thousand or 1.6 percent from fiscal year 2012 levels. Most of the savings was found in sewer fund operations from a decrease in the amount of water purchased from the East Lansing Meridian Water & Sewer Authority and lower labor expenses brought about by staffing changes. The Water Fund experienced almost no increase in operating costs (only a \$3.9 thousand increase) while the Parking Fund saved a little over \$89.0 thousand in labor cost reductions and lower interest payments on debt service.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Financial Analysis of City Funds and Budgets

The following table shows the statement of revenue, expenditures, and changes in fund balances:

	Governmental Funds			Percent Change
	2012	2013	Change	
Revenue				
Property taxes and assessments	\$ 19,115,750	\$ 19,538,168	\$ 422,418	2%
Intergovernmental revenue	686,974	696,036	9,062	1%
Licenses and permits	1,324,990	1,419,718	94,728	7%
Federal sources	1,079,712	1,159,211	79,499	7%
State sources	8,793,472	9,959,356	1,165,884	13%
Charges for services	8,840,618	7,211,487	(1,629,131)	-18%
Fines and forfeitures	3,386,472	3,167,121	(219,351)	-6%
Investment income	128,104	100,155	(27,949)	-22%
Rental income	64,977	56,186	(8,791)	-14%
Other	2,689,661	1,790,474	(899,187)	-33%
Total revenue	46,110,730	45,097,912	(1,012,818)	-2%
Expenditures				
Current:				
General government	7,622,912	7,624,735	1,823	0%
Public safety	19,077,132	17,898,667	(1,178,465)	-6%
Public works	6,651,220	5,160,585	(1,490,635)	-22%
Health and welfare community development	1,471,255	2,000,805	529,550	36%
Recreation and culture	7,583,678	7,417,434	(166,244)	-2%
Debt service	3,182,093	2,685,753	(496,340)	-16%
Total expenditures	45,588,290	42,787,979	(2,800,311)	-6%
Excess of Revenue Over Expenditures	522,440	2,309,933	1,787,493	342%
Other Financing Sources (Uses) - Transfers - Net	40,000	(935,785)	(975,785)	-2439%
Net Change in Fund Balances	562,440	1,374,148	811,708	144%
Fund Balances - Beginning of year	9,109,488	9,671,928	562,440	6%
Fund Balances - End of year	\$ 9,671,928	\$ 11,046,076	\$ 1,374,148	14%

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Governmental Funds

In fiscal year 2011, the City adopted GASB No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications and by clarifying the existing governmental fund-type definitions. Since the Seniors Fund receives the majority of its revenue in the form of operating subsidies from the City's General Fund, its financial results will now be included in the General Fund totals reported in the balance sheet and statement of revenue, expenditures, and changes in fund balance. Although the Parks and Recreation Fund received an operating subsidy from the General Fund in fiscal year 2012 of \$1.2 million, City Council approved a resolution in June of that year that commits all revenue, from any source, coming into the Parks and Recreation Fund will stay in that fund. As mentioned earlier, the Library is now receiving tax revenue from a dedicated millage (1.0000 mill), which allows us to reduce the operating transfer from the General Fund in the same amount. Therefore, you will see both the Parks and Recreation Fund and the Library Fund reported as special revenue funds in the financial statements.

Combined governmental funds ended the fiscal year with a \$1.4 million increase in fund balances.

The General Fund ended 2013 with an increase of \$951.7 thousand in total fund balance to total \$7.3 million (compared to \$6.4 million in 2012). The nonmajor funds, as a group, increased their fund balance by \$479.7 thousand while the debt service fund decreased by \$57.2 over that of last fiscal year.

Several factors affected operating results. On the revenue side:

Property tax revenue (net of delinquent amounts) increased by \$422.4 thousand or 2.2 percent due to levying an additional .2 solid waste mills and as mentioned earlier, a council approved levy of 1.0000 dedicated library operating mills. The increase in tax revenue for library services and solid waste operations (\$861.4 thousand and \$118.8 thousand, respectively) was offset by the decline in general operating tax revenue.

Intergovernmental revenue's increase of 1.3 percent was primarily a result of the library receiving additional penal fines from Ingham County this year.

License and permit revenue experienced a \$94.7 thousand or 7.1 percent increase in fiscal year 2013. All categories of this revenue type increased in fiscal year 2013:

- Building permit activity by \$37.6 thousand
- Housing and inspection revenue by \$23.5 thousand
- Sign license revenue by \$1.5 thousand
- Entertainment, business, liquor, restaurant, and miscellaneous revenue by \$32.1 thousand

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Federal grants increased in fiscal year 2013 by \$79.5 thousand. This is largely due to the receipt of \$132 thousand in proceeds from a MSDA grant, offset by declines in public safety grant proceeds. In fiscal year 2007, the City received a \$227.0 thousand grant to provide down payment assistance to income-qualified households that would purchase homes in the Avondale Square project. In fiscal year 2013, four households were provided down payment assistance.

The major portion of state sources of revenue reported, which increased just under \$1.2 million, is outlined below.

- The City received \$2.0 million for PA289-fire protection services of state-owned properties in fiscal year 2013, compared to \$1.1 million in 2012. In May 2013, we received an unexpected payment of \$1.0 million for fire protection from the State. State staff explained this was a one-time payment because of a change in the timing of revenue recognition at the state level. Because we received two conflicting messages from the State about how this extra payment would impact our fiscal year 2014 reimbursement, we assigned \$1.0 million in fund balance to hold our fiscal year 2014 revenue budget harmless should we find a shortfall in payments from the State during the year.
- State-shared revenue increased by \$152.8 thousand or 3.2 percent in fiscal year 2013 (\$4.94 million compared to \$4.79 million in the prior fiscal year). The constitutional portion of revenue sharing increased by 2.1 percent and the EVIP portion by 7.1 percent over fiscal year 2012 levels.
- Department of Natural Resource grant proceeds for various City park improvements decreased by \$76.3 thousand in fiscal year 2013 as several projects neared completion.
- State trunkline maintenance revenue in the Major Streets Fund increased by \$72.2 thousand in fiscal year 2013.
- We also received higher amounts of gas and weight tax (Act 51 money) from the State in fiscal year 2013. Revenue in the Major and Local Streets Funds from this source increased by \$39.3 thousand and \$12.6 thousand, respectively. This represents a 2.0 percent increase over fiscal year 2013 levels of funding.

Charges for services decreased by \$1.6 million (18.4 percent) over fiscal year 2012 totals. The primary reason for the change is from the closure of the East Lansing dispatch center in June 2012.

- Last and prior fiscal years, reimbursements from Ingham County, funded from 911 millage, were received by the City to pay for operating the center. In fiscal year 2013, reimbursements totaled \$1.6 million. In late June 2012, the County consolidated the City of East Lansing's and the City of Lansing's dispatch centers. The center is now housed in a newly constructed facility and managed and funded by the County. Fiscal year 2012 reimbursements included normal operating costs as well as additional costs to transition staff and equipment to the new facility.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Other material changes are discussed below.

- The City partnered with the City of Lansing to share fire chief services. Effective January 1, 2012, our fire chief began splitting his work schedule 50/50 between East Lansing and Lansing. We received a full fiscal year of reimbursements from Lansing, which totaled \$94.1 thousand while we only received \$43.6 thousand in fiscal year 2012 for six months of service.
- Ambulance billings brought in over \$251.3 thousand in increased revenue over fiscal year 2012 results.
- Sources of decreases in charges for services included hazardous sidewalk repairs to property owners (\$106.1 thousand), daily permits sales at the Family Aquatic Center (\$113.5 thousand), and the elimination of \$74.0 thousand of program fees with the privatization of the Active Living for Adults (ALFA) center (\$74.0 thousand).

Fines and forfeitures decreased by \$219.3 thousand or 6.5 percent due to reduced collections by the Court for parking and ordinance fines.

Investment income decreased by only \$27.9 thousand and this represents a 21.8 percent decrease over prior year. Investments in Public Act 20 allowed investments continue to be plagued by extremely low interest rates.

Other revenue showed a decrease of \$899.2 thousand or 33.4 percent, primarily because there were no capital contributions from developers recorded here in fiscal year 2013 compared to \$500.0 thousand in fiscal year 2012. Additionally, special assessment revenue is significantly lower in fiscal year 2013 (\$437.1 thousand) as three special assessment districts (#59, #62, and #63) were paid in full in fiscal year 2012.

On the expenditure side, the following represent the changes compared to prior year results:

General government expenditures changed very little from fiscal year 2012 levels, only increasing \$1.8 thousand or 0.02 percent.

Public safety expenditures decreased just below \$1.2 million and major factors are discussed below.

- Police department's overall expenditures decreased by \$898.5 thousand over fiscal year 2012 totals primarily due to the closing of the East Lansing dispatch center in June 2012 as discussed in prior sections of this report.
- Fire department's overall costs declined by \$174.2 thousand due to the delay in filling open positions and lower equipment rental fees charged from the internal service-public works cost center.
- Code enforcement's overall spending decreased by \$105.8 thousand, largely due to the consolidation of the Building and Housing Divisions with the planning and zoning department. Because of the reorganization, the number of director positions has been reduced by one (it was replaced at an administrator level) so cost savings have been achieved.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Public works' expenditures came in \$1.5 million lower than in fiscal year 2012 due to a reduction in the number of capital projects in the Major and Local Streets Funds and a reduced amount of spending for Burcham Park remediation needed in fiscal year 2013.

Health, welfare, and community development saw an increase of over \$529.5 thousand in expenditures when compared to the prior fiscal year. In fiscal year 2013, the City paid \$120 thousand to four income-qualified households for down payment assistance in purchasing homes in the Avondale Square project. Additionally, capital outlay expenditures had to be charged (\$378.0 thousand) as the inventory of cost for assets available for sale in the Avondale Square project was relieved as five lots were sold to the developer.

Recreation and culture expenditures decreased by over \$166.2 thousand in fiscal year 2013. Delays in filling open, budgeted, positions at the Library and the privatization of the ALFA center were the primary reasons for the decline in expenditures in this category.

Debt service expenditures declined by \$496.3 thousand or 15.6 percent due to three special assessment districts (#59, #62, and #62) being paid in full in fiscal year 2012.

General Fund

The General Fund budget is amended throughout the year as deemed necessary to ensure there are legal appropriations for money being spent. You will find a budgetary comparison schedule for the General Fund in the required supplemental information section of the report on page 67.

Year-end results yielded a positive budget variance in total charges to appropriations of over \$1.0 million. The story is very similar to what happened last fiscal year. The City again experienced substantial savings through cost reduction strategies, delays in filling open positions, or deferred spending until the next fiscal year for some activities.

General government was \$291.4 thousand under budget primarily due to savings in several departmental cost centers and actual insurance claims in government buildings coming in lower than what was budgeted. Additionally, a conscious effort was made to reduce spending in order to preserve or increase fund balance to withstand potential financial challenges. The 54-B District Court came in about \$145.0 thousand under budget due to high participation in their voluntary furlough program and reduced spending in operations.

Public safety was \$460.0 thousand under budget due to savings, again relative to what was budgeted, through the reorganization of the code enforcement departments (housing licensing and building permits) with the planning and zoning departments, the delay in hiring replacements, and reduced spending on operations.

Public works - Highways and streets is under budget by \$97.2 thousand due to a lower amount of hazardous sidewalk repair work being done than what was originally planned in fiscal year 2013 and lower than planned spending on drains. Since the budgeted work on the sidewalk program was encumbered in fiscal year 2013, the outstanding encumbrance at year end will be carried forward and rebudgeted in fiscal year 2014.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Public works - Sanitation came in \$112.8 thousand under budget because, similar to highway and streets, capital projects in fiscal year 2013 were not completed so the outstanding encumbrances will be carried forward and rebudgeted in fiscal year 2014.

Health, welfare, and community development expenditures came in \$50.1 thousand lower than budget because of the timing of payments to contract labor working on updating the City's comprehensive plan and the utilization of interns to supplement the planning workforce.

Recreation and culture's spending is low compared to budget (\$17.8 thousand) because the Department of Public Works utilized lower cost temporary labor rather than the higher rate DPW employees for park's maintenance.

Debt Management

The City is very proud to have maintained our bond ratings - the "AAA" rating from Fitch Investor Services and the "AA+" rating from Standard & Poor's.

The City financed the purchase of our new financial software system with a \$550.0 thousand installment purchase agreement in fiscal year 2013. This is a five-year agreement and bears an interest rate of 1.68 percent.

During fiscal year 2013, the City sold a combined issue of bonds, one portion being a refunding series with a par amount of \$4.785 million with a premium of \$279.2 thousand for a total of \$5.064 million with an average interest rate of 2.6 percent. The proceeds of the refunder bonds were used to refund \$4.785 million of the 2003 Public Service Garage Bonds with an average interest rate of 4.41 percent. The total cash flows required to service the new debt is \$5.873 million, resulting in a net present value savings from cash flow of \$872.56 thousand.

The sale also included \$1.37 million of Limited Tax General Obligation Bonds, which was a new borrowing. These bonds were issued to reimburse the City's Sewer Fund for costs expended on the St. Anne Street infrastructure project.

On March 13, 2013, the City was notified that the State approved our revolving fund loan request in the amount of \$2.935 million. The closing date for the State to purchase our revenue bonds was April 9, 2013. The bonds carry an interest rate of 2 percent over a life of 20 years and will cover sewer infrastructure improvements identified in the approved plan.

In November 2001, the Downtown Development Authority purchased the building located at 303 Abbot. The acquisition was financed with the proceeds of a Core Communities Fund Program economic development financing agreement in the amount of \$700.0 thousand with the Michigan Economic Development Corporation (MEDC). During the year ended June 30, 2009, MEDC forgave half of the outstanding loan balance, bringing the total liability to \$350 thousand. Annual principal and interest payments have been deferred until the year ending June 30, 2014 by the MEDC and a short-term liability has been recorded as of June 30, 2013.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

During fiscal year 2012, the Downtown Development Authority (DDA) issued \$5.655 million in bond anticipation notes with an interest rate of 1.750 percent. The proceeds of these bonds were used to refund \$5.495 million of the 2009 DDA Bond Anticipation Notes with an interest rate of 3.500 percent. The 2009 bonds were used for property acquisition as part of a redevelopment of the Park District Planning Area site, formerly the proposed City Center II project site. The maturity date of these outstanding bond anticipation notes will be April 1, 2015.

For more information on long-term debt, please refer to Note 7 on pages 52-54.

Capital Projects

In fiscal year 2013, DPW worked closely with the Michigan Department of Transportation (MDOT) to plan and implement a multiple-phase road construction project along East Lansing's Michigan and Grand River avenues. As a result, new bike lanes were incorporated along Michigan Avenue and a number of new pedestrian safety features were added, including upgraded intersections, ADA-compliant ramps, pedestrian pathway improvements, and a new pedestrian crosswalk/median in front of Brookfield Plaza.

As part of the ongoing upgrade of underground utility infrastructure, the City installed 1,960 feet of a new larger diameter sewer main along Albert Avenue between Charles Street and Grove Street, between Grove Street from Albert Avenue to Linden Street, and in the alley between Grove Street and M.A.C. Avenue from Albert to Linden. Because of the depth and location of the new utility, it was necessary for the City to replace the entire street sections that overlaid these new sewer mains as well. The existing sewer mains that were replaced were at least 70 to 80 years old and the new sewers will provide additional capacity for any future redevelopment in the adjacent sewer district. The project construction costs were \$1.4 million and were paid from the Sewer Fund. As mentioned earlier in the debt section, the City issued Limited Tax General Obligation bonds to reimburse the Sewer Fund the project costs advanced before the bond sale date.

In May 2012, the City had a State Revolving Fund project plan prepared for proposed improvements to the wastewater treatment plan (WWTP) and collection system. The preparation of this plan and its subsequent approval by the Michigan Department of Environmental Quality, MDEQ, allowed the City to apply for State-revolving, low interest, loan funds to complete the projects that were identified in the plan. As part of the project, DPW completed an infrastructure improvement project along Kalamazoo Street, from the Red Cedar River to Harrison Road in fiscal year 2013. The project included construction of a new parallel sanitary sewer interceptor to the wastewater treatment facility, reconstruction of the roadway, curb and gutter, replacement and sidewalk ramp improvements. New bike lanes were also incorporated as a part of the project.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

In April 2011, the City issued bonds to provide \$2.05 million in proceeds to finance extensive renovations to City parking ramps and lots. The work will take place over several fiscal years, 2011 through 2014, and will include structure renovations to tension systems and support beams, stairwell reconstruction, new elevators and American Disabilities Act (ADA) compliant measures, upgraded electrical systems, new car charging stations, handrail replacement, waterproofing, new safety railings, and new signage. In fiscal year 2012, the City completed nearly \$450.0 thousand in renovation work to the Division Street Garage (Lot 10), including deck and structural repairs, stairway rehabilitation, and exterior façade repairs. In fiscal year 2013, the Charles Street Garage's control joint sealants were replaced in the entire garage and window sealants replaced on all windows as well as replacement of a leaky drain. The Albert Street lot had the concrete surface and gates replaced on the oversize vehicle entrance. Additionally, the parking control equipment software and some hardware components were replaced to maintain compliance with PCI standards.

A residential development, named Avondale Square, was started by the City late in fiscal year 2006. In fiscal year 2007, the City received a special purpose grant for \$346 thousand and borrowed \$1.5 million from HUD to acquire existing homes in the 600 block of Virginia Street. Most of these homes were demolished in fiscal year 2008 and the improved sites will be sold to a private developer to build 26 single-family detached homes, 10 of which will be affordable homes with income-qualified buyer incentives facilitated through Hometown Housing Partnership. The project reached its halfway point in fiscal year 2013. To date, 13 homes have been constructed by Mayberry Homes and one home is currently under construction. Community Development Block Grant revenue from the federal government has been pledged to repay the outstanding HUD note over the next 16 fiscal years. The City of East Lansing was also a recipient of \$160.7 thousand in CDBG-R funds in fiscal year 2009 that were utilized in fiscal year 2010 to construct new alleyways for the project. The City holds long-term debt in the amount of \$2.37 million to cover acquisition and infrastructure work.

The Anne Street Plaza reconstruction project was completed in fiscal year 2013. Elements added to the plaza included a new outdoor performance stage, an enclosed gas fireplace, raised landscape beds, trees, benches, bike parking, motorcycle parking, and new paving. New on-street parking was also added as a part of the project. Developer contributions partially funded the beginning of the project with the City paying to finish construction. The developer will be reimbursed up to \$275.0 thousand of eligible expenses for his development costs and the City will get \$140.0 thousand reimbursed, all from tax increment financing.

Improvements to the Henry Fine Park tot-lot and parking lot started in fiscal year 2012. Landscape, Architects and Planners, Inc. was contracted to provide design information necessary to secure a Michigan Department of Natural Resources Passport Grant. Viridis Design Group was contracted to provide site design services for the project construction, which took place in fiscal year 2013. The recreation passport grant provided \$20.0 thousand toward total project costs and construction was fully completed in fiscal year 2013.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

The City completed the third year of its native landscape restoration project at Hawk Nest Park in fiscal year 2013. The project required removing existing vegetations, such as weeds and invasive plants and replanting native plants in the cleared areas. The project will continue for approximately three to five additional years.

For more information on capital asset activity, please refer to Note 5 on pages 48 through 50.

Current Economic Issues

As of the date of this letter, several issues are worth noting or updating in evaluating the financial condition of the City of East Lansing, Michigan.

The City Center II project was determined not to be economically feasible by a vote of the City Council in June 2012. However, following an extensive public review process, the City Council selected DTN Management as the development partner for the Park District Planning Area in 2013. A pre-development agreement, approved by Council and the Downtown Development Authority, was followed by a series of three DTN-hosted public design charrettes where community members were able to share their feedback and ideas on the redevelopment project. Although the timeline is still preliminary, the development agreement is tentatively slated to be finalized by the end of June 2014 and the project is tentatively slated to break ground between fall 2014 and spring 2015.

The East Lansing Farmer's Market was awarded a \$35.0 thousand grant from Michigan Economic Development Corporation in 2013. The grant funding, along with matching funds from the City and the DDA, will be used to build a new market performance space, a decorative shade canopy, electrical service, accessible pathways, and bike parking. The improvements will be made prior to the 2014 opening of the market in June.

The City, in partnership with the East Lansing Rotary Club, moved closer to its fundraising goal for the Playground in the Park Re-Imagine project in 2013. The Rotary Club currently has approximately \$130.0 thousand in community pledges, and the City has been awarded a \$300.0 thousand Michigan Natural Resources Trust Fund grant for the project. The project is slated to break ground in spring 2014 and a community build will follow in June 2014. Community donations are still being sought and approximately 250 volunteers will be needed for the community build. The project will bring a new playground to Patriarche Park, replacing the existing wooden structure with a modern, eco-friendly play structure that is accessible and encourages youth fitness.

Contact Us

This report is intended to aid our residents and other interested parties in understanding the City's financial condition. Should you have further questions, please contact the finance department at City Hall.

City of East Lansing, Michigan

Statement of Net Position June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 13,703,247	\$ 2,417,365	\$ 16,120,612	\$ 348,284
Receivables - Net (Note 4)	3,555,557	2,719,664	6,275,221	80,015
Inventories and prepaids	382,847	164,203	547,050	-
Restricted cash (Note 3)	291,290	1,463,283	1,754,573	-
Net investment in East Lansing - Meridian Water and Sewer Authority (Note 12)	-	2,089,276	2,089,276	-
Assets available for sale	596,250	-	596,250	-
Net OPEB asset (Note 11)	-	186,025	186,025	-
Capital assets - Net (Note 5):				
Assets not subject to depreciation	9,954,595	6,881,706	16,836,301	1,276,799
Assets subject to depreciation	56,095,288	60,597,177	116,692,465	4,971,024
Unamortized bond issuance costs	388,241	450,572	838,813	41,333
Long-term receivable	115,870	-	115,870	-
Total assets	85,083,185	76,969,271	162,052,456	6,717,455
Liabilities				
Accounts payable	1,550,969	991,729	2,542,698	11,624
Accrued and other liabilities	857,513	93,971	951,484	119
Unearned revenue (Note 4)	926,002	572,194	1,498,196	17,257
Accrued interest payable	244,060	308,221	552,281	84,231
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	2,122,458	105,475	2,227,933	-
Long-term debt (Note 7)	2,529,437	3,713,798	6,243,235	350,000
Due in more than one year:				
Compensated absences (Note 7)	880,572	96,463	977,035	-
Capital leases	-	-	-	636
Net OPEB obligation (Note 11)	851,807	35,177	886,984	-
Long-term debt (Note 7)	21,390,984	30,308,619	51,699,603	5,655,000
Total liabilities	31,353,802	36,225,647	67,579,449	6,118,867
Net Position				
Net investment in capital assets	42,655,752	34,919,749	77,575,501	242,187
Restricted for:				
Special assessment debt repayment	458,464	-	458,464	-
Debt service	1,338,771	76,713	1,415,484	-
Drug forfeiture	19,330	-	19,330	-
Avondale Square and Burcham Park Library - One Book One Community	712,120	-	712,120	-
Library special purpose	13,196	-	13,196	-
Library special purpose	6,109	-	6,109	-
CDBG	1,278	-	1,278	-
Unrestricted	8,524,363	5,747,162	14,271,525	356,401
Total net position	\$ 53,729,383	\$ 40,743,624	\$ 94,473,007	\$ 598,588

The Notes to Financial Statements are an
Integral Part of this Statement.

City of East Lansing, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,847,593	\$ 5,295,108	\$ -	\$ -
Public safety	18,355,633	3,580,767	2,463,824	-
Public works	6,496,044	653,909	2,770,857	79,898
Health and welfare and community and development	2,002,005	125,965	1,188,799	149,203
Culture and recreation	7,823,034	2,889,749	642,942	55,963
Interest on long-term debt	836,922	-	-	-
Total governmental activities	43,361,231	12,545,498	7,066,422	285,064
Business-type activities:				
Water	3,346,737	3,557,704	-	110,970
Sewer	8,056,613	8,918,019	-	-
Parking	3,609,618	3,867,892	-	451,818
Total business-type activities	15,012,968	16,343,615	-	562,788
Total primary government	\$ 58,374,199	\$ 28,889,113	\$ 7,066,422	\$ 847,852
Component units:				
Downtown Development Authority	\$ 1,837,050	\$ 469,127	\$ 35,000	\$ -
Downtown Management Board	48,993	-	-	-
Brownfield Redevelopment Authority	590,590	-	28,458	-
Economic Development Corporation	-	-	-	-
Local Development Financing Authority	129,933	-	70,000	-
Total component units	\$ 2,606,566	\$ 469,127	\$ 133,458	\$ -
General revenues:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment earnings				
Unrestricted franchise fees				
Miscellaneous				
Total general revenues				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities Year Ended June 30, 2013

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,552,485)	\$ -	\$ (2,552,485)	\$ -
(12,311,042)	-	(12,311,042)	-
(2,991,380)	-	(2,991,380)	-
(538,038)	-	(538,038)	-
(4,234,380)	-	(4,234,380)	-
(836,922)	-	(836,922)	-
(23,464,247)	-	(23,464,247)	-
-	321,937	321,937	-
-	861,406	861,406	-
-	710,092	710,092	-
-	1,893,435	1,893,435	-
(23,464,247)	1,893,435	(21,570,812)	-
-	-	-	(1,332,923)
-	-	-	(48,993)
-	-	-	(562,132)
-	-	-	-
-	-	-	(59,933)
-	-	-	(2,003,981)
19,538,168	-	19,538,168	1,624,887
4,943,300	-	4,943,300	-
100,155	11,137	111,292	2,538
449,989	-	449,989	-
51,302	-	51,302	38,539
25,082,914	11,137	25,094,051	1,665,964
40,000	(40,000)	-	-
1,658,667	1,864,572	3,523,239	(338,017)
52,070,716	38,879,052	90,949,768	936,605
\$ 53,729,383	\$ 40,743,624	\$ 94,473,007	\$ 598,588

City of East Lansing, Michigan

Governmental Funds Balance Sheet June 30, 2013

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Assets				
Cash and investments (Note 3)	\$ 7,441,215	\$ 506,543	\$ 2,114,335	\$ 10,062,093
Receivables - Net (Note 4)	1,593,473	1,291,187	603,856	3,488,516
Inventories and prepaids	86,400	-	27,367	113,767
Assets available for sale (Note 1)	-	-	596,250	596,250
Restricted cash (Note 3)	-	-	291,290	291,290
Loan receivable	-	-	115,870	115,870
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 9,121,088</u>	<u>\$ 1,797,730</u>	<u>\$ 3,748,968</u>	<u>\$ 14,667,786</u>
Liabilities				
Accounts payable	\$ 449,820	\$ -	\$ 437,958	\$ 887,778
Due to other funds (Note 6)	-	-	16,288	16,288
Accrued and other liabilities	342,802	495	65,254	408,551
Deferred revenue (Note 4)	1,015,824	1,288,669	4,600	2,309,093
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	1,808,446	1,289,164	524,100	3,621,710
Fund Balances (Note 14)				
Nonspendable	86,400	-	27,367	113,767
Restricted	-	508,566	1,043,323	1,551,889
Committed	247,474	-	892,348	1,139,822
Assigned	2,075,403	-	1,261,830	3,337,233
Unassigned	4,903,365	-	-	4,903,365
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	7,312,642	508,566	3,224,868	11,046,076
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 9,121,088</u>	<u>\$ 1,797,730</u>	<u>\$ 3,748,968</u>	<u>\$ 14,667,786</u>

City of East Lansing, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2013

Fund Balance Reported in Governmental Funds	\$ 11,046,076
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	66,049,883
Bond issuance costs are reported as deferred and are amortized over the term of the related debt	388,241
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	1,526,392
Long-term debt obligations are not due and payable in the current period and are not reported in the funds	(23,920,421)
Accrued interest is not due and payable in the current period and is not reported in the funds	(244,060)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(3,003,030)
Other postemployment benefit obligations are not reported in the funds	(851,807)
Claims payable are not due and payable in the current period and are not reported in the funds	(60,500)
Internal service funds are included as part of government activities, net of amounts included above as capital assets and long-term liabilities	2,798,609
Net Position of Governmental Activities	<u>\$ 53,729,383</u>

City of East Lansing, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Revenue				
Property taxes	\$ 15,836,460	\$ 1,202,427	\$ 2,499,281	\$ 19,538,168
Intergovernmental revenue	-	412,380	283,656	696,036
Licenses and permits	1,419,718	-	-	1,419,718
Federal sources	389,023	-	770,188	1,159,211
State sources	6,969,389	-	2,989,967	9,959,356
Charges for services	4,402,682	-	2,808,805	7,211,487
Fines and forfeitures	3,105,485	-	61,636	3,167,121
Interest income	79,871	3,139	17,145	100,155
Rental income	1,316	-	54,870	56,186
Other:				
Special assessments	-	402,065	-	402,065
Cable franchise fees	394,847	-	-	394,847
Other miscellaneous revenue	419,786	-	573,776	993,562
Total revenue	<u>33,018,577</u>	<u>2,020,011</u>	<u>10,059,324</u>	<u>45,097,912</u>
Expenditures				
Current:				
General government	7,604,574	-	20,161	7,624,735
Public safety	17,881,000	-	17,667	17,898,667
Public works	1,158,186	-	4,002,399	5,160,585
Health and welfare and community development	840,459	-	1,160,346	2,000,805
Recreation and culture	1,562,313	-	5,855,121	7,417,434
Debt service:				
Principal	-	1,680,000	220,000	1,900,000
Interest on long-term debt	-	534,939	250,814	785,753
Total expenditures	<u>29,046,532</u>	<u>2,214,939</u>	<u>11,526,508</u>	<u>42,787,979</u>
Excess of Revenue Over (Under) Expenditures	3,972,045	(194,928)	(1,467,184)	2,309,933
Other Financing Sources (Uses)				
Transfers in (Note 6)	-	137,705	2,557,124	2,694,829
Transfers out (Note 6)	(3,020,339)	-	(610,275)	(3,630,614)
Total other financing (uses) sources	<u>(3,020,339)</u>	<u>137,705</u>	<u>1,946,849</u>	<u>(935,785)</u>
Net Change in Fund Balances	951,706	(57,223)	479,665	1,374,148
Fund Balances - Beginning of year	<u>6,360,936</u>	<u>565,789</u>	<u>2,745,203</u>	<u>9,671,928</u>
Fund Balances - End of year	<u>\$ 7,312,642</u>	<u>\$ 508,566</u>	<u>\$ 3,224,868</u>	<u>\$ 11,046,076</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

City of East Lansing, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 1,374,148
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,632,376
Depreciation expense	(3,192,687)
Special assessment and other revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(333,455)
Government funds report debt proceeds as revenue and debt principal payments as expenditures; these revenues and costs are reported as liabilities and are not reported as expenditures in the statement of activities:	
Bond principal payments	1,900,000
Drainage flow rights liability	34,908
Burcham Park remediation liability	112,000
Governmental funds report bond issuance costs, bond premiums, and deferred charges on refunding as expenditures; these costs are allocated over the related bond term as interest expense:	
Bond issuance costs	(52,061)
Bond premiums/discounts and deferred charges	(52,404)
Change in accrued interest payable and other	18,389
Change in claims payable that is not reported in the funds	(19,700)
Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	(165,286)
Other postemployment benefit expense not reported in the funds	185,609
Internal service funds are included as part of governmental activities	216,830
Change in Net Position of Governmental Activities	<u>\$ 1,658,667</u>

City of East Lansing, Michigan

Proprietary Funds Statement of Net Position June 30, 2013

	Enterprise Funds				Governmental Activities
	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Total	Proprietary - Internal Service
Assets					
Current assets:					
Cash and investments (Note 3)	\$ 1,311,207	\$ 465,718	\$ 640,440	\$ 2,417,365	\$ 3,641,154
Receivables - Net (Note 4)	34,921	584,342	2,100,401	2,719,664	67,041
Due from other funds (Note 6)	-	-	-	-	16,288
Inventories and prepaids	-	148,447	15,756	164,203	269,080
Total current assets	1,346,128	1,198,507	2,756,597	5,301,232	3,993,563
Noncurrent assets:					
Restricted cash (Note 3)	1,140,192	323,091	-	1,463,283	-
Net investment in East Lansing - Meridian Water and Sewer Authority (Note 12)	-	2,089,276	-	2,089,276	-
Net OPEB asset (Note 11)	-	14,882	171,143	186,025	-
Capital assets (Note 5):					
Assets not subject to depreciation	2,615,717	1,764,169	2,501,820	6,881,706	1,466,747
Assets subject to depreciation	23,006,972	7,370,743	30,219,462	60,597,177	10,809,161
Unamortized bond issuance costs	319,091	33,068	98,413	450,572	83,958
Total noncurrent assets	27,081,972	11,595,229	32,990,838	71,668,039	12,359,866
Total assets	28,428,100	12,793,736	35,747,435	76,969,271	16,353,429
Liabilities					
Current liabilities:					
Accounts payable	187,073	56,332	748,324	991,729	663,191
Accrued and other liabilities	15,326	36,350	42,295	93,971	95,399
Deferred revenue (Note 4)	375,959	-	196,235	572,194	143,301
Accrued interest payable	199,267	18,003	90,951	308,221	53,011
Compensated absences (Note 7)	26,674	-	78,801	105,475	238,666
Claims payable (Note 8)	-	-	-	-	293,063
Long-term debt (Note 7)	1,648,180	61,109	2,004,509	3,713,798	516,708
Total current liabilities	2,452,479	171,794	3,161,115	5,785,388	2,003,339
Noncurrent liabilities:					
Compensated absences (Note 7)	54,621	-	41,842	96,463	235,736
Net OPEB obligation (Note 11)	35,177	-	-	35,177	31,164
Long-term debt (Note 7)	16,075,974	1,561,624	12,671,021	30,308,619	6,682,390
Total noncurrent liabilities	16,165,772	1,561,624	12,712,863	30,440,259	6,949,290
Total liabilities	18,618,251	1,733,418	15,873,978	36,225,647	8,952,629
Net Position					
Net investment in capital assets	9,038,727	7,835,270	18,045,752	34,919,749	5,076,810
Restricted - Debt service	76,713	-	-	76,713	-
Unrestricted	694,409	3,225,048	1,827,705	5,747,162	2,323,990
Total net position	<u>\$ 9,809,849</u>	<u>\$ 11,060,318</u>	<u>\$ 19,873,457</u>	<u>\$ 40,743,624</u>	<u>\$ 7,400,800</u>

City of East Lansing, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

	Enterprise Funds				Governmental
	Automobile	Water Supply System Fund	Sewage Disposal System Fund	Total Enterprise Funds	Activities
	Parking System Fund				Proprietary - Internal Service
Operating Revenue					
Parking revenue	\$ 3,777,577	\$ -	\$ -	\$ 3,777,577	\$ -
User service charges	-	3,557,704	8,890,664	12,448,368	7,807,716
Equipment and building rental	90,315	-	18,031	108,346	2,821,974
Miscellaneous revenue	-	-	9,324	9,324	28,585
Total operating revenue	3,867,892	3,557,704	8,918,019	16,343,615	10,658,275
Operating Expenses					
Purchase of water from East Lansing - Meridian Water and Sewer Authority	-	1,341,795	-	1,341,795	-
Disposal plant	-	-	4,282,172	4,282,172	-
Distribution	-	978,241	-	978,241	-
Collection system	-	-	919,267	919,267	-
Pumping station	-	-	76,343	76,343	-
Customer accounts and collection	-	758,581	574,268	1,332,849	-
General and administrative	1,814,409	-	-	1,814,409	10,136,346
Depreciation	856,625	239,553	1,827,250	2,923,428	1,114,666
Total operating expenses	2,671,034	3,318,170	7,679,300	13,668,504	11,251,012
Operating Income (Loss)	1,196,858	239,534	1,238,719	2,675,111	(592,737)
Nonoperating Revenue (Expenses)					
Interest income	7,136	2,851	1,150	11,137	9,945
Income from joint venture	-	46,185	-	46,185	-
Interest expense	(938,584)	(74,752)	(377,313)	(1,390,649)	(281,334)
Gain on sale of assets	-	-	-	-	105,171
Total nonoperating expenses	(931,448)	(25,716)	(376,163)	(1,333,327)	(166,218)
Income (Loss) - Before contributions	265,410	213,818	862,556	1,341,784	(758,955)
Capital Contributions	451,818	110,970	-	562,788	-
Transfers In (Note 6)	-	-	-	-	975,785
Transfers Out (Note 6)	-	-	(40,000)	(40,000)	-
Change in Net Position	717,228	324,788	822,556	1,864,572	216,830
Net Position - Beginning of year	9,092,621	10,735,530	19,050,901	38,879,052	7,183,970
Net Position - End of year	\$ 9,809,849	\$ 11,060,318	\$ 19,873,457	\$ 40,743,624	\$ 7,400,800

City of East Lansing, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2013

	Enterprise Funds				Governmental Activities
	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Total	Proprietary - Internal Service
Cash Flows from Operating Activities					
Receipts from customers	\$ 4,032,453	\$ 3,548,607	\$ 8,124,979	\$ 15,706,039	\$ 10,637,846
Receipts from interfund reimbursements	-	-	-	-	324,572
Payments to suppliers	(807,892)	(2,379,584)	(3,050,211)	(6,237,687)	(1,441,715)
Payments to employees	(1,004,668)	(1,038,624)	(2,852,459)	(4,895,751)	(1,121,954)
Claims paid	-	-	-	-	(7,066,401)
Net cash provided by operating activities	2,219,893	130,399	2,222,309	4,572,601	1,332,348
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	-	-	-	-	975,785
Transfers to other funds	-	-	(40,000)	(40,000)	-
Net cash (used in) provided by noncapital financing activities	-	-	(40,000)	(40,000)	975,785
Cash Flows from Capital and Related Financing Activities					
Issuance of bonds and related premiums	-	2,066,029	-	2,066,029	5,614,205
Contributions from other governmental units	451,818	-	-	451,818	-
Proceeds from sales of capital assets	-	200	-	200	134,221
Purchase of capital assets	(459,837)	(39,665)	(1,777,849)	(2,277,351)	(1,445,097)
Principal and interest paid on long-term debt	(2,573,870)	(2,199,945)	(339,204)	(5,113,019)	(843,169)
Debt refunding	-	-	-	-	(4,935,000)
Net cash used in capital and related financing activities	(2,581,889)	(173,381)	(2,117,053)	(4,872,323)	(1,474,840)
Cash Flows from Investing Activities -					
Interest received on investments	7,136	2,851	1,150	11,137	9,771
Net (Decrease) Increase in Cash and Cash Equivalents	(354,860)	(40,131)	66,406	(328,585)	843,064
Cash and Cash Equivalents - Beginning of year	2,806,259	828,940	574,034	4,209,233	2,798,090
Cash and Cash Equivalents - End of year	<u>\$ 2,451,399</u>	<u>\$ 788,809</u>	<u>\$ 640,440</u>	<u>\$ 3,880,648</u>	<u>\$ 3,641,154</u>

City of East Lansing, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2013

	Enterprise Funds			Total	Governmental Activities
	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund		Proprietary - Internal Service
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments	\$ 1,311,207	\$ 465,718	\$ 640,440	\$ 2,417,365	\$ 3,641,154
Restricted cash	1,140,192	323,091	-	1,463,283	-
Total cash and cash equivalents	<u>\$ 2,451,399</u>	<u>\$ 788,809</u>	<u>\$ 640,440</u>	<u>\$ 3,880,648</u>	<u>\$ 3,641,154</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 1,196,858	\$ 239,534	\$ 1,238,719	\$ 2,675,111	\$ (592,737)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	856,625	239,553	1,827,250	2,923,428	1,114,666
Changes in assets and liabilities:					
Receivables	194,717	(9,097)	(775,009)	(589,389)	(5,805)
Due from other funds	-	-	-	-	324,572
Inventories and prepaids	21,699	2,115	4,270	28,084	557,953
Accounts payable	(10,825)	(335,332)	28,683	(317,474)	496,371
Claims payable	-	-	-	-	(39,134)
Accrued and other liabilities	(9,025)	(6,374)	(83,573)	(98,972)	(508,914)
Deferred revenue	(30,156)	-	(18,031)	(48,187)	(14,624)
Net cash provided by operating activities	<u>\$ 2,219,893</u>	<u>\$ 130,399</u>	<u>\$ 2,222,309</u>	<u>\$ 4,572,601</u>	<u>\$ 1,332,348</u>

Noncash Investing, Capital, and Financing Activities - There was contributed capital totaling \$110,970 in the Water Supply System Fund during the year ended June 30, 2013.

City of East Lansing, Michigan

Fiduciary Funds Statement of Fiduciary Net Position - Agency June 30, 2013

Assets

Cash and investments	\$ 792,476
Receivables - Net	<u>165,297</u>
Total assets	<u><u>\$ 957,773</u></u>

Liabilities

Accounts payable	\$ 46,256
Due to other governmental units	266,571
Accrued and other liabilities	<u>644,946</u>
Total liabilities	<u><u>\$ 957,773</u></u>

City of East Lansing, Michigan

Component Units Statement of Net Position June 30, 2013

	Downtown Development Authority	Downtown Management Board	Brownfield Redevelopment Authority	Economic Development Corporation	Local Development Financing Authority	Total
Assets						
Cash and investments	\$ 192,145	\$ 38,960	\$ 52,448	\$ 11	\$ 64,720	\$ 348,284
Receivables - Net (Note 4)	2,667	-	77,099	-	249	80,015
Capital assets - Net (Note 5)	6,247,157	-	-	-	666	6,247,823
Unamortized bond issuance costs	41,333	-	-	-	-	41,333
Total assets	6,483,302	38,960	129,547	11	65,635	6,717,455
Liabilities						
Accounts payable	6,901	2,249	-	-	2,474	11,624
Accrued and other liabilities	-	-	-	-	119	119
Deferred revenue (Note 4)	17,257	-	-	-	-	17,257
Accrued interest payable	84,231	-	-	-	-	84,231
Current portion of long-term debt (Note 7)	350,000	-	-	-	-	350,000
Due in more than one year:						
Capital leases	-	-	-	-	636	636
Long-term debt (Note 7)	5,655,000	-	-	-	-	5,655,000
Total liabilities	6,113,389	2,249	-	-	3,229	6,118,867
Net Position						
Net investment in capital assets	242,157	-	-	-	30	242,187
Unrestricted	127,756	36,711	129,547	11	62,376	356,401
Total net position	\$ 369,913	\$ 36,711	\$ 129,547	\$ 11	\$ 62,406	\$ 598,588

City of East Lansing, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority	\$ 1,837,050	\$ 469,127	\$ 35,000	\$ -
Downtown Management Board	48,993	-	-	-
Brownfield Redevelopment Authority	590,590	-	28,458	-
Economic Development Corporation	-	-	-	-
Local Development Financing Authority	129,933	-	70,000	-
Total component units	\$ 2,606,566	\$ 469,127	\$ 133,458	\$ -
General revenues:				
Property taxes				
Interest				
Miscellaneous				
Total general revenues				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Component Units
Statement of Activities
Year Ended June 30, 2013**

Net (Expense) Revenue and Changes in Net Position					
Downtown Development Authority	Downtown Management Board	Brownfield Redevelopment Authority	Economic Development Corporation	Local Development Financing Authority	Total
\$ (1,332,923)	\$ -	\$ -	\$ -	\$ -	\$ (1,332,923)
-	(48,993)	-	-	-	(48,993)
-	-	(562,132)	-	-	(562,132)
-	-	-	-	-	-
-	-	-	-	(59,933)	(59,933)
(1,332,923)	(48,993)	(562,132)	-	(59,933)	(2,003,981)
1,101,266	-	505,725	-	17,896	1,624,887
1,854	191	97	-	396	2,538
2,020	5,000	-	-	31,519	38,539
1,105,140	5,191	505,822	-	49,811	1,665,964
(227,783)	(43,802)	(56,310)	-	(10,122)	(338,017)
597,696	80,513	185,857	11	72,528	936,605
\$ 369,913	\$ 36,711	\$ 129,547	\$ 11	\$ 62,406	\$ 598,588

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of East Lansing, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of East Lansing, Michigan:

Reporting Entity

The City of East Lansing, Michigan is governed by an elected five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units - The following component units are reported within the component unit column in the combined financial statements. Separate financial statements are not issued for these component units. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

- a. **Downtown Development Authority** - The Downtown Development Authority was created on June 17, 1986 to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. This authority's governing body, which consists of 11 individuals, is appointed by the City Council. In addition, the authority's budget is subject to approval by the City Council. The authority's administrative office is located at 410 Abbot Road, East Lansing, MI 48823.
- b. **Downtown Management Board** - The Downtown Management Board was formed by the City Council on January 21, 1997 in accordance with Michigan Public Act 146 to market and promote the downtown, to maintain common areas of the downtown, and to recruit and retain business in the downtown. This board's governing body, which consists of nine individuals, is appointed by the City Council. In addition, the board's budget is subject to approval by the City Council. The board's administrative office is located at 410 Abbot Road, East Lansing, MI 48823.
- c. **Brownfield Redevelopment Authority** - The Brownfield Redevelopment Authority was formed by the City Council on August 15, 2000 in accordance with P.A. 381. The purpose of the authority is to authorize and permit the use of certain tax incremental financing for developmental projects on eligible properties. The governing body is comprised of the same 11 individuals who were appointed by the City Council to the Downtown Development Authority. In addition, the authority's budget is subject to approval by the City Council. The authority's administrative office is located at 410 Abbot Road, East Lansing, MI 48823.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note I - Summary of Significant Accounting Policies (Continued)

- d. **Economic Development Corporation** - The Economic Development Corporation (the "Corporation") was created on August 21, 1979 to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of nine individuals, is selected by the City Council. In addition, the Corporation's budget is subject to approval by the City Council. The Corporation's administrative office is located at 410 Abbot Road, East Lansing, MI 48823.
- e. **Local Development Financing Authority** - The Local Development Financing Authority was created on May 3, 2005 to foster development of the Lansing Regional Smart Zone as authorized under P.A. 281 of 1986. The board is a seven-member entity consisting of three members from the City of East Lansing, three members from the City of Lansing, and one member from Ingham County. All members are appointed by their respective councils/boards. The East Lansing portion of the authority's budget is subject to approval by the City Council. The authority's administrative office is located at 410 Abbot Road, East Lansing, MI 48823.

Government-wide and Fund 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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (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 or capital requirements of a particular function or segment. Amounts reported as general revenue represent the following:

- a. Revenue received from the City's own taxpayers (property taxes)
- b. Revenue received from parties outside the government whose use is unrestricted (state-shared revenue, franchise fees, and other miscellaneous revenue)

Note I - Summary of Significant Accounting Policies (Continued)

c. Revenue generated by the City itself (unrestricted investment earnings)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Agency funds have no measurement focus. Revenue is 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 revenue 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund to account for and report all financial resources not accounted for and reported in another fund.

Debt Service Fund - The debt service fund is used to account for the annual payment of principal, interest, and expenses in connection with certain long-term debt other than debt payable from the operation of an enterprise fund.

Note I - Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

Automobile Parking System Fund - The Automobile Parking System Fund is used to account for revenue and expenses relating to street meters, metered parking lots, attended parking lots, and attended parking ramps. The Building Authority was used to construct the parking structure and its activities have been blended into the Automobile Parking System Fund.

Water Supply System Fund - The Water Supply System Fund is used to account for the purchase and distribution of water to East Lansing citizens. Treated water is purchased from the East Lansing - Meridian Water and Sewer Authority. User charges to customers based upon water consumption account for substantially all of the revenue of this fund.

Sewage Disposal System Fund - The Sewage Disposal System Fund is used to account for the sewage collection system within the City and the wastewater treatment plant. Revenue consists of resident user fees and wastewater treatment payments by Michigan State University and Meridian Township.

Additionally, the City reports the following internal service and fiduciary activities:

Internal Service Funds - Internal service funds account for financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The following activities are reported in internal service funds: self-insured workers' compensation, health insurance and other city-paid employee benefits, operation and maintenance of the motor vehicle fleet, and computers and equipment used by the various city departments.

Fiduciary Fund (Agency Fund) - The fiduciary fund (Agency Fund) is used to account for the collection of property taxes due to other jurisdictions, developer deposits, and escrow accounts that will subsequently be transferred to third parties. The District Court's assets and liabilities are included in this fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The water and sewage funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's practice to spend funds in order of committed, assigned, then unassigned.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2012 tax is levied and collectible on July 1, 2012 and is recognized as revenue in the year ended June 30, 2013, when the proceeds of the levy are budgeted and available for the financing of operations. The 2012 taxable valuation of the City totaled \$910 million. The tax levy and related revenue (net of delinquent amounts, etc.) were as follows:

<u>Purpose</u>	<u>Millage Rate</u>	<u>Revenue</u>
General operating	17.5891	\$ 15,006,000
Other - Administrative fees and other		830,000
Total reported in the General Fund		15,836,000
Debt	1.3478	1,202,000
Library	1.0000	861,000
Solid Waste Fund	1.9000	1,638,000
Total	21.8369	\$ 19,537,000

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position or Equity

Bank Deposits and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Assets Available for Sale - Assets available for sale are recorded at the lower of cost or fair market value. These consist of properties in the Avondale Square and Burcham Park developments that the City undertook to improve and develop into owner-occupied homes.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 or an aggregate cost of more than \$20,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets acquired prior to the adoption of GASB No. 34 have been retroactively reported.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note I - Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Building and building improvements	50 years
Land improvements	20 to 30 years
Equipment	7 years
Infrastructure - Traffic signals, street lights, pathways, sidewalks, and bridges	15 to 50 years
Streets	25 years
Water and sewer mains	50 years
Drainage flow rights	20 years
Library books and electronic resources	5 years
Vehicles	5 to 7 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick pay is accrued for employees eligible to retire who will be paid out when they separate from service with the City as well as an estimate for those employees who will become eligible to retire based on past results. Sick pay is accrued in the government-wide and proprietary fund financial statements. Liquidation of the liability for compensated absences is allocated to the department, within the applicable fund, for which the individual is associated. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Note I - Summary of Significant Accounting Policies (Continued)

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree healthcare benefits to eligible retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide financial statements and proprietary funds, the City reports the full accrual cost equal to the current year required contributions, adjusted for interest and “adjustment to the ARC” on the beginning of year underpaid amount, if any.

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- **Assigned:** Intent to spend resources on specific purposes expressed by the City Council or city manager, who is authorized by the policy approved by the City Council to make assignments
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

The City has a fund balance policy that sets a fund balance target of 8 to 15 percent of the current operating budget for the General Fund and special revenue funds. This is deemed to be the prudent amount to maintain the City's ability to meet obligations as they come due throughout the year. For enterprise funds and internal service funds, the target is for unrestricted net position (which approximates working capital) to be between 8 and 15 percent.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Implementation of GASB Statement No. 63 - In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The 2013 comprehensive annual financial report reflects the implementation of this statement. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be re-appropriated and honored during the subsequent year. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the General Fund is included in the required supplemental information. Budget comparisons for the Debt Service Fund and budgeted nonmajor funds are included in other supplemental information. The Community Development Block Grant Fund has been budgeted over the life of the projects; therefore, its financial activity has been omitted from the budget statement.

The City has the following encumbrances outstanding:

General Fund encumbrances	\$	253,384
Debt Service encumbrances		-
Nonmajor funds encumbrances		131,437

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>
Art Festival Fund - Recreation and culture	\$ 150,210	\$ 160,404

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in instruments that are acceptable under Michigan Public Act 20 of 1943, as amended. In addition, the City imposes other restrictions on allowable investments. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool, except that the Agency Fund investment earnings are allocated to the General Fund.

The City has designated 20 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs; in addition, the policy also allows for commercial paper investment in accordance with Michigan Public Act 20 of 1943, as amended. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$12,407,368 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Less Than One Year</u>
Money market funds	<u>\$ 6,929,629</u>	<u>\$ 6,929,629</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Money market funds	<u>\$ 6,929,629</u>	Not rated	-

Restricted Assets

Restricted cash consists of proceeds from the issuance of bonded indebtedness that has not yet been disbursed for the capital project. At year end, the balances are as follows:

	Unspent Bond Proceeds
Governmental activities - Local Streets Fund	<u>\$ 291,290</u>
Business-type activities:	
Automobile Parking System Fund	\$ 1,140,192
Water Supply System Fund	<u>323,091</u>
Total business-type activities	<u>\$ 1,463,283</u>

Note 4 - Receivables and Deferred Revenue

Receivables as of year end for the City's individual major funds, the nonmajor funds, internal service funds, and component units, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Nonmajor Funds	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Proprietary - Internal Service	Component Units
Receivables:								
Taxes	\$ 91,175	\$ 3,426	\$ 5,986	\$ -	\$ -	\$ -	\$ -	\$ 3,107
Special assessments	-	1,288,669	-	-	-	280,366	-	-
Accounts	920,001	-	16,370	35,058	584,875	922,037	67,538	1,213
Interest	11,459	285	-	-	-	-	174	-
Other	16,471	-	12,282	-	-	5,513	3	-
Due from other governmental units	985,133	-	571,528	-	-	892,485	-	77,099
Less allowance for uncollectibles	(430,766)	(1,193)	(2,310)	(137)	(533)	-	(674)	(1,404)
Net receivables	<u>\$ 1,593,473</u>	<u>\$ 1,291,187</u>	<u>\$ 603,856</u>	<u>\$ 34,921</u>	<u>\$ 584,342</u>	<u>\$ 2,100,401</u>	<u>\$ 67,041</u>	<u>\$ 80,015</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 4 - Receivables and Deferred Revenue (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Activities			Business-type Activities	Component Units
	Unavailable	Unearned	Total		
Special assessments	\$ 1,288,669	\$ -	\$ 1,288,669	\$ -	\$ -
Cell tower sale of future revenue:					
Governmental activities	-	601,716	601,716	-	-
Internal service funds	-	143,301	143,301	-	-
Business-type activities	-	-	-	572,194	-
Other	237,723	180,985	418,708	-	17,257
Total	\$ 1,526,392	\$ 926,002	\$ 2,452,394	\$ 572,194	\$ 17,257

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities and the component units was as follows:

	Balance July 1, 2012	Reclassifications	Additions	Disposals	Balance June 30, 2013
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 7,798,174	\$ -	\$ -	\$ -	\$ 7,798,174
Construction in progress	1,541,358	(153,654)	768,717	-	2,156,421
Subtotal	9,339,532	(153,654)	768,717	-	9,954,595
Capital assets being depreciated:					
Land improvements	5,791,138	-	101,920	-	5,893,058
Buildings and improvements	36,640,227	-	326,451	-	36,966,678
Vehicles	7,571,383	-	839,731	(790,296)	7,620,818
Equipment	12,132,085	(422,367)	759,990	(462,349)	12,007,359
Library books and electronic resources	1,128,493	-	172,288	(165,165)	1,135,616
Traffic signals	1,476,441	-	-	-	1,476,441
Streets	44,230,215	363,389	-	-	44,593,604
Decorative street lights	1,237,744	-	21,615	-	1,259,359
Pathways	1,286,337	(30,891)	49,738	-	1,305,184
Sidewalks	1,458,846	243,523	37,025	-	1,739,394
Drainage flow rights	698,161	-	-	-	698,161
Bridges	772,735	-	-	-	772,735
Subtotal	114,423,805	153,654	2,308,758	(1,417,810)	115,468,407
Accumulated depreciation:					
Land improvements	3,129,176	-	305,980	-	3,435,156
Buildings and improvements	10,106,882	-	746,430	-	10,853,312
Vehicles	5,790,525	-	808,703	(773,438)	5,825,790
Equipment	10,827,574	-	378,376	(450,155)	10,755,795
Library books and electronic resources	676,822	-	187,840	(165,165)	699,497
Traffic signals	1,292,579	-	37,193	-	1,329,772
Streets	22,772,581	-	1,633,927	-	24,406,508
Decorative street lights	1,129,018	-	46,012	-	1,175,030
Pathways	90,961	-	52,982	-	143,943
Sidewalks	160,878	-	59,547	-	220,425
Drainage flow rights	191,994	-	34,908	-	226,902
Bridges	285,534	-	15,455	-	300,989
Subtotal	56,454,524	-	4,307,353	(1,388,758)	59,373,119
Net capital assets being depreciated	57,969,281	153,654	(1,998,595)	(29,052)	56,095,288
Net capital assets	\$ 67,308,813	\$ -	\$ (1,229,878)	\$ (29,052)	\$ 66,049,883

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

	Balance July 1, 2012	Reclassifications	Additions	Disposals	Balance June 30, 2013
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 2,123,839	\$ -	\$ -	\$ -	\$ 2,123,839
Construction in progress	2,697,222	-	2,060,645	-	4,757,867
Subtotal	4,821,061	-	2,060,645	-	6,881,706
Capital assets being depreciated:					
Buildings and building improvements	61,484,935	-	30,402	-	61,515,337
Water and sewer mains	44,658,042	-	134,595	(53,868)	44,738,769
Equipment	8,651,321	-	162,279	(195,962)	8,617,638
Subtotal	114,794,298	-	327,276	(249,830)	114,871,744
Accumulated depreciation:					
Buildings and building improvements	28,657,935	-	1,316,979	-	29,974,914
Water and sewer mains	18,739,908	-	1,212,627	(53,869)	19,898,666
Equipment	4,203,326	-	393,822	(196,161)	4,400,987
Subtotal	51,601,169	-	2,923,428	(250,030)	54,274,567
Net capital assets being depreciated	63,193,129	-	(2,596,152)	200	60,597,177
Net capital assets	\$ 68,014,190	\$ -	\$ (535,507)	\$ 200	\$ 67,478,883
Component Units					
Capital assets not being depreciated -					
Land	\$ 1,276,799	\$ -	\$ -	\$ -	\$ 1,276,799
Capital assets being depreciated:					
Buildings and building improvements	5,538,360	-	-	-	5,538,360
Equipment	46,394	-	-	-	46,394
Subtotal	5,584,754	-	-	-	5,584,754
Accumulated depreciation:					
Buildings and building improvements	471,738	110,456	-	-	582,194
Equipment	24,528	7,008	-	-	31,536
Subtotal	496,266	117,464	-	-	613,730
Net capital assets being depreciated	5,088,488	(117,464)	-	-	4,971,024
Net capital assets	\$ 6,365,287	\$ (117,464)	\$ -	\$ -	\$ 6,247,823

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 173,563
Public safety	195,157
Public works	1,935,900
Culture and recreation	888,067
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>1,114,666</u>
Total governmental activities	<u>\$ 4,307,353</u>

Business-type activities:

Water Supply System Fund	\$ 239,553
Sewage Disposal System Fund	1,827,250
Automobile Parking System Fund	<u>856,625</u>
Total business-type activities	<u>\$ 2,923,428</u>

Component units:

Downtown Development Authority	\$ 116,134
Local Development Finance Authority	<u>1,330</u>
Total component unit activities	<u>\$ 117,464</u>

Construction Commitments - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Street projects	\$ 500,255	\$ 814,064
Sidewalk projects	425,451	322,307
Sewer projects	1,075,725	2,010,992
Parking projects	63,450	386,155
Park projects	2,700	13,800
Other projects	<u>548,267</u>	<u>573,724</u>
Total	<u>\$ 2,615,848</u>	<u>\$ 4,121,042</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 6 - Interfund Receivables, Payables, and Transfers

Interfund balances for the year ended June 30, 2013 consisted of the following:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
Insurance and Benefits Fund	CDBG Fund	\$ 16,288

Amounts provided to the CDBG Fund from the Insurance and Benefits Fund are for the purpose of short-term cash flow assistance.

Interfund transfers for the year ended June 30, 2013 consisted of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Debt Service Fund	\$ 71,880
	Library Fund	797,489
	Parks and Recreation Fund	1,175,185
	Insurance and Benefits Fund	975,785
	Total General Fund	3,020,339
Major Streets Fund	Local Streets Fund	375,000
Solid Waste Fund	Major Streets Fund	70,000
	Debt Service Fund	65,825
	Total Solid Waste Fund	135,825
Parks and Recreation Fund	Capital Projects Fund	75,450
Capital Projects Fund	Capital Projects Fund Parks	24,000
Sewage Disposal System Fund	Major Streets Fund	40,000
	Total interfund transfers	\$ 3,670,614

Transfers are used to provide resources from unassigned General Fund revenue to finance various programs accounted for in other funds, in accordance with budgetary authorizations. The Major Streets Fund is allowed under Act 51 to share a portion of its gas and weight tax revenue with the Local Streets Fund. The Solid Waste Fund remitted its share of principal and interest payments to the Debt Service Fund while the Parks and Recreation Fund supported a building improvement in the Capital Projects Fund. The Solid Waste Fund and Sewage Disposal System Fund each contributed funds to the Major Streets Fund to support street cleaning operations. The Capital Projects Fund provided support to the Capital Projects Fund Parks for the Fine Park improvements.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds:					
Unlimited Tax Bonds Series A (1996)	\$ 420,000	\$ -	\$ -	\$ 420,000	\$ -
Unlimited Tax Bonds Series (1999)	755,000	-	90,000	665,000	95,000
Unlimited Tax Refunding Bonds (2005)	1,115,000	-	355,000	760,000	370,000
Limited Tax Downtown Development Refunding Bonds (2005)	3,240,000	-	145,000	3,095,000	160,000
2003 Public Service Garage Bonds	5,175,000	-	5,175,000	-	-
2004 Limited Tax Bonds	1,840,000	-	110,000	1,730,000	115,000
2008 Limited Tax Bonds Series A	620,000	-	45,000	575,000	55,000
2008 Limited Tax Bonds Series B	315,000	-	30,000	285,000	35,000
2009 Limited Tax Bonds Series A	375,000	-	50,000	325,000	50,000
2009 Limited Tax Bonds Series B	330,000	-	30,000	300,000	30,000
2009 Unlimited Tax Refunding Bonds (1998 Aq/Han)	4,160,000	-	540,000	3,620,000	555,000
2009 Michigan Transportation Bonds (Local Streets)	1,270,000	-	90,000	1,180,000	90,000
2010 Limited Tax Bonds Series A (Avondale Square)	2,365,000	-	55,000	2,310,000	55,000
2012 Limited Tax Refunding Bonds (of 2003 Garage Bonds)	-	4,785,000	-	4,785,000	270,000
Less discounts and deferred charge on refunding	(167,115)	279,205	(34,527)	146,617	34,529
Other general obligations:					
HUD Note Series 2006-A	1,125,000	-	75,000	1,050,000	75,000
Towar/Snell Drain Assessment	488,712	-	34,908	453,804	34,908
ERP Installment Loan	-	550,000	110,000	440,000	110,000
Special assessment bonds - Bond Series (2006)	1,940,000	-	395,000	1,545,000	395,000
Total general obligations	25,366,597	5,614,205	7,295,381	23,685,421	2,529,437
Other long-term obligations:					
Burcham Park remediation costs	347,000	-	112,000	235,000	-
Compensated absences	2,855,266	2,071,897	1,924,133	3,003,030	2,122,458
Total governmental activities	\$ 28,568,863	\$ 7,686,102	\$ 9,331,514	\$ 26,923,451	\$ 4,651,895

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

The Limited Tax Downtown Development Refunding Bonds (2005) and Limited Tax Bond Series B Bonds (2008 and 2009) are intended to be funded by contributions from the Downtown Development Authority.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
General obligation bonds:					
Limited Tax Bonds Series 1994 - CSO	\$ 1,720,000	\$ -	\$ 330,000	\$ 1,390,000	\$ 340,000
Limited Tax Bonds Series 1995 - CSO	3,715,000	-	710,000	3,005,000	725,000
Building Authority Bonds 1997	430,000	-	60,000	370,000	65,000
Building Authority Bonds 2000	3,105,000	-	-	3,105,000	-
Limited Tax Certificates of Participation 2001	970,000	-	225,000	745,000	235,000
Limited Tax Bonds Series 2000	350,000	-	35,000	315,000	40,000
Limited Tax Certificates of Participation 2001B	715,000	-	165,000	550,000	175,000
Limited Tax Bond Series 2004 - CSO	6,703,648	-	415,000	6,288,648	425,000
Building Authority Refunding Bonds 2005	5,785,000	-	505,000	5,280,000	530,000
Limited Tax Bonds Series A 2007	2,075,000	-	40,000	2,035,000	40,000
Limited Tax Bonds Series B 2007	2,110,000	-	40,000	2,070,000	40,000
Limited Tax Refunding Bonds 2008	1,275,000	-	235,000	1,040,000	240,000
Limited Tax Refunding Bonds 2009	3,460,000	-	655,000	2,805,000	665,000
Limited Tax Bonds Series A 2011 - Parking	1,971,330	-	74,282	1,897,048	74,282
Limited Tax Bonds Series A 2011 - Water	1,478,671	-	55,718	1,422,953	55,718
Limited Tax Bonds 2012 - Sewer	-	1,370,000	40,000	1,330,000	55,000
Limited Tax Bonds Series 2013	-	622,969	-	622,969	-
Less discounts and deferred charge on refunding	(458,721)	73,060	(63,831)	(321,830)	(63,831)
Installment purchase contract - Parking equipment	217,888	-	145,259	72,629	72,629
Total general obligations	35,622,816	2,066,029	3,666,428	34,022,417	3,713,798
Other long-term obligations - Compensated absences	175,910	149,879	123,851	201,938	105,475
Total business-type activities	\$ 35,798,726	\$ 2,215,908	\$ 3,790,279	\$ 34,224,355	\$ 3,819,273
Component Unit Activities					
2012 DDA Refunding Bond Anticipation					
Notes	\$ 5,655,000	\$ -	\$ -	\$ 5,655,000	\$ -
Installment loan agreement - Building	350,000	-	-	350,000	350,000
Total component unit activities	\$ 6,005,000	\$ -	\$ -	\$ 6,005,000	\$ 350,000

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

In November 2001, the Downtown Development Authority purchased the building located at 303 Abbott. The acquisition was financed with the proceeds of a Core Communities Fund Program economic development financing agreement in the amount of \$700,000 with the Michigan Economic Development Corporation (MEDC). During the year ended June 30, 2009, MEDC forgave half of the outstanding loan balance, bringing the total liability to \$350,000. Annual principal and interest payments have been deferred until the year ending June 30, 2014 by the MEDC and a short-term liability has been recorded as of June 30, 2013.

Annual debt service requirements to maturity for the above obligations (excluding other long-term obligations and deferred charges in refunding) are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 2,494,908	\$ 943,963	\$ 3,438,871	\$ 3,777,629	\$ 1,211,591	\$ 4,989,220	\$ 350,000	\$ 98,963	\$ 448,963
2015	2,544,908	854,038	3,398,946	3,950,000	1,094,295	5,044,295	5,655,000	98,963	5,753,963
2016	2,649,908	759,165	3,409,073	4,080,000	1,048,761	5,128,761	-	-	-
2017	2,284,908	674,229	2,959,137	3,740,000	826,473	4,566,473	-	-	-
2018	1,864,908	589,952	2,454,860	1,650,000	732,836	2,382,836	-	-	-
2019-2023	6,614,540	1,958,105	8,572,645	8,227,969	2,710,156	10,938,125	-	-	-
2024-2028	4,024,724	720,078	4,744,802	5,698,649	1,255,334	6,953,983	-	-	-
2029-2033	710,000	247,813	957,813	2,105,000	547,358	2,652,358	-	-	-
2034-2037	350,000	33,125	383,125	1,115,000	213,050	1,328,050	-	-	-
Total	\$ 23,538,804	\$ 6,780,468	\$ 30,319,272	\$ 34,344,247	\$ 9,639,854	\$ 43,984,101	\$ 6,005,000	\$ 197,926	\$ 6,202,926

Current Refunding - During the year, the City issued a par amount of \$4,785,000 with a premium of \$279,205 for a total of \$5,064,205 in refunding bonds with an average interest rate of 2.6 percent. The proceeds of these bonds were used to refund \$5,175,000 of the 2003 Public Service Garage Bonds with an average interest rate of 4.41 percent. The proceeds of \$5,064,205 along with current debt service of \$202,000 were used to pay issuance costs of \$91,205 and \$5,175,000 of principal on the 2003 notes. The total cash flows required to service the new debt is \$5,873,384, resulting in a net present value savings from cash flow of \$872,559.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as high-deductible medical claims and dental benefits provided to employees. The City has purchased commercial insurance for property loss, torts, and errors and omissions claims. All eligible employees are covered by commercial health insurance for both medical and prescription coverage. The City is self-insured for all dental claims, for a high deductible portion of medical claims (between \$250 and \$2,500 for single or between \$500 and \$5,000 for family), and for employees' injuries (workers' compensation). The City has purchased commercial stop-loss insurance for workers' compensation claims in excess of the self-insurance retention amount of \$450,000. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past 25 fiscal years.

The City estimates the liability for employee injuries (workers' compensation), dental claims, and high-deductible medical claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. This liability is reported in the Insurance and Benefits Internal Service Fund and in governmental activities in the government-wide financial statements. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2013</u>	<u>2012</u>
Unpaid claims - Beginning of year	\$ 332,197	\$ 458,337
Incurred claims, including claims incurred but not reported	801,844	760,849
Claim payments	<u>(840,978)</u>	<u>(886,989)</u>
Unpaid claims - End of year	<u>\$ 293,063</u>	<u>\$ 332,197</u>

Note 9 - Defined Benefit Pension Plan

Plan Description - The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers eligible employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees up to 6.7 percent of gross wages for the various bargaining units.

Note 9 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the year ended June 30, 2013, the City's annual pension cost of \$5,524,549 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, and (b) projected salary increases of 4.5 percent per year plus a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases. Both (a) and (b) include an inflation assumption of 4.5 percent (1 percent for calendar years 2011-2014) per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period for each group ranges from 12 to 28 years.

The City adopted a hybrid pension plan, administered by MERS, effective May 1, 2011 for all defined contribution plan participant members who chose to convert as well as all new hires eligible for the City's defined contribution pension plan. A hybrid plan is a combination of a modest fixed defined benefit pension with a flexible defined contribution plan. It is a way to offer plan members a small, though stable, benefit that is sheltered from the volatility of current market investment earnings. The defined benefit contribution for the City is determined by actuaries and has a fixed multiplier (1.5 percent) that is not subject to negotiation. The City will never contribute more than the 10.5 percent it currently contributes. The contribution is simply split between the two pieces of the hybrid plan: the defined benefit portion funded first and the "spill-over" contribution going into the defined contribution portion. The trend information presented in the tables below represents costs and contributions for both the defined benefit pension plan and the defined benefit portion of the City's hybrid pension plan.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2011	2012	2013
Annual pension cost (APC)	\$ 4,433,560	\$ 4,997,561	\$ 5,524,549
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 9 - Defined Benefit Pension Plan (Continued)

	Actuarial Valuation as of December 31		
	2010	2011	2012
Actuarial value of assets	\$ 96,854,824	\$ 96,791,563	\$ 96,076,574
Actuarial accrued liability (AAL) (entry age)	\$ 148,739,860	\$ 155,184,306	\$ 158,593,831
Unfunded AAL (UAAL)	\$ 51,885,036	\$ 58,392,743	\$ 62,517,257
Funded ratio	65.1 %	62.4 %	60.6 %
Covered payroll	\$ 12,048,165	\$ 15,755,240	\$ 14,946,580
UAAL as a percentage of covered payroll	430.6 %	370.6 %	418.3 %

Effective July 1, 2011, the City has implemented scaled-back defined benefit provisions for new hires in the police and firefighter groups. New hires are placed in a cost-controlling plan with a reduced multiplier, no overtime included in the three-year final average compensation (FAC), a cap of 240 paid-leave hours in the FAC, and a change in the normal retirement age to 55 (from 50). The impact of this change is now included in the actuarial accrued liability as of the date of the most recent valuation dated December 31, 2012.

Note 10 - Defined Contribution Pension Plan

Effective November 1, 1999, the City provides pension benefits to its various nonunion senior, nonunion junior, UAW nonsupervisory senior, UAW nonsupervisory junior, and independent employees through a defined contribution plan administered by the Michigan Municipal Employees' Retirement System (MERS). The MERS defined contribution plan provides retirement and death benefits to plan members and their beneficiaries. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by negotiation with the City's competitive bargaining units, the City contributes 7.0 to 10.5 percent (10.0 percent for new hires) and employees contribute up to 3.5 percent of employees' gross earnings.

As mentioned earlier, the City adopted a hybrid pension plan effective May 1, 2011. All defined contribution participants were given the opportunity to convert their DC plans to a hybrid plan during open enrollment. The contributions paid by the City were for employees who elected to stay in the traditional defined contribution plan and the defined contribution portion of the hybrid plan.

In accordance with these requirements, the City contributed \$501,416 during the current year and employees contributed \$286,625.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 10 - Defined Contribution Pension Plan (Continued)

Effective July 1, 2011, the City reduced the maximum contribution from 10.5 percent to 10.0 percent for new hires in the hybrid plan.

Note 11 - Other Postemployment Benefits

Plan Description - The City includes retirees and their spouses in either its commercial health plan (high deductible plan is self-insured for City) or its commercial Medical Advantage plan, dependent upon age of retiree. Currently, 254 retirees are eligible.

Eligibility requirements vary between bargaining groups.

	Group	Normal Retiree Health Eligibility	Date Closed to New Hires
1	General Non Union	Age - 55 with 25 years of service	July 1st 1993
2	Police - Non Command	Age - 50 with 25 years of service or 55 with 25 years of service	July 1st 2011
5	Fire	Age - 50 with 25 years of service or 55 with 25 years of service	July 1st 2011
8	New Hires 54B	Age - 55 with 25 years of service	June 30th 2006
10	General DPW	Age - 55 with 25 years of service	July 1st 2005
11	General Auxiliary	Age - 50 with 25 years of service or 55 with 25 years of service	July 1st 2005
12	General 54B Court	Age - 55 with 25 years of service	September 28th 1997
13	Jail Services	Age - 55 with 25 years of service	July 1st 2011
14	Water and Sewer	Age - 55 with 25 years of service	October 16th 2008
15	Junior Non Union	Age - 55 with 25 years of service	July 1st 1993
17	UAW Supervisors	Age - 55 with 25 years of service	July 1st 1993
18	UAW Non Supervisory	Age - 55 with 25 years of service	July 1st 1993
19	UAW Junior Employees	Age - 55 with 25 years of service	July 1st 1993
20	Police Supervisors	Age - 50 with 25 years of service or 55 with 25 years of service	Open to new hires
21	Police/Fire	Age - 55 with 25 years of service	July 1st 1993
22	Dispatch	Age - 50 with 25 years of service or 55 with 25 years of service	July 1st 2009
23	Police - Non Command hired on or after 7/1/2011	Age - 50 with 25 years of service or 55 with 25 years of service, eligible only from age 55 to 65	Open to new hires
50	Fire - Hired on or after 7/1/2011	Age - 50 with 25 years of service or 55 with 25 years of service, eligible only from age 55 to 65	Open to new hires
99	Defined Contribution	The retiree and spouse may purchase coverage through the City at retiree's expense	N/A

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 11 - Other Postemployment Benefits (Continued)

All retirees and spouses are required to enroll in a Medicare advantage plan at the age of 65. The City has instituted a wrap program to reimburse retirees and spouses for any additional out-of-pocket costs incurred as a result of being enrolled in the Medicare advantage plan. Employees not eligible to receive health care are eligible to purchase the City plan coverage.

Funding Policy - The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, the City has established a Retiree Healthcare Funding Vehicle at MERS. This is an agent multiple employer defined benefit plan and is administered by MERS. As shown below, the City has made contributions to advance-fund these benefits, as determined by the City Council through annual budget resolutions.

Funding Progress - For the year ended June 30, 2013, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2010. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 4,095,932
Interest on the prior year's net OPEB obligation	82,964
Less adjustment to the annual required contribution	<u>(77,094)</u>
Annual OPEB cost	4,101,802
Amounts contributed:	
Payments of current premiums	(2,501,088)
Advance funding	<u>(1,875,785)</u>
Decrease in net OPEB obligation	(275,071)
OPEB obligation - Beginning of year	<u>976,030</u>
OPEB obligation - End of year	<u>\$ 700,959</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 11 - Other Postemployment Benefits (Continued)

The following table presents the net OPEB (asset)/obligation in the governmental activities by function and business-type activities by fund:

	Net OPEB (Asset)/ Obligation
Governmental activities:	
General government	\$ 494,852
Public safety	131,387
Public works	128,066
Recreation and culture	66,338
Internal service fund - Garage Fund	31,164
Total governmental activities	<u>851,807</u>
Business-type activities:	
Automobile Parking System Fund	35,177
Water Supply System Fund	(14,882)
Sewage Disposal System Fund	(171,143)
Total business-type activities	<u>(150,848)</u>
Total OPEB obligation	<u>\$ 700,959</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
6/30/13	12/31/10	\$ 4,101,802	106.7 %	\$ 700,959
6/30/12	12/31/08	4,142,795	76.4	976,030
6/30/11	12/31/08	4,088,680	100.0	247

The funding progress of the plan as of the most recent valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/10	\$3,868,537	\$46,969,358	\$43,100,821	8.2 %	\$ 18,574,044	232.0 %
12/31/08	-	43,045,951	43,045,951	-	20,227,744	212.8
12/31/06	-	39,991,855	39,991,855	-	22,899,501	174.6

As of June 30, 2013, the market value of plan assets held in the Municipal Employees' Retirement Health Funding Vehicle was \$8,837,325.

Note 11 - Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of costs to the employer to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2010 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included an 8 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis, and as a level dollar amount for closed groups. The remaining amortization period at December 31, 2010 was 26 years.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 12 - Joint Venture

The City is a member of the East Lansing - Meridian Water and Sewer Authority (the "Authority"), which provides water services to the residents of the City of East Lansing and the Charter Township of Meridian. The participating communities provide annual funding for its operations. During the current year, the City contributed \$1,341,795 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The City appoints three members to the joint venture's governing board, which then approves the annual budget. The following financial information of the joint venture is obtained from audited financial statements as of June 30, 2013. Complete financial statements for the East Lansing - Meridian Water and Sewer Authority can be obtained from the administrative offices at 410 Abbot Road, East Lansing, Michigan 48823.

Total assets	\$	6,782,485
Total liabilities		690,907
Total net position		6,091,578
Total operating revenue		3,780,040
Total operating expenses		3,318,493
Increase in net position		136,515

Note 13 - Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2012	\$	(955,771)
Current year building permit revenue		733,824
Related expenses:		
Direct costs		381,607
Indirect costs		41,602
		<u>423,209</u>
Cumulative shortfall at June 30, 2013	\$	<u>(645,156)</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2013

Note 14 - Fund Balance Constraints

The detail of the various components of fund balance is as follows:

	Combining General Fund	Debt Service Fund	Nonmajor Funds	Total
Fund Balances				
Nonspendable - Inventory and prepaids	\$ 86,400	\$ -	\$ 27,367	\$ 113,767
Restricted:				
Local streets	-	-	291,290	291,290
Drug enforcement	-	-	19,330	19,330
Library - One Book One Community	-	-	13,196	13,196
Debt service	-	50,102	-	50,102
Special assessment debt	-	458,464	-	458,464
Library special purposes	-	-	6,109	6,109
CDBG	-	-	1,278	1,278
Avondale Square and Burcham Park	-	-	712,120	712,120
Total restricted	-	508,566	1,043,323	1,551,889
Committed:				
Various encumbrances	247,474	-	-	247,474
Parks and recreation	-	-	627,348	627,348
Aquatic Center equipment reserve	-	-	265,000	265,000
Total committed	247,474	-	892,348	1,139,822
Assigned:				
Appropriations for 2014 budget	916,120	-	-	916,120
Major and local streets	-	-	581,346	581,346
Seniors program	103,373	-	-	103,373
Library	-	-	286,437	286,437
Capital projects	-	-	230,962	230,962
Infrastructure	1,050,000	-	-	1,050,000
Various encumbrances	5,910	-	-	5,910
Solid waste	-	-	157,072	157,072
Art festival	-	-	6,013	6,013
Total assigned	2,075,403	-	1,261,830	3,337,233
Unassigned	4,903,365	-	-	4,903,365
Total fund balances	<u>\$ 7,312,642</u>	<u>\$ 508,566</u>	<u>\$ 3,224,868</u>	<u>\$ 11,046,076</u>

Note 15 - Burcham Park Remediation

During the 1950s, the City operated a public landfill at the corner of Park Lake Road and Burcham Drive. In 1996, the site was converted to a recreation park. In 1997, soil borings revealed hazardous material in the landfill material slightly above the residential clean-up criteria and the site was deemed a “facility” under Part 201 of NREPA. The City proceeded toward “closure” of the site under Department of Environmental Quality (DEQ) monitoring. The DEQ notified the City of new closure criteria, per a draft DEQ policy, regarding acceptable methane levels. In March 2006, the City undertook remediation efforts. During fiscal year 2009, the City issued long-term debt for a methane extraction system to be installed. The methane extraction system will help reduce the methane gas that is produced underground by the decomposition of the organic waste remaining in the old landfill. The extraction system draws the methane to a central point using a pump and a piping system. Because of the low concentrations of methane, it can be disposed of safely by venting it to the atmosphere. The installation of the system is one of the final steps which will ultimately lead to an approved plan for monitoring and long-term care of the site. This work was completed in June 2011 and will continue to be monitored to determine any future potential actions on the site.

As of June 30, 2013, the City has recorded expenses and a liability at the government-wide financial statement level for this obligation. The City engaged an environmental engineer to calculate the future estimated costs of this liability, which amounted to \$235,000 (see Note 7). The City will bear the entire obligation of this pollution remediation.

The estimated liability is subject to changes due to future price increases or reductions, changes in the real estate market, technology, and changes in applicable laws and regulations. The liability will be adjusted in the future when new information indicates changes in the future estimated outlays.

Note 16 - Upcoming Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the City's 2013-2014 fiscal year.

Note 16 - Upcoming Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

Required Supplemental Information

City of East Lansing, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 15,913,635	\$ 15,913,635	\$ 15,836,460	\$ (77,175)
Licenses and permits	1,114,560	1,340,140	1,419,718	79,578
Federal sources	349,300	349,300	389,023	39,723
State sources	5,888,000	5,888,000	6,969,389	1,081,389
Charges for services	3,726,300	3,959,725	4,330,358	370,633
Fines and forfeitures	3,164,505	3,164,505	3,105,485	(59,020)
Interest income	80,000	80,000	79,425	(575)
Other revenue	672,540	720,540	772,873	52,333
Total resources (inflows)	30,908,840	31,415,845	32,902,731	1,486,886
Charges to Appropriations (Outflows) -				
Current:				
General government	7,659,625	7,895,986	7,604,574	291,412
Public safety	17,974,815	18,340,994	17,881,000	459,994
Public works:				
Highway and streets	1,043,435	1,069,168	971,935	97,233
Sanitation	289,025	299,025	186,251	112,774
Health and welfare and community development	855,585	890,585	840,459	50,126
Recreation and culture	1,344,035	1,344,035	1,326,255	17,780
Total charges to appropriations (outflows)	29,166,520	29,839,793	28,810,474	1,029,319
Excess of Inflows Over Outflows	1,742,320	1,576,052	4,092,257	2,516,205
Other Financing Uses - Transfers out	(1,878,995)	(2,911,855)	(2,911,855)	-
Net Change in Fund Balance	(136,675)	(1,335,803)	1,180,402	2,516,205
Fund Balance - Beginning of year	4,777,312	6,014,457	6,014,457	-
Fund Balance - End of year	\$ 4,640,637	\$ 4,678,654	\$ 7,194,859	\$ 2,516,205

City of East Lansing, Michigan

Note to Required Supplemental Information Year Ended June 30, 2013

Budgetary Information - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and special revenue funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. All annual appropriations lapse at fiscal year end.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, all special revenue funds, and the Debt Service Fund.

By the end of February each year, all department heads submit spending requests to the finance director so that a budget may be prepared. Before the first Council meeting in April, the proposed budget is submitted to the City Council for review. Public hearings are held, and a final budget is adopted no later than the second Council meeting in May. The City Council must approve any budget amendments. The budget is adopted on a functional basis. Although spending estimates are produced for each line item, budgetary control is exercised at the functional level. Expenditures at this level in excess of budget appropriation are a violation of Michigan law. Encumbrances represent commitments related to unperformed contracts or purchase orders for goods or services. Encumbrances are not included as expenditures or liabilities. Unexpended appropriations lapse at year end.

During the year ended June 30, 2013, the General Fund was budgeted separately from the Library Fund and Seniors Fund. The Library Fund was previously consolidated with the General Fund in accordance with GASB Statement No. 54. Due to the passing of a dedicated millage to fund the Library, the Library Fund is now presented as a special revenue fund. In the current year and prior years, the Library Fund was budgeted separately from the General Fund. Below is a reconciliation of the statement of revenue, expenditures, and changes in fund balance to the budgetary comparison schedule which includes just the General Fund as adopted:

City of East Lansing, Michigan

Note to Required Supplemental Information (Continued) Year Ended June 30, 2013

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Net Other Financing Sources (Uses)</u>	<u>Fund Balance</u>
Amounts per operating statement	\$ 33,018,577	\$ 29,046,532	\$ 3,020,339	\$ 7,312,642
Fund budgeted separately from the General Fund:				
Library Fund - Transfer	-	-	(241,534)	-
Seniors Fund	(115,846)	(236,058)	133,050	(117,783)
Amounts per budget statement	<u>\$ 32,902,731</u>	<u>\$ 28,810,474</u>	<u>\$ 2,911,855</u>	<u>\$ 7,194,859</u>

Other Supplemental Information

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions

Major Streets Fund - This fund is used to account for state gasoline and weight taxes allocated to the City for the maintenance and repair of approximately 24 miles of major streets. Also recorded in this fund are expenditures for the repair and maintenance of eight miles of state highway trunklines, namely Michigan Avenue, Grand River Avenue, and Saginaw Street, which are reimbursed under contract from the State.

Local Streets Fund - This fund is used to account for state gasoline and weight taxes allocated to the City for the maintenance and repair of approximately 61 miles of local streets. This fund also receives a contribution from the Major Streets Fund to help maintain the local streets.

Community Development Block Grant Fund (CDBG) - This fund is a series of funds, each of which records an annual grant from the U.S. Department of Housing and Urban Development. These grants begin in July of each year and may continue until the entire grant is expended. The grant monies are expended in accordance with federal guidelines to improve the quality of the City's housing stock and to physically improve neighborhoods in qualifying target areas.

Parks and Recreation Fund - This fund is used to account for the operating costs and administrative costs of the Hannah Community Center, the Aquatic Center, various parks and recreation facilities, and programs.

Solid Waste Management Fund - This fund is used to account for the solid waste removal program of the City including curbside residential trash collection, recycling services, and landfill costs. A solid waste millage is levied and trash bag and refuse sticker fees are charged.

Drug Forfeiture Fund - This fund is used to record revenue from seizure, forfeiture, and sale of property involved in the violation of controlled substances statutes as well as authorized expenditures related to the collection of the property. Any balance of revenue over expenditures must be used to enhance law enforcement efforts.

Art Festival Fund - This fund is used to account for the East Lansing Art Festival. Revenue consists primarily of receipts from sponsors and fees.

Library Fund - This fund is used to account for the activities of the City's library. Revenue consists primarily from property tax revenue as well as library book fines, an allocation of county penal fines, state aid to libraries, and miscellaneous gifts and bequests.

Capital Projects Fund - This fund is used to account for City capital improvements, the Avondale Square project, EPA grant, and other capital grants.

Capital Projects Fund Parks - This fund is used to account for various parks projects.

City of East Lansing, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	CDBG Fund	Parks and Recreation Fund	Solid Waste Management Fund
Assets					
Cash and investments	\$ 133,528	\$ 100,338	\$ -	\$ 1,069,780	\$ 166,497
Receivables - Net	342,243	104,503	125,193	16,994	5,478
Inventories and prepaids	-	-	-	-	19,867
Assets available for sale	-	-	-	-	134,250
Restricted cash	-	291,290	-	-	-
Loan receivable	-	-	-	-	115,870
Total assets	\$ 475,771	\$ 496,131	\$ 125,193	\$ 1,086,774	\$ 441,962
Liabilities					
Accounts payable	\$ 93,132	\$ 6,134	\$ 107,627	\$ 147,275	\$ 14,209
Due to other funds	-	-	16,288	-	-
Accrued and other liabilities	-	-	-	47,151	694
Deferred revenue	-	-	-	-	-
Total liabilities	93,132	6,134	123,915	194,426	14,903
Fund Balances					
Nonspendable	-	-	-	-	19,867
Restricted	-	291,290	1,278	-	250,120
Committed	-	-	-	892,348	-
Assigned	382,639	198,707	-	-	157,072
Total fund balances	382,639	489,997	1,278	892,348	427,059
Total liabilities and fund balances	\$ 475,771	\$ 496,131	\$ 125,193	\$ 1,086,774	\$ 441,962

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

Special Revenue Funds			Capital Projects Funds		Total
Drug Forfeiture Fund	Art Festival Fund	Library Fund	Capital Projects Fund	Capital Projects Fund Parks	Nonmajor Governmental Funds
\$ 21,325	\$ 13,351	\$ 358,763	\$ 198,380	\$ 52,373	\$ 2,114,335
-	1,270	8,175	-	-	603,856
-	-	7,500	-	-	27,367
-	-	-	462,000	-	596,250
-	-	-	-	-	291,290
-	-	-	-	-	115,870
\$ 21,325	\$ 14,621	\$ 374,438	\$ 660,380	\$ 52,373	\$ 3,748,968
\$ 1,995	\$ 7,731	\$ 40,064	\$ 16,240	\$ 3,551	\$ 437,958
-	-	-	-	-	16,288
-	877	16,532	-	-	65,254
-	-	4,600	-	-	4,600
1,995	8,608	61,196	16,240	3,551	524,100
-	-	7,500	-	-	27,367
19,330	-	19,305	462,000	-	1,043,323
-	-	-	-	-	892,348
-	6,013	286,437	182,140	48,822	1,261,830
19,330	6,013	313,242	644,140	48,822	3,224,868
\$ 21,325	\$ 14,621	\$ 374,438	\$ 660,380	\$ 52,373	\$ 3,748,968

City of East Lansing, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	CDBG Fund	Parks and Recreation Fund	Solid Waste Management Fund
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,637,906
Intergovernmental revenue	-	-	-	6,370	-
Federal sources	-	-	761,419	8,769	-
State sources	2,324,587	628,676	-	-	-
Charges for services	-	-	-	2,513,034	255,646
Fines and forfeitures	-	-	-	-	-
Interest income	(136)	1,643	-	3,987	8,372
Rental income	-	-	-	-	-
Other revenue	63,935	14,322	15,000	200,366	950
Total revenue	2,388,386	644,641	776,419	2,732,526	1,902,874
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works:					
Highways and streets	1,649,276	740,177	-	-	-
Sanitation	-	-	-	-	1,612,946
Health and welfare and community development	-	-	775,238	-	-
Recreation and culture	-	-	-	3,895,289	-
Debt service	-	142,013	-	-	-
Total expenditures	1,649,276	882,190	775,238	3,895,289	1,612,946
Excess of Revenue Over (Under) Expenditures	739,110	(237,549)	1,181	(1,162,763)	289,928
Other Financing Sources (Uses)					
Transfers in	110,000	375,000	-	1,175,185	-
Transfers out	(375,000)	-	-	(75,450)	(135,825)
Total other financing (uses) sources	(265,000)	375,000	-	1,099,735	(135,825)
Net Change in Fund Balances	474,110	137,451	1,181	(63,028)	154,103
Fund Balances (Deficit) - Beginning of year	(91,471)	352,546	97	955,376	272,956
Fund Balances - End of year	\$ 382,639	\$ 489,997	\$ 1,278	\$ 892,348	\$ 427,059

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended June 30, 2013

Special Revenue Funds			Capital Projects Funds		Total
Drug Forfeiture Fund	Art Festival Fund	Library Fund	Capital Projects Fund	Capital Projects Fund Parks	Nonmajor Governmental Funds
\$ -	\$ -	\$ 861,375	\$ -	\$ -	\$ 2,499,281
-	6,600	121,483	149,203	-	283,656
-	-	-	-	-	770,188
-	7,300	23,004	-	6,400	2,989,967
-	6,732	33,393	-	-	2,808,805
19,823	-	41,813	-	-	61,636
87	83	2,144	961	4	17,145
-	54,870	-	-	-	54,870
-	75,988	89,502	100,150	13,563	573,776
19,910	151,573	1,172,714	250,314	19,967	10,059,324
-	-	-	20,161	-	20,161
17,667	-	-	-	-	17,667
-	-	-	-	-	2,389,453
-	-	-	-	-	1,612,946
-	-	-	385,108	-	1,160,346
-	160,404	1,656,961	-	142,467	5,855,121
-	-	-	328,801	-	470,814
17,667	160,404	1,656,961	734,070	142,467	11,526,508
2,243	(8,831)	(484,247)	(483,756)	(122,500)	(1,467,184)
-	-	797,489	-	99,450	2,557,124
-	-	-	(24,000)	-	(610,275)
-	-	797,489	(24,000)	99,450	1,946,849
2,243	(8,831)	313,242	(507,756)	(23,050)	479,665
17,087	14,844	-	1,151,896	71,872	2,745,203
\$ 19,330	\$ 6,013	\$ 313,242	\$ 644,140	\$ 48,822	\$ 3,224,868

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Major Streets Budgetary Comparison Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
State sources	\$ 2,269,290	\$ 2,269,290	\$ 2,324,587	\$ 55,297
Interest income	(1,500)	(1,500)	(136)	1,364
Other	10,000	10,000	63,935	53,935
Total resources (inflows)	2,277,790	2,277,790	2,388,386	110,596
Charges to Appropriations (Outflows) -				
Current - Public works - Highways and streets	1,743,690	1,777,296	1,649,276	128,020
Excess of Inflows Over Outflows	534,100	500,494	739,110	238,616
Other Financing Sources (Uses)				
Transfers in	110,000	110,000	110,000	-
Transfers out	(375,000)	(375,000)	(375,000)	-
Total other financing uses	(265,000)	(265,000)	(265,000)	-
Net Change in Fund Balance	269,100	235,494	474,110	238,616
Fund Balance (Deficit) - Beginning of year	(112,127)	(91,471)	(91,471)	-
Fund Balance - End of year	\$ 156,973	\$ 144,023	\$ 382,639	\$ 238,616

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Local Streets Budgetary Comparison Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
State sources	\$ 623,070	\$ 623,070	\$ 628,676	\$ 5,606
Interest income	1,000	1,000	1,643	643
Other	20,000	20,000	14,322	(5,678)
Total resources (inflows)	644,070	644,070	644,641	571
Charges to Appropriations (Outflows)				
Current - Public works - Highways and streets	1,111,300	1,111,300	740,177	371,123
Debt service	141,515	141,515	142,013	(498)
Total charges to appropriations (outflows)	1,252,815	1,252,815	882,190	370,625
Excess of Outflows Over Inflows	(608,745)	(608,745)	(237,549)	371,196
Other Financing Sources - Transfers in	375,000	375,000	375,000	-
Net Change in Fund Balance	(233,745)	(233,745)	137,451	371,196
Fund Balance - Beginning of year	344,068	352,546	352,546	-
Fund Balance - End of year	<u>\$ 110,323</u>	<u>\$ 118,801</u>	<u>\$ 489,997</u>	<u>\$ 371,196</u>

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Library Fund Budgetary Comparison Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 863,500	\$ 863,500	\$ 861,375	\$ (2,125)
Intergovernmental revenue	83,300	83,300	121,483	38,183
State sources	19,430	19,430	23,004	3,574
Charges for services	38,000	38,000	33,393	(4,607)
Fines and forfeitures	40,000	40,000	41,813	1,813
Interest income	500	500	2,144	1,644
Other	99,400	99,400	89,502	(9,898)
Total resources (inflows)	1,144,130	1,144,130	1,172,714	28,584
Charges to Appropriations (Outflows) -				
Current - Recreation and culture	1,800,085	1,824,085	1,656,961	167,124
Excess of Outflows Over Inflows	(655,955)	(679,955)	(484,247)	195,708
Other Financing Sources - Transfers in	555,955	555,955	555,955	-
Net Change in Fund Balance	(100,000)	(124,000)	71,708	195,708
Fund Balance - Beginning of year	176,651	241,534	241,534	-
Fund Balance - End of year	<u>\$ 76,651</u>	<u>\$ 117,534</u>	<u>\$ 313,242</u>	<u>\$ 195,708</u>

The Library Fund was previously consolidated with the General Fund in accordance with GASB Statement No. 54. Due to the passing of a dedicated millage to fund the library, the Library Fund is now presented as a special revenue fund. In the current year and prior years, the Library Fund was budgeted separately from the General Fund. Below is a reconciliation of the statement of revenue, expenditures, and changes in fund balance for the Library Fund to the budgetary comparison schedule as adopted.

	Transfers in	Fund Balance - Beginning of Year
Amounts per operating statement	\$ 797,489	\$ -
Transfer to the Library Fund equal to fund balance tracked separately	(241,534)	241,534
Amounts per budget statement	<u>\$ 555,955</u>	<u>\$ 241,534</u>

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Seniors Fund Budgetary Comparison Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Charges for services	\$ 64,740	\$ 64,740	\$ 72,324	\$ 7,584
Interest income	400	400	446	46
Rental income	3,000	3,000	1,316	(1,684)
Other	26,445	41,445	41,760	315
Total resources (inflows)	94,585	109,585	115,846	6,261
Charges to Appropriations (Outflows) -				
Current - Recreation and culture	245,985	260,985	236,058	24,927
Excess of Outflows Over Inflows	(151,400)	(151,400)	(120,212)	31,188
Other Financing Sources - Transfers in	133,050	133,050	133,050	-
Net Change in Fund Balance	(18,350)	(18,350)	12,838	31,188
Fund Balance - Beginning of year	92,917	104,945	104,945	-
Fund Balance - End of year	<u>\$ 74,567</u>	<u>\$ 86,595</u>	<u>\$ 117,783</u>	<u>\$ 31,188</u>

This schedule is being presented for additional information purposes only. The Seniors Fund has been consolidated for GAAP purposes with the General Fund elsewhere in these financial statements.

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Parks and Recreation Fund Budgetary Comparison Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ 13,000	\$ 13,000	\$ 6,370	\$ (6,630)
Federal sources	66,830	66,830	8,769	(58,061)
State sources	6,400	6,400	-	(6,400)
Charges for services	2,768,945	2,768,945	2,513,034	(255,911)
Interest income	4,000	4,000	3,987	(13)
Other revenue	212,900	212,900	200,366	(12,534)
Total resources (inflows)	3,072,075	3,072,075	2,732,526	(339,549)
Charges to Appropriations (Outflows) -				
Current - Recreation and culture	4,368,315	4,407,327	3,895,289	512,038
Excess of Outflows Over Inflows	(1,296,240)	(1,335,252)	(1,162,763)	172,489
Other Financing Sources (Uses)				
Transfers in	1,118,110	1,175,185	1,175,185	-
Transfers out	-	(75,450)	(75,450)	-
Total other financing sources	1,118,110	1,099,735	1,099,735	-
Net Change in Fund Balance	(178,130)	(235,517)	(63,028)	172,489
Fund Balance - Beginning of year	558,973	955,376	955,376	-
Fund Balance - End of year	\$ 380,843	\$ 719,859	\$ 892,348	\$ 172,489

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Solid Waste Management Fund Budgetary Comparison Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 1,645,000	\$ 1,645,000	\$ 1,637,906	\$ (7,094)
Charges for services	302,820	302,820	255,646	(47,174)
Interest income	12,250	12,250	8,372	(3,878)
Other	1,000	1,000	950	(50)
Total resources (inflows)	1,961,070	1,961,070	1,902,874	(58,196)
Charges to Appropriations (Outflows) -				
Current - Public works - Sanitation	1,693,800	1,732,748	1,612,946	119,802
Excess of Inflows Over Outflows	267,270	228,322	289,928	61,606
Other Financing Uses - Transfers out	(135,825)	(135,825)	(135,825)	-
Net Change in Fund Balance	131,445	92,497	154,103	61,606
Fund Balance - Beginning of year	284,048	272,956	272,956	-
Fund Balance - End of year	<u>\$ 415,493</u>	<u>\$ 365,453</u>	<u>\$ 427,059</u>	<u>\$ 61,606</u>

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Drug Forfeiture Fund Budgetary Comparison Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Fines and forfeitures	\$ -	\$ 13,000	\$ 19,823	\$ 6,823
Interest income	100	100	87	(13)
Total resources (inflows)	100	13,100	19,910	6,810
Charges to Appropriations (Outflows) -				
Current - Public safety	7,000	20,000	17,667	2,333
Net Change in Fund Balance	(6,900)	(6,900)	2,243	9,143
Fund Balance - Beginning of year	17,067	17,087	17,087	-
Fund Balance - End of year	\$ 10,167	\$ 10,187	\$ 19,330	\$ 9,143

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Art Festival Fund Budgetary Comparison Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ 17,000	\$ 17,000	\$ 6,600	\$ (10,400)
State sources	-	-	7,300	7,300
Charges for services	9,970	9,970	6,732	(3,238)
Interest income	30	30	83	53
Rental income	54,000	54,000	54,870	870
Other	83,965	83,965	75,988	(7,977)
Total resources (inflows)	164,965	164,965	151,573	(13,392)
Charges to Appropriations (Outflows) -				
Current - Recreation and culture	150,210	150,210	160,404	(10,194)
Net Change in Fund Balance	14,755	14,755	(8,831)	(23,586)
Fund Balance - Beginning of year	8,045	14,844	14,844	-
Fund Balance - End of year	\$ 22,800	\$ 29,599	\$ 6,013	\$ (23,586)

City of East Lansing, Michigan

Other Supplemental Information Major Governmental Fund - Debt Service Fund Budgetary Comparison Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 1,210,330	\$ 1,212,830	\$ 1,202,427	\$ (10,403)
Intergovernmental revenue	412,380	412,380	412,380	-
Interest income	10,000	10,000	3,139	(6,861)
Other revenue - Special assessments	402,065	402,065	402,065	-
Total resources (inflows)	2,034,775	2,037,275	2,020,011	(17,264)
Charges to Appropriations (Outflows) -				
Debt service	2,213,590	2,216,090	2,214,939	1,151
Excess of Outflows Over Inflows	(178,815)	(178,815)	(194,928)	(16,113)
Other Financing Sources - Transfers in	137,705	137,705	137,705	-
Net Change in Fund Balance	(41,110)	(41,110)	(57,223)	(16,113)
Fund Balance - Beginning of year	568,047	565,789	565,789	-
Fund Balance - End of year	<u>\$ 526,937</u>	<u>\$ 524,679</u>	<u>\$ 508,566</u>	<u>\$ (16,113)</u>

City of East Lansing, Michigan

Other Supplemental Information Internal Service Funds Fund Descriptions

Internal service funds account for financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds consist of the following:

Insurance and Benefits Fund - This fund is used to account for the charges to City departments associated with the City's self-insured workers' compensation, healthcare benefits program, and funding of retiree healthcare benefits.

Garage Fund - This fund is used to account for the operation and maintenance of the motor vehicle fleet and equipment used by the various City departments. Rentals for equipment used are paid to this fund by the various City departments.

Computer Service Fund - This fund is used to account for the operation and maintenance of computers and equipment used by the various City departments. Rentals for equipment used are paid to this fund by the various City departments.

City of East Lansing, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2013

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
Assets				
Current assets:				
Cash and investments	\$ 1,801,325	\$ 1,483,731	\$ 356,098	\$ 3,641,154
Receivables - Net:				
Customers	66,654	884	-	67,538
Interest	174	-	-	174
Other receivables	-	3	-	3
Allowance for doubtful accounts	-	(674)	-	(674)
Due from other funds	16,288	-	-	16,288
Inventories and prepaids	300	265,499	3,281	269,080
Total current assets	1,884,741	1,749,443	359,379	3,993,563
Noncurrent assets:				
Capital assets:				
Assets not subject to depreciation	-	1,044,380	422,367	1,466,747
Assets subject to depreciation	-	10,442,576	366,585	10,809,161
Bond issuance costs	-	83,958	-	83,958
Total noncurrent assets	-	11,570,914	788,952	12,359,866
Total assets	1,884,741	13,320,357	1,148,331	16,353,429
Liabilities				
Current liabilities:				
Accounts payable	638,257	7,221	17,713	663,191
Accrued and other liabilities	14,545	74,598	6,256	95,399
Deferred revenue	-	143,301	-	143,301
Accrued interest payable	-	51,163	1,848	53,011
Compensated absences due in one year	-	219,717	18,949	238,666
Claims payable	293,063	-	-	293,063
Bonds payable due in one year	-	406,708	110,000	516,708
Total current liabilities	945,865	902,708	154,766	2,003,339
Noncurrent liabilities - Net of current portion:				
Compensated absences	-	202,606	33,130	235,736
Net OPEB obligation	-	31,164	-	31,164
Bonds payable	-	6,352,390	330,000	6,682,390
Total noncurrent liabilities	-	6,586,160	363,130	6,949,290
Total liabilities	945,865	7,488,868	517,896	8,952,629
Net Position				
Net investment in capital assets	-	4,727,858	348,952	5,076,810
Unrestricted	938,876	1,103,631	281,483	2,323,990
Total net position	<u>\$ 938,876</u>	<u>\$ 5,831,489</u>	<u>\$ 630,435</u>	<u>\$ 7,400,800</u>

City of East Lansing, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2013

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
Operating Revenue				
User service charges	\$ 6,749,255	\$ 221,913	\$ 836,548	\$ 7,807,716
Equipment and building rental	-	2,821,974	-	2,821,974
Miscellaneous revenue	26,588	1,997	-	28,585
Total operating revenue	6,775,843	3,045,884	836,548	10,658,275
Operating Expenses				
Operating expenses	7,445,414	1,707,168	983,764	10,136,346
Depreciation	-	1,061,305	53,361	1,114,666
Total operating expenses	7,445,414	2,768,473	1,037,125	11,251,012
Operating (Loss) Income	(669,571)	277,411	(200,577)	(592,737)
Nonoperating Revenue (Expenses)				
Interest income	5,338	4,069	538	9,945
Interest expense	-	(281,334)	-	(281,334)
Gain on sale of assets	-	105,171	-	105,171
Total nonoperating revenue (expenses)	5,338	(172,094)	538	(166,218)
(Loss) Income - Before contributions	(664,233)	105,317	(200,039)	(758,955)
Transfers In	975,785	-	-	975,785
Change in Net Position	311,552	105,317	(200,039)	216,830
Net Position - Beginning of year	627,324	5,726,172	830,474	7,183,970
Net Position - End of year	<u>\$ 938,876</u>	<u>\$ 5,831,489</u>	<u>\$ 630,435</u>	<u>\$ 7,400,800</u>

City of East Lansing, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2013

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 6,709,189	\$ 3,092,109	\$ 836,548	\$ 10,637,846
Receipts from interfund reimbursements	324,572	-	-	324,572
Payments to suppliers	-	(840,271)	(601,444)	(1,441,715)
Payments to employees	-	(825,782)	(296,172)	(1,121,954)
Claims paid	(7,066,401)	-	-	(7,066,401)
	<u>(32,640)</u>	<u>1,426,056</u>	<u>(61,068)</u>	<u>1,332,348</u>
Net cash (used in) provided by operating activities				
Cash Flows from Noncapital Financing Activities -				
Transfers from other funds	975,785	-	-	975,785
Cash Flows from Capital and Related Financing Activities				
Issuance of bonds and related premiums	-	5,064,205	550,000	5,614,205
Proceeds from sales of capital assets	-	134,221	-	134,221
Purchase of capital assets	-	(940,865)	(504,232)	(1,445,097)
Principal and interest paid on long-term debt	-	(733,169)	(110,000)	(843,169)
Debt refunding	-	(4,935,000)	-	(4,935,000)
	<u>-</u>	<u>(1,410,608)</u>	<u>(64,232)</u>	<u>(1,474,840)</u>
Net cash used in capital and related financing activities				
Cash Flows from Investing Activities -				
Interest received on investments	5,164	4,069	538	9,771
Net Increase (Decrease) in Cash and Cash Equivalents	948,309	19,517	(124,762)	843,064
Cash and Cash Equivalents - Beginning of year	853,016	1,464,214	480,860	2,798,090
Cash and Cash Equivalents - End of year	<u>\$ 1,801,325</u>	<u>\$ 1,483,731</u>	<u>\$ 356,098</u>	<u>\$ 3,641,154</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (669,571)	\$ 277,411	\$ (200,577)	\$ (592,737)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	-	1,061,305	53,361	1,114,666
Changes in assets and liabilities:				
Receivables	(66,654)	60,849	-	(5,805)
Due from other funds	324,572	-	-	324,572
Inventories and prepaids	374,615	99,997	83,341	557,953
Accounts payable	509,702	(12,062)	(1,269)	496,371
Claims payable	(39,134)	-	-	(39,134)
Accrued and other liabilities	(466,170)	(46,820)	4,076	(508,914)
Deferred revenue	-	(14,624)	-	(14,624)
	<u>-</u>	<u>(14,624)</u>	<u>-</u>	<u>(14,624)</u>
Net cash (used in) provided by operating activities	<u>\$ (32,640)</u>	<u>\$ 1,426,056</u>	<u>\$ (61,068)</u>	<u>\$ 1,332,348</u>

Noncash Investing, Capital, and Financing Activities - There were no noncash transactions during the year ended June 30, 2013.

City of East Lansing, Michigan

Other Supplemental Information Statement of Net Position Agency Funds June 30, 2013

	Agency Funds		Total Agency Funds
	Agency	District Court	
Assets			
Cash and cash equivalents	\$ 584,846	\$ 207,630	\$ 792,476
Receivables - Net	165,297	-	165,297
Total assets	<u>\$ 750,143</u>	<u>\$ 207,630</u>	<u>\$ 957,773</u>
Liabilities			
Accounts payable	\$ 46,256	\$ -	\$ 46,256
Due to other governmental units	151,912	114,659	266,571
Accrued and other liabilities	551,975	92,971	644,946
Total liabilities	<u>\$ 750,143</u>	<u>\$ 207,630</u>	<u>\$ 957,773</u>

City of East Lansing, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Fiduciary Funds - Agency Funds Year Ended June 30, 2013

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013
<u>Agency</u>				
Assets				
Cash and investments	\$ 747,799	\$ 41,066,100	\$ (41,229,053)	\$ 584,846
Receivables - Net	172,783	42,339,908	(42,347,394)	165,297
Total assets	<u>\$ 920,582</u>	<u>\$ 83,406,008</u>	<u>\$ (83,576,447)</u>	<u>\$ 750,143</u>
Liabilities				
Accounts payable	\$ 142,313	\$ 40,034,457	\$ (40,130,514)	\$ 46,256
Due to other governmental units	198,729	41,385,947	(41,432,764)	151,912
Accrued and other liabilities	579,540	1,434,844	(1,462,409)	551,975
Total liabilities	<u>\$ 920,582</u>	<u>\$ 82,855,248</u>	<u>\$ (83,025,687)</u>	<u>\$ 750,143</u>
<u>District Court</u>				
Assets - Cash and investments	<u>\$ 259,465</u>	<u>\$ -</u>	<u>\$ (51,835)</u>	<u>\$ 207,630</u>
Liabilities				
Due to other governmental units	\$ 151,130	\$ -	\$ (36,471)	\$ 114,659
Accrued and other liabilities	108,335	-	(15,364)	92,971
Total liabilities	<u>\$ 259,465</u>	<u>\$ -</u>	<u>\$ (51,835)</u>	<u>\$ 207,630</u>
<u>Total - All Agency Funds</u>				
Assets				
Cash and investments	\$ 1,007,264	\$ 41,066,100	\$ (41,280,888)	\$ 792,476
Receivables - Net	172,783	42,339,908	(42,347,394)	165,297
Total assets	<u>\$ 1,180,047</u>	<u>\$ 83,406,008</u>	<u>\$ (83,628,282)</u>	<u>\$ 957,773</u>
Liabilities				
Accounts payable	\$ 142,313	\$ 40,034,457	\$ (40,130,514)	\$ 46,256
Due to other governmental units	349,859	41,385,947	(41,469,235)	266,571
Accrued and other liabilities	687,875	1,434,844	(1,477,773)	644,946
Total liabilities	<u>\$ 1,180,047</u>	<u>\$ 82,855,248</u>	<u>\$ (83,077,522)</u>	<u>\$ 957,773</u>

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Downtown Development Authority Balance Sheet/Statement of Net Position June 30, 2013

	Downtown Development Authority	Full Accrual Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 192,145	\$ -	\$ 192,145
Receivables - Net	2,667	-	2,667
Capital assets	-	6,247,157	6,247,157
Unamortized bond issuance costs	-	41,333	41,333
	\$ 194,812	6,288,490	6,483,302
Liabilities			
Accounts payable	\$ 6,901	-	6,901
Deferred revenue	17,257	-	17,257
Accrued interest payable	-	84,231	84,231
Long-term debt	-	6,005,000	6,005,000
	24,158	6,089,231	6,113,389
Equity - Fund balance - Assigned	170,654	(170,654)	-
	\$ 194,812		
Net position:			
Net investment in capital assets		242,157	242,157
Unrestricted		127,756	127,756
		\$ 369,913	\$ 369,913
Total net position			

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Downtown Development Authority Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2013

	Downtown Development Authority	Full Accrual Adjustments	Statement of Activities
Revenue			
Property tax capture	\$ 1,101,266	\$ -	\$ 1,101,266
Interest income	1,854	-	1,854
Rental income	469,127	-	469,127
Other revenue	2,020	-	2,020
Total revenue	1,574,267	-	1,574,267
Expenditures			
Community and economic development	1,588,086	-	1,588,086
Depreciation	-	116,134	116,134
Interest	103,862	28,968	132,830
Total expenditures	1,691,948	145,102	1,837,050
Excess of Expenditures Over Revenue	(117,681)	(145,102)	(262,783)
Contribution from Other Governmental Units	35,000	-	35,000
Change in Fund Balance/Net Position	(82,681)	(145,102)	(227,783)
Fund Balance/Net Position - Beginning of year	253,335	344,361	597,696
Fund Balance/Net Position - End of year	\$ 170,654	\$ 199,259	\$ 369,913

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Downtown Management Board Balance Sheet/Statement of Net Position June 30, 2013

	Downtown Management Board	Full Accrual Adjustments	Statement of Net Position
Assets - Cash and investments	\$ 38,960	\$ -	\$ 38,960
Liabilities - Accounts payable	\$ 2,249	-	2,249
Equity			
Fund balance - Assigned	36,711	(36,711)	-
Total liabilities and equity	<u>\$ 38,960</u>		
Net position - Unrestricted		<u>\$ 36,711</u>	<u>\$ 36,711</u>

Other Supplemental Information Component Unit - Downtown Management Board Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2013

	Downtown Management Board	Full Accrual Adjustments	Statement of Activities
Revenue			
General assessment	\$ 45,922	\$ (45,922)	\$ -
Interest income	191	-	191
Other revenue	5,000	-	5,000
Total revenue	51,113	(45,922)	5,191
Expenditures - Community and economic development	48,993	-	48,993
Change in Fund Balance/Net Position	2,120	(45,922)	(43,802)
Fund Balance/Net Position - Beginning of year	34,591	45,922	80,513
Fund Balance/Net Position - End of year	<u>\$ 36,711</u>	<u>\$ -</u>	<u>\$ 36,711</u>

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Brownfield Redevelopment Authority Balance Sheet/Statement of Net Position June 30, 2013

	Brownfield Redevelopment Authority	Full Accrual Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 52,448	\$ -	\$ 52,448
Receivables - Net	77,099	-	77,099
Total assets	<u>\$ 129,547</u>	-	129,547
Liabilities	\$ -	-	-
Equity			
Fund balance - Assigned	129,547	(129,547)	-
Total liabilities and equity	<u>\$ 129,547</u>		
Net position - Unrestricted		<u>\$ 129,547</u>	<u>\$ 129,547</u>

Other Supplemental Information Component Unit - Brownfield Redevelopment Authority Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2013

	Brownfield Authority Fund	Full Accrual Adjustments	Statement of Activities
Revenue			
Property tax capture	\$ 505,725	\$ -	\$ 505,725
State grants	77,099	(48,641)	28,458
Interest income	97	-	97
Total revenue	582,921	(48,641)	534,280
Expenditures - Community and economic development	590,590	-	590,590
Change in Fund Balance/Net Position	(7,669)	(48,641)	(56,310)
Fund Balance/Net Position - Beginning of year	137,216	48,641	185,857
Fund Balance/Net Position - End of year	<u>\$ 129,547</u>	<u>\$ -</u>	<u>\$ 129,547</u>

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Economic Development Corporation Balance Sheet/Statement of Net Position June 30, 2013

	Economic Development Corporation	Full Accrual Adjustments	Total
Assets - Cash and investments	\$ 11	\$ -	\$ 11
Liabilities	\$ -	-	-
Equity			
Fund balance - Assigned	11	(11)	-
Total liabilities and equity	\$ 11		
Net position - Unrestricted		\$ 11	\$ 11

Other Supplemental Information Component Unit - Economic Development Corporation Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2013

	Economic Development Corporation	Full Accrual Adjustments	Statement of Activities
Revenue - Interest income	\$ -	\$ -	\$ -
Expenditures - Community and economic development	-	-	-
Change in Fund Balance/Net Position	-	-	-
Fund Balance/Net Position - Beginning of year	11	-	11
Fund Balance/Net Position - End of year	\$ 11	\$ -	\$ 11

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Local Development Financing Authority Balance Sheet/Statement of Net Position June 30, 2013

	Local Development Finance Authority	Full Accrual Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 64,720	\$ -	\$ 64,720
Receivables - Net	249	-	249
Capital assets	-	666	666
Total assets	<u>\$ 64,969</u>	666	65,635
Liabilities			
Accounts payable	\$ 2,474	-	2,474
Accrued and other liabilities	119	-	119
Capital leases	-	636	636
Total liabilities	2,593	636	3,229
Equity			
Fund balance - Assigned	62,376	(62,376)	-
Total liabilities and equity	<u>\$ 64,969</u>		
Net position:			
Net investment in capital assets		30	30
Unrestricted		62,376	62,376
Total net position		<u>\$ 62,406</u>	<u>\$ 62,406</u>

Other Supplemental Information Component Unit - Local Development Financing Authority Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2013

	Local Development Finance Authority	Full Accrual Adjustments	Statement of Activities
Revenue			
Property tax capture	\$ 17,896	\$ -	\$ 17,896
State grants	70,000	-	70,000
Interest income	396	-	396
Other revenue	31,519	-	31,519
Total revenue	119,811	-	119,811
Expenditures			
Community and economic development	95,144	(1,541)	93,603
Depreciation	-	1,330	1,330
Total expenditures	95,144	(211)	94,933
Excess of Revenue Over Expenditures	24,667	211	24,878
Contribution to Other Governmental Units	(35,000)	-	(35,000)
Change in Fund Balance/Net Position	(10,333)	211	(10,122)
Fund Balance/Net Position - Beginning of year	72,709	(181)	72,528
Fund Balance/Net Position - End of year	<u>\$ 62,376</u>	<u>\$ 30</u>	<u>\$ 62,406</u>

Statistical Section

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

The statistical section is organized into the following main categories:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographic and economic information
- Operating information

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

City of East Lansing, Michigan

	June 30				
	2004	2005	2006	2007	2008
Governmental Activities					
Net investment in capital assets	\$ 27,517,354	\$ 36,821,921	\$ 38,140,253	\$ 36,734,720	\$ 39,739,466
Restricted	8,076,588	7,870,217	5,474,859	7,110,468	7,215,422
Unrestricted	<u>13,140,111</u>	<u>5,396,299</u>	<u>7,188,323</u>	<u>7,350,898</u>	<u>6,475,153</u>
Total net position	<u>\$ 48,734,053</u>	<u>\$ 50,088,437</u>	<u>\$ 50,803,435</u>	<u>\$ 51,196,086</u>	<u>\$ 53,430,041</u>
Business-type Activities					
Net investment in capital assets	\$ 25,228,170	\$ 25,303,824	\$ 27,566,896	\$ 29,596,773	\$ 30,904,524
Restricted	-	-	-	-	147,178
Unrestricted	<u>3,996,148</u>	<u>3,947,305</u>	<u>3,971,539</u>	<u>4,557,093</u>	<u>4,499,576</u>
Total net position	<u>\$ 29,224,318</u>	<u>\$ 29,251,129</u>	<u>\$ 31,538,435</u>	<u>\$ 34,153,866</u>	<u>\$ 35,551,278</u>
Primary Government in Total					
Net investment in capital assets	\$ 52,745,524	\$ 62,125,745	\$ 65,707,149	\$ 66,331,493	\$ 70,643,990
Restricted	8,076,588	7,870,217	5,474,859	7,110,468	7,362,600
Unrestricted	<u>17,136,259</u>	<u>9,343,604</u>	<u>11,159,862</u>	<u>11,907,991</u>	<u>10,974,729</u>
Total net position	<u>\$ 77,958,371</u>	<u>\$ 79,339,566</u>	<u>\$ 82,341,870</u>	<u>\$ 85,349,952</u>	<u>\$ 88,981,319</u>

See independent auditor's disclaimer on the statistical section information.

Financial Trend Information Net Position by Component

June 30				
2009	2010	2011	2012	2013
\$ 41,124,632	\$ 40,719,836	\$ 40,778,664	\$ 42,247,692	\$ 42,655,752
5,935,191	5,515,896	3,139,572	3,147,485	2,549,268
4,031,312	4,109,356	6,574,591	6,675,539	8,524,363
<u>\$ 51,091,135</u>	<u>\$ 50,345,088</u>	<u>\$ 50,492,827</u>	<u>\$ 52,070,716</u>	<u>\$ 53,729,383</u>
\$ 31,164,400	\$ 31,569,615	\$ 31,700,064	\$ 34,362,979	\$ 34,919,749
133,607	119,584	105,107	91,128	76,713
4,403,814	5,125,739	5,890,115	4,424,945	5,747,162
<u>\$ 35,701,821</u>	<u>\$ 36,814,938</u>	<u>\$ 37,695,286</u>	<u>\$ 38,879,052</u>	<u>\$ 40,743,624</u>
\$ 72,289,032	\$ 72,289,451	\$ 72,478,728	\$ 76,610,671	\$ 77,575,501
6,068,798	5,635,480	3,244,679	3,238,613	2,625,981
8,435,126	9,235,095	12,464,706	11,100,484	14,271,525
<u>\$ 86,792,956</u>	<u>\$ 87,160,026</u>	<u>\$ 88,188,113</u>	<u>\$ 90,949,768</u>	<u>\$ 94,473,007</u>

City of East Lansing, Michigan

	Fiscal Year Ended June 30				
	2004	2005	2006	2007	2008
Expenses					
General government	\$ 7,537,175	\$ 5,736,504	\$ 7,703,683	\$ 8,381,585	\$ 8,541,081
Public safety	15,222,360	16,108,792	16,599,383	17,533,818	18,098,920
Public works	6,848,258	6,182,784	6,430,119	7,412,733	7,936,008
Health and welfare and community development	1,127,702	866,371	1,025,220	2,524,985	2,025,337
Culture and recreation	7,104,655	7,040,415	7,533,706	7,946,825	7,693,032
Interest on long-term debt	1,128,930	1,150,612	933,333	964,285	1,071,964
Total governmental activities expenses	38,969,080	37,085,478	40,225,444	44,764,231	45,366,342
Program Revenue					
Charges for services:					
General government	5,145,389	5,221,512	5,425,127	5,429,822	5,575,161
Public safety	4,211,383	4,364,116	2,906,264	2,629,564	2,839,622
Public works	853,171	535,227	315,632	557,009	555,361
Health and welfare and community development	73,064	11,453	-	-	-
Culture and recreation	2,286,080	2,491,114	2,727,366	2,969,049	2,889,298
Total charges for services	12,569,087	12,623,422	11,374,389	11,585,444	11,859,442
Operating grants and contributions	4,027,903	3,964,146	5,874,043	6,783,120	7,280,190
Capital grants and contributions	-	4,000	460,055	3,033,485	3,788,551
Total program revenue	16,596,990	16,591,568	17,708,487	21,402,049	22,928,183
Net Expense	(22,372,090)	(20,493,910)	(22,516,957)	(23,362,182)	(22,438,159)
General Revenue					
Property taxes	14,856,993	15,592,401	16,414,048	17,069,798	18,032,780
Unrestricted state-shared revenue	5,917,451	5,889,114	5,791,958	5,620,812	5,624,697
Unrestricted investment earnings	144,219	259,165	417,271	501,263	552,142
Unrestricted franchise fees	318,825	372,660	431,921	421,492	424,737
Miscellaneous	485,311	163,594	176,757	141,468	37,758
Total general revenue	21,722,799	22,276,934	23,231,955	23,754,833	24,672,114
Transfers	-	(428,640)	-	-	-
Change in Net Position	\$ (649,291)	\$ 1,354,384	\$ 714,998	\$ 392,651	\$ 2,233,955

See independent auditor's disclaimer on the statistical section information.

Financial Trend Information Changes in Governmental Net Position

Fiscal Year Ended June 30				
2009	2010	2011	2012	2013
\$ 9,528,989	\$ 8,245,717	\$ 7,991,674	\$ 7,669,777	\$ 7,847,593
19,159,710	18,499,495	19,527,135	19,120,860	18,355,633
7,736,756	7,170,247	7,968,670	6,760,580	6,496,044
2,168,903	2,359,466	1,646,271	1,473,100	2,002,005
8,039,717	8,251,619	7,555,873	8,005,423	7,823,034
1,036,001	899,853	989,124	914,820	836,922
47,670,076	45,426,397	45,678,747	43,944,560	43,361,231
5,417,282	4,987,197	4,772,306	5,550,646	5,295,108
2,556,961	2,683,779	2,931,281	3,167,735	3,580,767
674,003	684,556	668,339	814,277	653,909
191,704	171,104	61,792	119,008	125,965
3,239,833	3,113,713	3,099,638	3,089,507	2,889,749
12,079,783	11,640,349	11,533,356	12,741,173	12,545,498
6,253,795	7,089,752	6,927,317	7,379,504	7,066,422
2,194,694	1,380,330	2,500,847	855,154	285,064
20,528,272	20,110,431	20,961,520	20,975,831	19,896,984
(27,141,804)	(25,315,966)	(24,717,227)	(22,968,729)	(23,464,247)
18,622,661	19,148,489	18,959,494	19,115,750	19,538,168
5,441,791	4,843,019	4,985,473	4,790,468	4,943,300
283,406	145,920	152,238	128,104	100,155
422,083	381,805	510,787	447,227	449,989
32,957	30,686	216,974	25,069	51,302
24,802,898	24,549,919	24,824,966	24,506,618	25,082,914
-	20,000	40,000	40,000	40,000
<u>\$ (2,338,906)</u>	<u>\$ (746,047)</u>	<u>\$ 147,739</u>	<u>\$ 1,577,889</u>	<u>\$ 1,658,667</u>

City of East Lansing, Michigan

	Fiscal Year Ended June 30				
	2004	2005	2006	2007	2008
Operating Revenue					
Parking revenue	\$ 3,070,438	\$ 3,304,790	\$ 3,609,781	\$ 3,572,973	\$ 3,505,284
Water user service charges	2,644,141	2,628,443	2,693,126	2,719,140	2,750,452
Sewage user service charges	6,542,972	6,760,789	7,094,603	7,376,993	7,754,950
Equipment and building rental	62,951	49,067	47,991	71,278	59,898
Other charges for services	-	-	-	-	-
Total operating revenue	12,320,502	12,743,089	13,445,501	13,740,384	14,070,584
Operating Expenses					
Cost of water produced/purchased	2,168,387	1,638,161	1,935,907	2,083,754	2,004,117
Cost of sewage treatment	4,286,004	4,825,762	4,489,691	5,028,265	4,914,857
Other operation and maintenance costs	417,282	514,149	502,772	496,527	518,719
General and administrative costs	2,107,457	2,244,069	2,183,862	2,244,740	2,344,609
Depreciation	2,308,547	2,419,126	2,459,031	2,638,697	2,848,555
Total operating expenses	11,287,677	11,641,267	11,571,263	12,491,983	12,630,857
Operating Income	1,032,825	1,101,822	1,874,238	1,248,401	1,439,727
Nonoperating Revenue (Expenses)					
Investment income	1,832	325	30,481	42,114	143,607
(Loss) gain from joint venture	(219,429)	(510,797)	(236,255)	(57,576)	(212,809)
Interest expense	(1,543,126)	(1,420,379)	(1,398,148)	(1,350,323)	(1,621,994)
Contribution from DDA	518,928	427,200	431,310	505,435	497,150
Total nonoperating expenses	(1,241,795)	(1,503,651)	(1,172,612)	(860,350)	(1,194,046)
(Loss) Income - Before contributions and transfers	(208,970)	(401,829)	701,626	388,051	245,681
Capital Contributions	486,286	-	1,585,680	2,227,380	1,151,731
Transfers from (to) Other Funds	-	428,640	-	-	-
Change in Net Position	<u>\$ 277,316</u>	<u>\$ 26,811</u>	<u>\$ 2,287,306</u>	<u>\$ 2,615,431</u>	<u>\$ 1,397,412</u>

See independent auditor's disclaimer on the statistical section information.

Financial Trend Information Changes in Business-type Net Position

Fiscal Year Ended June 30				
2009	2010	2011	2012	2013
\$ 3,487,670	\$ 3,721,453	\$ 3,777,095	\$ 3,820,612	\$ 3,777,577
2,784,062	2,775,173	2,904,569	3,113,018	3,557,704
7,697,117	7,662,131	7,808,793	8,223,988	8,890,664
63,473	188,845	410,184	127,301	108,346
<u>58,073</u>	<u>9,324</u>	<u>14,885</u>	<u>9,324</u>	<u>9,324</u>
14,090,395	14,356,926	14,915,526	15,294,243	16,343,615
2,122,353	2,103,937	2,006,451	2,324,644	2,320,036
4,984,690	4,538,015	4,848,134	5,379,717	5,277,782
524,402	522,331	1,239,050	1,415,208	1,332,849
2,409,657	2,515,399	1,850,431	1,853,023	1,814,409
<u>2,927,305</u>	<u>2,923,193</u>	<u>2,912,362</u>	<u>2,916,659</u>	<u>2,923,428</u>
<u>12,968,407</u>	<u>12,602,875</u>	<u>12,856,428</u>	<u>13,889,251</u>	<u>13,668,504</u>
1,121,988	1,754,051	2,059,098	1,404,992	2,675,111
27,296	13,226	13,684	13,000	11,137
(142,478)	(201,615)	(140,563)	103,338	46,185
(1,667,648)	(1,438,725)	(1,492,846)	(1,470,845)	(1,390,649)
<u>555,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(1,227,130)</u>	<u>(1,627,114)</u>	<u>(1,619,725)</u>	<u>(1,354,507)</u>	<u>(1,333,327)</u>
(105,142)	126,937	439,373	50,485	1,341,784
255,685	1,006,180	480,975	1,173,281	562,788
<u>-</u>	<u>(20,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>
<u>\$ 150,543</u>	<u>\$ 1,113,117</u>	<u>\$ 880,348</u>	<u>\$ 1,183,766</u>	<u>\$ 1,864,572</u>

City of East Lansing, Michigan

	As of June 30				
	2004	2005	2006	2007	2008
General Fund:					
Post-GASB No. 54:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Pre-GASB No. 54:					
Reserved	94,810	126,872	1,163,953	2,081,719	162,959
Unreserved:					
Designated	949,531	504,064	719,374	251,219	671,074
Undesignated	<u>3,574,072</u>	<u>3,602,524</u>	<u>4,029,061</u>	<u>3,612,538</u>	<u>4,263,324</u>
Total General Fund	<u>\$ 4,618,413</u>	<u>\$ 4,233,460</u>	<u>\$ 5,912,388</u>	<u>\$ 5,945,476</u>	<u>\$ 5,097,357</u>
All other governmental funds:					
Post-GASB No. 54:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Pre-GASB No. 54:					
Reserved	165,717	72,472	1,101,882	3,887,291	3,256,325
Unreserved and designated, reported in:					
Special revenue funds	632,736	904,167	728,155	1,016,920	255,064
Capital projects funds	308,883	285,807	217,948	862,134	46,925
Debt service funds	-	-	-	-	-
Unreserved and undesignated, reported in:					
Special revenue funds	1,855,246	2,373,250	1,621,921	502,081	(448,671)
Capital projects funds	-	-	-	-	813,303
Debt service funds	<u>4,420</u>	<u>4,607</u>	<u>4,889</u>	<u>43,172</u>	<u>52,707</u>
Total all other governmental funds	<u>\$ 2,967,002</u>	<u>\$ 3,640,303</u>	<u>\$ 3,674,795</u>	<u>\$ 6,311,598</u>	<u>\$ 3,975,653</u>

During the 2011 year, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. As a result of this implementation, the Library and Seniors Funds were consolidated into the General Fund and are presented prospectively as of June 30, 2011 on this statement. During the fiscal year June 30, 2013, due to the passing of a dedicated millage to fund the library, the Library Fund is now presented as a special revenue fund and is not included in the General Fund.

See independent auditor's disclaimer on the statistical section information.

Financial Trend Information
Fund Balances, Governmental Funds

As of June 30				
2009	2010	2011	2012	2013
\$ -	\$ -	\$ 70,945	\$ 137,525	\$ 86,400
-	-	12,381	113,676	-
-	-	10,116	60,908	247,474
-	-	1,031,867	1,508,847	2,075,403
-	-	4,244,246	4,539,980	4,903,365
65,425	117,920	-	-	-
82,087	801,859	-	-	-
4,021,858	3,577,535	-	-	-
<u>\$ 4,169,370</u>	<u>\$ 4,497,314</u>	<u>\$ 5,369,555</u>	<u>\$ 6,360,936</u>	<u>\$ 7,312,642</u>
\$ -	\$ -	\$ 1,024,670	\$ 260,505	\$ 27,367
-	-	1,504,625	1,728,449	1,551,889
-	-	740,696	950,448	892,348
-	-	891,476	463,061	1,261,830
-	-	(421,534)	(91,471)	-
2,378,946	4,220,778	-	-	-
380,772	273,142	-	-	-
165,500	49,550	-	-	-
197,605	232,070	-	-	-
(561,476)	(363,440)	-	-	-
330,268	14,754	-	-	-
5,136	61,526	-	-	-
<u>\$ 2,896,751</u>	<u>\$ 4,488,380</u>	<u>\$ 3,739,933</u>	<u>\$ 3,310,992</u>	<u>\$ 3,733,434</u>

City of East Lansing, Michigan

	Year Ended June 30				
	2004	2005	2006	2007	2008
Revenue					
Property taxes and assessments	\$ 15,590,573	\$ 16,359,310	\$ 18,018,039	\$ 18,738,963	\$ 19,050,460
Licenses and permits	1,479,698	1,448,979	1,627,623	1,295,962	1,303,946
Federal sources	1,058,683	868,134	865,341	1,119,698	1,125,984
State sources	9,532,815	9,445,454	9,427,909	9,985,527	11,238,387
Intergovernmental revenue	540,402	627,741	600,971	707,982	938,580
Charges for services	5,983,431	6,323,623	6,494,206	7,093,228	7,158,913
Fines and forfeitures	3,208,851	3,241,979	3,339,178	3,154,029	3,366,930
Interest and rentals	404,557	531,267	708,359	791,478	828,693
Other	1,517,781	1,052,842	1,183,505	1,422,408	1,748,390
Total revenue	39,316,791	39,899,329	42,265,131	44,309,275	46,760,283
Expenditures					
Current:					
General government	7,671,669	7,841,240	7,978,518	8,220,884	8,273,602
Public safety	14,840,403	15,849,325	16,309,024	16,967,986	17,879,753
Public works sanitation	2,010,726	2,151,581	2,221,569	2,520,519	3,194,764
Highways and streets	3,213,219	2,711,648	3,044,212	3,631,594	5,700,003
Health and welfare and community development	1,118,074	832,696	505,627	1,867,962	1,024,125
Recreation and culture	6,547,567	6,828,618	6,748,461	7,056,343	7,144,474
Capital outlay	891,663	106,434	951,954	5,757,000	4,404,486
Debt service principal	1,615,000	1,752,036	1,888,159	1,934,218	2,375,494
Debt issuance costs	-	-	-	-	-
Debt service interest and fees	1,174,909	1,108,763	1,070,702	844,824	1,074,798
Contribution to DDA	-	-	-	-	400,000
Total expenditures	39,083,230	39,182,341	40,718,226	48,801,330	51,471,499
Excess of Revenue Over (Under) Expenditures	233,561	716,988	1,546,905	(4,492,055)	(4,711,216)
Other Financing Sources (Uses)					
Proceeds from issuance of long-term debt	-	-	6,450,000	7,408,161	1,525,000
Payments to escrow agents	-	-	-	-	-
Debt premium or discount	-	-	18,620	53,785	2,150
Transfers in	6,908,950	5,922,575	6,259,559	7,098,515	5,107,723
Transfers out	(6,908,950)	(6,351,215)	(6,259,559)	(7,398,515)	(5,107,723)
Extinguishment of debt	-	-	(6,302,105)	-	-
Total other financing (uses) sources	-	(428,640)	166,515	7,161,946	1,527,150
Other Items	-	-	-	-	-
Net Change in Fund Balances	\$ 233,561	\$ 288,348	\$ 1,713,420	\$ 2,669,891	\$ (3,184,066)
Debt service as a percentage of noncapital expenditures	7.31%	7.32%	7.44%	6.46%	7.33%
Capital outlay as a percentage of total expenditures	2.28%	0.27%	2.34%	11.80%	8.56%

The current year financial statements have capital outlay included within the functional expense categories. For consistency in the statistical section, capital outlay is split out of the functional expenses.

See independent auditor's disclaimer on the statistical section information.

Financial Trend Information Changes in Fund Balances, Governmental Funds

		Year Ended June 30							
		2009	2010	2011	2012	2013			
\$	19,569,569	\$	20,052,812	\$	18,959,494	\$	19,115,750	\$	19,538,168
	1,171,077		1,288,940		1,278,190		1,324,990		1,419,718
	1,001,261		907,765		1,216,117		1,079,712		1,159,211
	10,249,496		9,727,206		9,296,096		8,793,472		9,959,356
	993,348		866,842		756,089		686,974		696,036
	7,480,245		7,533,723		8,259,572		8,840,618		7,211,487
	3,202,146		3,260,002		3,121,472		3,386,472		3,167,121
	575,555		487,085		207,866		193,081		156,341
	1,787,895		1,345,150		3,642,054		2,689,661		1,790,474
	<u>46,030,592</u>		<u>45,469,525</u>		<u>46,736,950</u>		<u>46,110,730</u>		<u>45,097,912</u>
	8,582,025		8,420,126		7,521,936		7,270,986		7,477,468
	18,311,295		17,680,100		18,643,775		19,066,718		17,459,797
	1,831,747		1,706,588		1,957,382		1,798,091		1,612,946
	5,765,249		3,893,999		4,204,023		3,132,067		3,085,378
	1,012,813		1,116,790		1,645,082		1,471,255		2,000,805
	7,374,035		7,542,542		7,055,699		7,216,570		6,833,456
	2,961,806		1,982,457		2,430,813		2,450,510		1,632,376
	2,020,000		4,436,137		2,265,000		2,315,000		1,900,000
	36,480		225,426		-		-		-
	978,511		712,221		929,446		867,093		785,753
	400,000		-		-		-		-
	<u>49,273,961</u>		<u>47,716,386</u>		<u>46,653,156</u>		<u>45,588,290</u>		<u>42,787,979</u>
	(3,243,369)		(2,246,861)		83,794		522,440		2,309,933
	1,230,000		9,305,000		-		-		-
	-		(5,248,437)		-		-		-
	6,480		89,871		-		-		-
	3,684,565		4,337,820		2,363,245		2,716,935		2,694,829
	(3,684,565)		(4,317,820)		(2,323,245)		(2,676,935)		(3,630,614)
	-		-		-		-		-
	1,236,480		4,166,434		40,000		40,000		(935,785)
	-		-		-		-		-
\$	(2,006,889)	\$	1,919,573	\$	123,794	\$	562,440	\$	1,374,148
	6.55%		11.75%		7.22%		7.38%		6.53%
	6.01%		4.15%		5.21%		5.38%		3.82%

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

City of East Lansing, Michigan

Tax Year	Fiscal Year	Taxable Value by Property Type				
	Ended	Real Property				
	June 30	Residential	Commercial	Industrial	Developmental	Agricultural
2003	2004	\$ 450,398,670	\$ 254,304,910	\$ 585,600	\$ 4,010,260	\$ 500,770
2004	2005	477,927,930	267,572,660	810,600	4,683,740	512,250
2005	2006	509,294,350	280,312,330	827,850	4,716,830	524,010
2006	2007	541,787,670	299,182,690	829,800	4,355,900	541,290
2007	2008	570,965,880	320,439,350	829,800	3,626,850	561,290
2008	2009	589,377,250	338,752,080	828,800	4,409,140	-
2009	2010	597,156,850	367,322,030	828,800	5,351,540	-
2010	2011	575,058,760	356,198,560	826,280	5,613,840	-
2011	2012	555,578,060	341,180,800	828,790	5,484,290	-
2012	2013	536,008,700	331,058,210	828,800	-	-

Note: Under Michigan law, the revenue base is referred to as “taxable value.” This amount represents assessed value (50% of true cash value), limited for each property by the lower of 5% or inflation. Values shown above are original values as reported to the State of Michigan.

Taxes levied in a particular “tax year” become revenue of the subsequent fiscal year.

Source: City of East Lansing Assessor

See independent auditor's disclaimer on the statistical information.

Revenue Capacity

Taxable Value and Actual Value of Taxable Property

<u>Taxable Value by Property Type</u>			Taxable Value as a
<u>Total Value</u>	<u>Tax Rate (Mills)</u>	<u>Estimated Actual Value</u>	<u>Percent of Actual</u>
\$ 709,800,210	19.2800	\$ 1,630,872,400	43.52
751,507,180	19.2800	1,752,114,800	42.89
795,675,370	19.2800	1,887,156,000	42.16
846,697,350	19.2800	2,012,128,600	42.08
896,423,170	19.2800	2,077,423,200	43.15
933,367,270	19.2800	2,120,613,400	44.01
970,659,220	19.2800	2,106,504,600	46.08
937,697,440	19.8000	1,996,948,000	46.96
903,071,940	20.5626	1,930,184,820	46.79
867,895,710	21.8369	1,813,659,580	47.85

City of East Lansing, Michigan

Tax Year	Millage Rates - Direct City Taxes					Overlapping Taxes			
	General Operating	Debt	Solid Waste	Library	Total Direct Taxes	Ingham County	Lansing Community College	Ingham Intermediate School District	Capital Area Transportation Authority
2003	15.5200	2.1700	1.5900	-	19.2800	8.6011	3.8544	6.0553	2.1878
2004	15.6470	2.0430	1.5900	-	19.2800	8.5669	3.8375	6.0291	2.1835
2005	15.7167	1.9733	1.5900	-	19.2800	8.6466	3.8112	5.9911	2.1677
2006	15.8565	1.8335	1.5900	-	19.2800	9.4293	3.8072	5.9881	2.1838
2007	16.2078	1.6615	1.4107	-	19.2800	9.4100	3.8072	5.9881	2.1838
2008	16.2078	1.2633	1.8089	-	19.2800	9.5701	3.8072	5.9881	2.9708
2009	16.5912	1.2333	1.4555	-	19.2800	9.5503	3.8072	5.9881	2.9708
2010	17.1112	1.1800	1.5088	-	19.8000	9.3450	3.8072	5.9881	2.9708
2011	17.5891	1.2735	1.7000	-	20.5626	9.5463	3.8072	5.9881	3.0070
2012	17.5891	1.3478	1.9000	1.0000	21.8369	10.1863	3.8072	5.9881	3.0070

Note: The City has multiple overlapping tax districts due to 425 agreements, additional school districts, and TIF plans. The tax rates shown above relate to the City's tax for the East Lansing School District. Information relating to other overlapping tax districts can be obtained from the Finance Department at City Hall.

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents, as follows:

	General Operating	Debt	Solid Waste
2011	17.5891	No limit	2.6381

Source: City of East Lansing Treasurer

See independent auditor's disclaimer on the statistical section information.

**Revenue Capacity
Direct and Overlapping Property Tax Rates**

<u>Overlapping Taxes</u>			<u>Total Tax Rate</u>	
<u>State</u>	<u>East Lansing</u> <u>Schools</u>	<u>East Lansing</u> <u>Schools Non-</u>	<u>Homestead</u>	<u>Non-</u> <u>homestead</u>
<u>Education</u>	<u>Homestead</u>	<u>homestead</u>	<u>Homestead</u>	<u>homestead</u>
5.0000	9.2285	26.2676	54.2071	71.2462
6.0000	9.2472	26.3000	55.1442	72.1970
6.0000	9.1487	26.2920	55.0453	72.1886
6.0000	9.0824	26.2860	55.7708	72.9744
6.0000	9.0641	26.2860	55.7332	72.9551
6.0000	8.9907	26.2860	56.6069	73.9022
6.0000	8.9888	26.2860	56.5852	73.8824
6.0000	9.0482	26.2860	56.9593	74.1971
6.0000	8.2802	26.2802	57.1914	75.1914
6.0000	8.2860	26.2860	59.1115	77.1115

City of East Lansing, Michigan

Revenue Capacity Principal Property Taxpayers

Taxpayer	2012 Taxable Value	Percentage of Total	2003 Taxable Value	Percentage of Total	2003 Rank
1 MSUFCU	\$ 19,887,200	2.19	\$ -	-	-
2 GF II/Chandler Crossings	11,451,200	1.26	-	-	-
3 Cooloff Group (Sam Eyde)	11,391,900	1.25	-	-	-
4 Abbot Road Associates	7,908,200	0.87	-	-	-
5 Greenstone Farm Credit Service	7,311,100	0.80	-	-	-
6 MEA Family of Companies	6,886,200	0.76	15,915,810	2.01	2
7 American Physicians Assurance	6,084,150	0.67	-	-	-
8 South Bend Associates II	5,541,800	0.61	5,318,580	0.67	10
9 Cedar Village Apartments	5,405,500	0.59	-	-	-
10 EL AD Hiddentree	5,147,400	0.57	-	-	-
- DTN Management	-	-	31,143,510	3.94	1
- Meijer Inc.	-	-	6,538,830	0.83	9
- Sam Eyde Development Co.	-	-	11,542,870	1.46	3
- Wells Goodsir etc	-	-	11,428,190	1.45	4
- Dunn Development Group	-	-	7,102,360	0.90	5
- Mutual Insurance Company of America	-	-	6,885,470	0.87	6
- Capstone University Commons	-	-	6,743,370	0.85	7
- D.L. Kesler & Associated Properties	-	-	6,551,000	0.83	8
Total	<u>\$ 87,014,650</u>	<u>9.57</u>	<u>\$ 109,169,990</u>	<u>13.81</u>	

Source: City of East Lansing Assessor

See independent auditor's disclaimer on the statistical section information.

City of East Lansing, Michigan

Revenue Capacity Property Tax Levies and Collections

Tax Year	Fiscal Year Ended June 30	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
2003	2004	\$ 13,940,160	\$ 13,834,601	99.24	\$ 103,841	\$ 13,938,442	99.99
2004	2005	14,735,579	14,628,362	99.27	102,590	14,730,952	99.97
2005	2006	15,736,656	15,673,206	99.60	59,821	15,733,027	99.98
2006	2007	16,717,263	16,691,757	99.85	18,139	16,709,896	99.96
2007	2008	17,707,631	17,667,848	99.78	33,158	17,701,006	99.96
2008	2009	18,456,354	18,401,180	99.70	44,272	18,445,452	99.94
2009	2010	19,279,285	19,222,103	99.70	49,196	19,271,299	99.96
2010	2011	19,153,963	19,132,474	99.89	14,294	19,146,768	99.96
2011	2012	19,186,150	19,167,433	99.90	12,281	19,179,714	99.97
2012	2013	19,641,323	19,608,049	99.83	20,252	19,628,301	99.93

Source: City of East Lansing Treasurer

See independent auditor's disclaimer on the statistical section information.

Debt Capacity

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.

City of East Lansing, Michigan

	2004	2005	2006	2007
Governmental Activities				
General obligation bonds	\$ 24,190,496	\$ 25,498,876	\$ 24,379,041	\$ 24,333,342
Installment purchase agreements	-	-	-	-
Special assessment bonds	4,890,000	4,180,000	3,480,000	6,695,000
Contractual agreements	-	-	555,000	2,942,946
Capital leases	-	-	89,806	45,495
Total	29,080,496	29,678,876	28,503,847	34,016,783
Business-type Activities				
General obligation bonds	42,023,306	44,107,600	44,448,051	46,698,154
Installment purchase agreements	-	-	-	944,181
Total	42,023,306	44,107,600	44,448,051	47,642,335
Total debt of the government	<u>\$ 71,103,802</u>	<u>\$ 73,786,476</u>	<u>\$ 72,951,898</u>	<u>\$ 81,659,118</u>
Total Real Property Taxable Value				
Debt as a percentage of taxable value	10.02	9.82	9.17	9.64
Total Population				
Total debt per capita	\$ 1,541	\$ 1,594	\$ 1,586	\$ 1,788
Total Personal Income (in thousands)				
Debt as a percentage of total personal income	5.36	5.52	5.29	5.72

See independent auditor's disclaimer on the statistical section information.

Debt Capacity Ratios of Outstanding Debt

2008	2009	2010	2011	2012	2013
\$ 24,406,248	\$ 24,383,375	\$ 24,952,500	\$ 23,415,193	\$ 21,812,885	\$ 20,196,617
-	-	-	-	-	440,000
5,675,000	4,730,000	3,790,000	2,860,000	1,940,000	1,545,000
2,730,910	2,736,937	2,614,028	2,157,620	1,960,712	1,738,804
-	-	-	-	-	-
32,812,158	31,850,312	31,356,528	28,432,813	25,713,597	23,920,421
43,995,489	41,181,271	38,253,807	38,787,443	35,404,927	33,949,788
798,922	653,664	508,405	363,146	217,888	72,629
44,794,411	41,834,935	38,762,212	39,150,589	35,622,815	34,022,417
<u>\$ 77,606,569</u>	<u>\$ 73,685,247</u>	<u>\$ 70,118,740</u>	<u>\$ 67,583,402</u>	<u>\$ 61,336,412</u>	<u>\$ 57,942,838</u>
\$896,423,170	\$933,367,270	\$970,659,220	\$937,697,440	\$903,071,940	\$867,895,710
8.66	7.89	7.22	7.21	6.79	6.68
45,502	45,334	45,166	48,579	48,666	48,518
\$ 1,706	\$ 1,625	\$ 1,552	\$ 1,391	\$ 1,260	\$ 1,194
1,467,713	1,514,020	1,463,875	1,640,173	1,682,753	1,709,331
5.29	4.87	4.79	4.12	3.65	3.39

City of East Lansing, Michigan

Fiscal Year	Limited Tax	Tax Supported	Less Pledged	Other	Net General	Estimated Actual
	General			General		
	Obligation	Bonds (UTGO)	Debt Service	Obligation	Obligation	Value
	Bonds (LTGO)		Funds	Debt	Debt	
2004	\$ 52,377,690	\$ 14,220,000	\$ (5,334,660)	\$ -	\$ 61,263,030	\$1,630,872,400
2005	56,833,912	13,130,000	(4,567,937)	-	65,395,975	1,752,114,800
2006	58,086,867	12,065,000	(3,155,965)	644,806	67,640,708	1,887,156,000
2007	61,193,648	11,010,000	(4,065,193)	3,932,621	72,071,076	2,012,128,600
2008	59,543,648	9,910,000	(5,746,860)	3,529,832	67,236,620	2,077,423,200
2009	57,388,648	9,100,000	(4,843,704)	3,390,601	65,035,545	2,120,613,400
2010	55,793,648	8,320,000	(4,067,874)	3,122,433	63,168,207	2,106,504,600
2011	55,017,443	7,405,000	(3,097,834)	2,520,766	61,845,375	1,996,948,000
2012	50,934,928	6,450,000	(2,176,625)	2,178,600	57,386,903	1,930,184,820
2013	48,681,405	5,465,000	(1,873,948)	2,016,433	54,288,890	1,813,659,580

See independent auditor's disclaimer on the statistical section information.

**Debt Capacity
Ratios of General Bonded Debt Outstanding**

Debt as a Percentage of Estimated Actual Value	Population	Net General Obligation Debt per Capita
3.76	46,148	\$ 1,328
3.73	46,290	1,413
3.58	46,010	1,470
3.58	45,680	1,578
3.24	45,502	1,478
3.07	45,334	1,435
3.00	45,166	1,399
3.10	48,579	1,273
2.97	48,666	1,179
2.99	48,518	1,119

City of East Lansing, Michigan

Debt Capacity Direct and Overlapping Governmental Activities Debt

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Ingham County	\$ 47,962,480	11.76	\$ 5,640,388
Clinton County	6,768,396	3.44	232,833
East Lansing School District	60,364,059	78.01	47,090,002
Lansing School District	52,200,000	4.54	2,369,880
Bath School District	19,736,685	6.75	1,332,226
Haslett School District	59,126,715	0.26	153,729
Ingham Intermediate School District	2,334,000	10.73	250,438
Lansing Community College	49,865,000	9.02	<u>4,497,823</u>
Total overlapping debt			61,567,319
Direct City debt	23,920,421	100.00	<u>23,920,421</u>
Total direct and overlapping debt			<u>\$ 85,487,740</u>

Source: Municipal Advisory Council of Michigan and City of East Lansing Finance Department

See independent auditor's disclaimer on the statistical section information.

City of East Lansing, Michigan

	2004	2005	2006	2007
Calculation of Debt Limit -				
State equalized valuation	<u>\$ 854,532,000</u>	<u>\$ 915,319,700</u>	<u>\$ 983,257,000</u>	<u>\$ 1,045,757,600</u>
10 percent of taxable value	\$ 85,453,200	\$ 91,531,970	\$ 98,325,700	\$ 104,575,760
Calculation of Debt Subject to Limit				
Total debt	71,103,802	73,786,476	72,951,898	81,659,118
Less debt not subject to limit:				
Special assessment bonds	(4,890,000)	(4,180,000)	(3,480,000)	(6,695,000)
Pollution abatement bonds	(19,262,690)	(22,423,912)	(23,956,867)	(22,913,648)
Deferred charges on refunding	<u>383,888</u>	<u>357,436</u>	<u>1,324,775</u>	<u>1,172,152</u>
Net debt subject to limit	<u>47,335,000</u>	<u>47,540,000</u>	<u>46,839,806</u>	<u>53,222,622</u>
Legal debt margin	<u>\$ 38,118,200</u>	<u>\$ 43,991,970</u>	<u>\$ 51,485,894</u>	<u>\$ 51,353,138</u>
Net debt subject to limit as a percentage of debt limit	55.39	51.94	47.64	50.89

See independent auditor's disclaimer on the statistical information.

**Debt Capacity
Legal Debt Margin**

2008	2009	2010	2011	2012	2013
<u>\$ 1,080,215,200</u>	<u>\$ 1,101,273,200</u>	<u>\$ 1,097,350,500</u>	<u>\$ 1,042,263,300</u>	<u>\$ 1,007,154,510</u>	<u>\$ 948,733,433</u>
\$ 108,021,520	\$ 110,127,320	\$ 109,735,050	\$ 104,226,330	\$ 100,715,451	\$ 94,873,343
77,606,569	73,685,247	70,118,740	67,583,402	61,336,412	57,942,838
(5,675,000)	(4,730,000)	(3,790,000)	(2,860,000)	(1,940,000)	(1,545,000)
(21,233,648)	(19,533,648)	(17,793,648)	(16,003,648)	(14,173,648)	(12,293,648)
<u>1,051,911</u>	<u>924,002</u>	<u>907,341</u>	<u>746,012</u>	<u>625,836</u>	<u>175,213</u>
<u>51,749,832</u>	<u>50,345,601</u>	<u>49,442,433</u>	<u>49,465,766</u>	<u>45,848,600</u>	<u>44,279,403</u>
<u>\$ 56,271,688</u>	<u>\$ 59,781,719</u>	<u>\$ 60,292,617</u>	<u>\$ 54,760,564</u>	<u>\$ 54,866,851</u>	<u>\$ 50,593,940</u>
47.91	45.72	45.06	47.46	45.52	46.67

City of East Lansing, Michigan

Debt Capacity Pledged-revenue Coverage

Fiscal Year	Special Assessment Bonds			Coverage
	Special Assessment Collections	Debt Service Principal	Debt Service Interest	
2004	\$ 1,125,679	\$ 720,000	\$ 209,523	1.21
2005	1,084,357	710,000	188,373	1.21
2006	1,312,137	700,000	164,623	1.52
2007	1,324,349	695,000	180,137	1.51
2008	1,107,472	1,020,000	260,954	0.86
2009	946,780	945,000	221,668	0.81
2010	1,120,526	940,000	183,968	1.00
2011	878,179	930,000	145,953	0.82
2012	839,064	920,000	108,350	0.82
2013	402,065	395,000	69,700	0.87

Source: City of East Lansing Treasurer

See independent auditor's disclaimer on the statistical information.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

City of East Lansing, Michigan

Demographic and Economic Information Demographic and Economic Statistics

Calendar Year	Population	Personal Income (in Thousands)	Per Capita Personal Income	City's Unemploy- ment Rate	State's Unemploy- ment Rate
2003	46,148	\$ 1,326,294	\$ 28,740	6.4	7.1
2004	46,290	1,336,948	28,882	7.1	7.1
2005	46,010	1,378,874	29,969	7.1	6.8
2006	45,680	1,427,226	31,244	7.1	6.9
2007	45,502	1,467,713	32,256	6.9	7.1
2008	45,334	1,514,020	33,397	8.0	8.3
2009	45,166	1,463,875	32,411	12.5	13.4
2010	48,579	1,640,173	33,763	12.0	12.7
2011	48,666	1,682,753	34,578	9.9	10.3
2012	48,518	1,709,331	35,231	8.8	9.1

Sources: U.S. Department of Commerce, Bureau of Economic Analysis
U.S. Census Bureau
Michigan Department of Technology, Management, and Budget, Labor Market
Information
City of East Lansing Department of Planning and Community Development

See independent auditor's disclaimer on the statistical information.

City of East Lansing, Michigan

Demographic and Economic Information Principal Employers

Taxpayer	Calendar Year		Calendar Year		Calendar Year 2003 Rank
	2012 Employees	Percentage of Total	2003 Employees	Percentage of Total	
1 Michigan State University	11,400	65.30	12,300	44.81	1
2 Michigan Education Association	615	3.52	526	1.92	4
3 Meijer, Inc.	500	2.86	650	2.37	2
4 IBM Global Delivery Center	500	2.86	-	-	-
5 Burcham Hills Community	460	2.64	300	1.09	8
6 MSU Federal Credit Union	450	2.58	-	-	-
7 East Lansing School District	400	2.29	600	2.19	3
8 City of East Lansing	380	2.18	359	1.31	6
9 First National Bank of America	165	0.95	-	-	-
10 Greenstone Farm Credit Services	160	0.92	-	-	-
- Michigan State Police	-	-	500	1.82	5
- U.S. Postal Service	-	-	300	1.09	7

Source: Regional Economic Information System, Bureau of Economic Analysis, and U.S. Department of Commerce

See independent auditor's disclaimer on the statistical information.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of East Lansing, Michigan

Function/Program	2004	2005	2006	2007	2008	2009
General government:						
City manager and policy analysis	6.50	6.25	6.25	5.25	5.25	5.50
54-B District Court	30.50	31.50	31.50	32.50	33.50	32.50
Engineering and public works administration	15.00	13.00	13.00	13.00	11.00	11.00
Planning	10.50	11.00	12.25	12.75	12.50	10.25
Financial services and finance	16.00	17.25	16.25	17.00	16.00	16.00
Human resources	3.50	3.50	4.00	3.50	3.50	3.50
Clerk and elections	3.50	3.75	3.75	4.00	4.50	4.50
Communications	3.50	3.50	3.50	4.50	3.50	4.00
Public buildings	11.00	13.00	13.00	10.00	9.50	8.00
Information systems	4.00	4.00	4.00	4.00	4.00	4.00
Public safety:						
Police operations	100.50	102.25	99.25	101.00	101.00	98.00
Fire operations	54.00	53.00	53.00	53.00	53.00	53.00
Parking enforcement	8.50	10.50	10.50	10.50	10.50	9.25
Building and housing	13.00	14.00	13.75	14.50	13.50	12.00
Public works:						
Highways and streets	22.00	20.00	22.00	22.00	22.00	21.00
Water	10.00	7.00	8.00	8.00	8.00	8.00
Sewer	33.00	28.50	28.50	28.50	28.50	27.00
Parking	33.00	27.00	28.25	30.00	26.50	25.25
Garage	8.00	8.00	8.00	8.00	7.00	7.00
Culture and recreation:						
Parks and recreation	107.50	93.00	89.75	94.50	95.75	91.50
Library	18.50	22.00	22.75	23.00	23.00	23.00
Total	<u>512.00</u>	<u>492.00</u>	<u>491.25</u>	<u>499.50</u>	<u>492.00</u>	<u>474.25</u>

Source: City of East Lansing Finance Department

See independent auditor's disclaimer on the statistical information.

Operating Information
Full-time Equivalent Government Employees

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
5.50	5.50	5.50	4.50
31.50	30.50	31.00	29.75
11.25	9.75	9.75	9.75
10.25	9.75	9.25	9.55
16.25	15.25	15.50	15.00
3.50	3.00	3.00	2.00
4.50	3.75	4.00	5.50
4.00	3.75	3.75	3.75
2.00	2.00	2.00	2.00
3.00	3.00	3.00	3.00
94.00	97.75	93.38	80.30
53.00	51.00	50.00	51.00
9.25	9.25	9.50	10.00
8.75	8.75	8.75	9.00
21.00	21.00	19.00	17.00
10.00	10.00	10.00	10.00
27.00	26.00	26.00	26.00
24.50	24.50	23.00	21.75
8.00	8.00	8.00	6.00
90.50	85.16	80.33	76.99
21.00	19.00	20.25	16.83
<u>458.75</u>	<u>446.66</u>	<u>434.96</u>	<u>409.67</u>

City of East Lansing, Michigan

Function/Program	2004	2005	2006	2007	2008
Election data:					
Registered voters	28,932	27,321	29,072	29,949	29,483
Voters (at the polls or absentee)	18,376	3,805	13,435	3,353	4,990
Percent voting	63.5	13.9	46.2	11.2	16.9
District Court:					
Number of court cases (1)	25,028	22,765	25,499	26,216	26,641
Number of parking tickets (1)	75,684	67,802	69,661	63,810	64,788
Police:					
Physical arrests (1)	3,317	3,295	3,576	3,271	3,355
Traffic violations (1)	12,354	9,759	14,081	11,567	12,319
Investigations (1)	1,224	1,189	856	861	852
Fire:					
Fire runs (1)	884	978	1,059	1,050	1,108
Emergency medical runs (1)	2,629	2,601	2,650	2,769	2,853
Public works:					
Miles of street resurfaced	2.23	2.53	2.42	0.77	1.70
Refuse collected (cubic yards) (1)	14,750	14,750	14,410	13,890	13,860
Parks and recreation (2):					
Softball complex attendance	47,437	52,012	48,375	54,276	41,700
Soccer complex attendance	63,616	84,196	92,680	96,896	96,152
Aquatic center attendance	42,210	58,719	52,637	51,874	53,880
Hannah Center pass visits	35,288	35,412	34,541	32,805	30,202
Hannah Center rental reservations attendance	78,104	72,228	68,354	53,742	58,188
Adult day care participants	77	70	77	64	67
Adult day care hours of care	23,184	22,675	19,921	25,256	22,162
Child care registrants	510	568	505	511	525
Recreation and arts programs registrants	2,004	2,351	3,093	3,664	3,234
Youth Action Team - After school	2,466	2,953	5,392	6,112	6,689
Aquatics/Athletics programs registrants	3,957	4,348	4,257	4,663	4,597
SCENE MetroSpace attendance	not available	not available	not available	not available	not available
Library:					
Circulation (books borrowed)	389,849	365,009	375,083	324,550	303,387
Visitors	248,857	263,216	256,928	252,000	252,441
Water:					
Number of customers billed	29,992	28,524	33,708	30,092	31,298
Total consumption	859,933	934,520	921,484	907,964	903,150
Average consumption per user	28.67	32.76	27.34	30.17	28.86
Sewer - Average daily sewage treatment (MGD)	12.1	13.4	12.8	13.3	13.3

(1) Amounts reflect the previous calendar year.

(2) For those years without information, the program was not operated by the City of East Lansing.

Source: City of East Lansing records

See independent auditor's disclaimer on the statistical information.

Operating Information Operating Indicators

2009	2010	2011	2012	2013
36,320	25,521	26,271	25,822	26,818
23,810	4,599	3,370	5,503	8,096
65.6	18.0	12.8	21.3	30.2
25,332	21,999	22,415	23,365	19,353
60,354	55,877	52,539	49,022	49,424
3,191	3,112	3,244	3,139	4,108
14,936	12,769	14,646	15,191	11,995
442	494	349	231	359
1,276	1,266	1,167	1,171	1,316
2,974	3,058	3,212	3,284	3,387
1.39	1.00	1.26	0.96	0.68
14,050	13,930	13,660	13,700	12,970
40,163	41,925	67,935	64,762	68,228
84,805	94,680	102,625	107,398	111,776
46,004	54,865	57,005	58,755	43,604
40,174	44,436	48,204	46,569	47,893
71,014	73,498	71,893	83,427	82,835
66	60	51	47	n/a
25,595	21,066	15,135	14,382	n/a
537	528	519	532	489
3,702	4,777	4,026	4,816	5,319
5,073	3,194	n/a	n/a	n/a
4,776	4,387	4,095	4,263	3,644
not available	4,094	3,866	4,000	3,475
297,540	316,730	309,585	319,370	338,903
264,303	266,261	268,876	265,712	263,018
31,401	31,687	31,702	31,791	31,821
874,503	843,450	869,466	783,026	843,541
27.85	26.62	27.43	24.63	26.51
14.3	12.0	12.3	11.7	11.8

City of East Lansing, Michigan

Function/Program	2004	2005	2006	2007	2008
Police:					
Stations	1	1	1	1	1
Patrol units	12	12	13	13	13
Other vehicles	15	17	17	17	17
Fire:					
Stations	2	2	2	2	2
Fire response vehicles	2	2	2	2	2
Emergency response vehicles	3	3	3	3	3
Other vehicles	6	7	8	8	8
Public works:					
Streets (miles):					
Major streets	23.7	24.4	24.4	24.4	24.6
Local streets	61.5	61.5	61.5	61.5	61.5
Trunkline streets	8.2	8.2	8.2	8.2	8.2
Traffic signals	45	45	45	45	45
Refuse collection trucks	6	5	5	5	5
Recycling trucks	3	3	3	3	3
Parks and recreation:					
Acreage	488	488	488	488	488
Developed parks/playgrounds	25	25	25	25	25
Developed sporting fields	27	27	27	27	27
Libraries:					
Branches	1	1	1	1	1
Book collections	161,408	159,039	144,500	141,064	144,206
Water:					
Mains (miles)	89.01	91.06	91.06	92.87	93.30
Fire hydrants	not available	not available	842	862	986
Storage capacity	1.95	1.95	1.95	1.95	1.95
Sewer:					
Miles of sanitary sewers	149.26	151.07	151.07	152.17	152.27
Treatment capacity	18.50	18.50	18.50	18.50	18.50

Source: City of East Lansing records

See independent auditor's disclaimer on the statistical information.

Operating Information Capital Asset Statistics

2009	2010	2011	2012	2013
1	1	1	1	1
13	13	13	13	13
17	17	16	16	17
2	2	2	2	2
2	2	2	2	2
3	3	3	3	3
9	9	9	9	6
24.6	24.6	24.6	24.6	24.6
61.6	61.6	61.6	61.6	61.6
8.2	8.2	8.2	8.2	8.2
45	45	46	46	46
5	5	5	5	5
3	3	3	3	3
490	494	494	514	514
26	26	26	27	27
27	27	27	27	27
1	1	1	1	1
153,641	154,858	139,084	128,383	125,162
93.55	93.99	93.99	93.99	93.99
986	990	990	990	990
1.95	1.95	1.95	1.95	1.95
152.41	152.41	152.41	152.41	152.68
18.50	18.50	18.50	18.50	18.50