

City of East Lansing, Michigan

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2014

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

City of East Lansing, Michigan

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CITY OF EAST LANSING

The Home of Michigan State University

November 24, 2014

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

The Comprehensive Annual Financial Report of the City of East Lansing for the fiscal year ending June 30, 2014 is submitted herewith. This report was prepared by the City's Finance Department and 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.

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The statements for the fiscal year ending June 30, 2014 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 \$13.3 million in the last year with an inflationary decrease of 1.4 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 had been 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 had to 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. The State of Michigan's 2014-2015 budget eliminated the EVIP for cities, villages, and townships and replaced it with "City, Village, and Township Revenue Sharing" (CVTRS). The new model eliminated two of the three EVIP requirements; but it retained the requirement to publish a citizen's guide and performance dashboard by December 1st, and add some additional disclosures. The City has completed the CVTRS certification, due December 1st, and the Citizen's Guide and Performance Dashboard are available for viewing on the city's website, in the clerk's office and at the city library.

MAJOR INITIATIVES

In 1996, 1998, 2000, 2002, 2004, 2006, 2008, 2010, 2012, and 2014 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 30 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 FY2014:

- 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 2014 and an integral part of developing the fiscal year 2015 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 \$950,000 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 FY2014 year end equity to be made in the upcoming months. As of the June 30, 2014 statement from MERS, the City had over \$11.7 million in plan assets set aside to fund the OPEB liability.
- The City's bond rating was affirmed at AA+ by Standard and Poor's in March, 2014. The rating reflects the City's strong budgetary flexibility, strong financial management practices and strong overall budget performance, among other things. The rating summary also notes the City's payment of its annual required contribution (ARC) over the last five years for its other post-employment health care benefits plan (OPEB), as well as the fact that the City is home to Michigan State University – a stabilizing institution and the community's leading employer.
- The City is in the second year of all labor contracts, which are for a three year period. This provides unions with 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. The Greater Lansing Shared Fire Services initiative was awarded a regional Michigan Municipal League Community Excellence Award for efforts focused on regional collaboration to build trust and work towards better services provision, efficiencies and potential cost savings.
- In FY2014, 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.
- The City's Neighborhood Partnerships Initiative saw continued success in 2014. 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, City staff liaisons assigned to work one-on-one with neighborhoods and the opportunity to obtain a neighborhood enhancement mini-grant to use towards community activities or events. The initiative has grown to nine different staff liaisons working with fifteen neighborhoods and there has been an increased interest in the mini-grant program.

- For the 27th year, the City was named a Tree City USA by the National Arbor Day Foundation in 2014. 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 13th Anniversary with a collaborative effort surrounding Michigan State University's Project 60/50 and participating in conversations surrounding diversity. The 2014 program featured three selections focusing on race in America. 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 5th Annual East Lansing Welcomes the World event in 2014, 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, 2013, as well as the twenty nine 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.

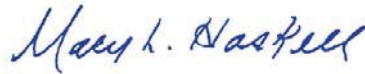
ACKNOWLEDGMENT

The attached report represents the final product in the accounting cycle of the City for the year ended June 30, 2014. The issuance of this report is the culmination of many hours of effort in analyzing and reporting city-wide fiscal operations for the 2014 fiscal 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, 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

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for Excellence
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Presented to

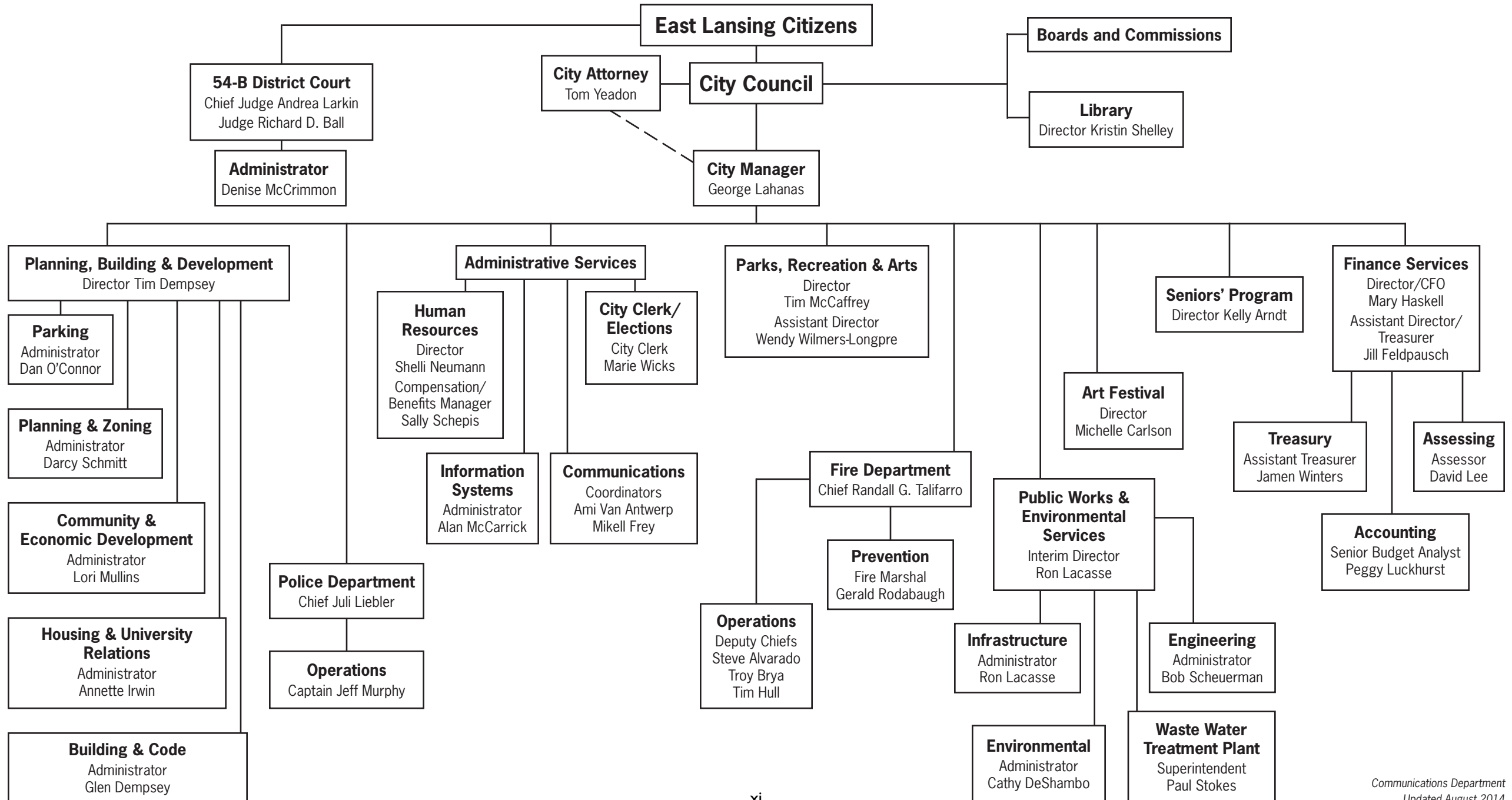
**City of East Lansing
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

City of East Lansing, Michigan ORGANIZATIONAL CHART



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 (the "City") as of and for the year ended June 30, 2014 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, 2014 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

Emphasis of Matter

As described in Note 2 to the financial statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, bond issuance costs are expensed when incurred, and certain assets and liabilities are now reported as deferred outflows and deferred inflows. Our opinion is not modified with respect to this manner.

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 required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

To the City Council
City of East Lansing, Michigan

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014 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 & Morse, PLLC

December 11, 2014

City of East Lansing, Michigan

Management's Discussion and Analysis

Overview of the Financial Statements

The City of East Lansing, Michigan's (the "City") 2014 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

As we look at the financial results presented in most of the governmental and business-type activities in these financial statements, we are pleased that our prudent, steady fiscal approach has kept us in a good position; however, we are mindful that a lot of difficult choices and work remain 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. As we review the City's strategic priorities in the upcoming forecasting and budgeting season, one of the major decisions we will face is how to prioritize these three critical needs, relative to our core services, and determine how and where to allocate scarce resources.

Revenue Sharing - 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 had to certify annually that it was 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 fiscal year 2014 and all of the prior years covered by the program.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

The State of Michigan's 2014-2015 budget eliminated EVIP for cities, villages, and townships and replaced it with "City, Village, and Township Revenue Sharing" (CVTRS). This new revenue sharing model eliminated two of the three former EVIP requirements, but kept the requirement to publish a citizen's guide and performance dashboard by December 1, along with several additional disclosures. The citizen's guide, performance dashboard, and other required disclosures as well as the certification have been submitted to the State and may be viewed on the City's website (www.cityofeastlansing.com), in the clerk's office, or at the City library.

GASB 65 - The financial statements for the year ended June 30, 2013 have been restated in this audit report in order to comply with GASB 65, in which bond issuance costs are no longer allowed to be amortized. For details of the correction and the effect of the correction on the fund balance/net position of various funds as of the beginning of the year ended June 30, 2014, please refer to Note 3 - Reporting Change (Prior Period Adjustments) in the notes section of these financial statements.

The City of East Lansing, Michigan has combined net position of approximately \$97.3 million. Business-type activities comprise approximately \$42.8 million and governmental activities make up approximately \$54.5 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:

	Governmental Activities			Percent Change
	2013	2014	Change	
Assets				
Other assets	\$ 18,828,546	\$ 19,049,721	\$ 221,175	1%
Capital assets	66,049,883	64,995,853	(1,054,030)	-2%
Total assets	84,878,429	84,045,574	(832,855)	-1%
Deferred Outflows of Resources	237,115	164,230	(72,885)	-31%
Liabilities				
Current liabilities	2,833,527	3,604,556	771,029	27%
Long-term liabilities	28,195,856	25,426,569	(2,769,287)	-10%
Total liabilities	31,029,383	29,031,125	(1,998,258)	-6%
Deferred Inflows of Resources	745,017	679,257	(65,760)	-9%
Net Position				
Net investment in capital assets	42,655,752	43,770,811	1,115,059	3%
Restricted	2,549,268	1,645,220	(904,048)	-35%
Unrestricted	8,136,124	9,083,391	947,267	12%
Total net position	<u>\$ 53,341,144</u>	<u>\$ 54,499,422</u>	<u>\$ 1,158,278</u>	2%

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			Percent Change
	2013	2014	Change	
Assets				
Other assets	\$ 9,039,817	\$ 8,674,478	\$ (365,339)	-4%
Capital assets	67,478,883	68,118,398	639,515	1%
Total assets	76,518,700	76,792,876	274,176	0%
Deferred Outflows of Resources	444,604	365,770	(78,834)	-18%
Liabilities				
Current liabilities	1,573,656	864,459	(709,197)	-45%
Long-term liabilities	34,720,636	32,936,516	(1,784,120)	-5%
Total liabilities	36,294,292	33,800,975	(2,493,317)	-7%
Deferred Inflows of Resources	375,959	525,668	149,709	40%
Net Position				
Net investment in capital assets	34,919,749	36,425,387	1,505,638	4%
Restricted	76,713	61,877	(14,836)	-19%
Unrestricted	5,296,591	6,344,739	1,048,148	20%
Total net position	<u>\$ 40,293,053</u>	<u>\$ 42,832,003</u>	<u>\$ 2,538,950</u>	6%
Total				
	2013	2014	Change	Percent Change
Assets				
Other assets	\$ 27,868,363	\$ 27,724,199	\$ (144,164)	-1%
Capital assets	133,528,766	133,114,251	(414,515)	0%
Total assets	161,397,129	160,838,450	(558,679)	0%
Deferred Outflows of Resources	681,719	530,000	(151,719)	-22%
Liabilities				
Current liabilities	4,407,183	4,469,015	61,832	1%
Long-term liabilities	62,916,492	58,363,085	(4,553,407)	-7%
Total liabilities	67,323,675	62,832,100	(4,491,575)	-7%
Deferred Inflows of Resources	1,120,976	1,204,925	83,949	7%
Net Position				
Net investment in capital assets	77,575,501	80,196,198	2,620,697	3%
Restricted	2,625,981	1,707,097	(918,884)	-35%
Unrestricted	13,432,715	15,428,130	1,995,415	15%
Total net position	<u>\$ 93,634,197</u>	<u>\$ 97,331,425</u>	<u>\$ 3,697,228</u>	4%

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Net position increased in total by \$3.7 million or 4.0 percent.

The governmental activities' net position increased slightly below \$1.2 million or 2.2 percent while the business-type activities' net position increased by \$2.5 million or 6.3 percent.

To understand the increase in the governmental activities' net position, it is easiest to start by examining the details of the changes in fund balance for the governmental funds. The fund balance for the governmental funds actually decreased by \$367.5 thousand at the end of fiscal year 2014, when compared to prior year. Details of the decrease can be found in the governmental fund's statement of revenue, expenditures, and changes in fund balances (see page 28). These changes are also discussed under the governmental fund section of this narrative. The reconciliation shown on the statement of revenue, expenditures, and changes in fund balances of governmental funds to the statement of activities (see page 29) of the audit report itemize the adjustments that are made to the fund-based statement to achieve full accrual-based statements and how we arrived at the change in the net position of governmental activities, from a negative \$367.5 thousand to a positive \$1.2 million.

Business-type activities' net position increased just over \$2.5 million or 6.3 percent when compared to the prior fiscal year. This was largely driven by the decrease in short-term liabilities and long-term liabilities whereby principal payments reduced the outstanding amount of debt, particularly in the Sewer Fund (CSO debt issues) and the Parking 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
	2013	2014	Change	
Revenue				
Program revenue:				
Charges for services	\$ 12,115,399	\$ 12,291,173	\$ 175,774	1%
Operating grants	6,631,527	5,717,085	(914,442)	-14%
Capital grants	853,242	935,949	82,707	10%
General revenue:				
Property taxes	19,618,066	20,292,535	674,469	3%
Unrestricted state-shared revenue	4,943,300	5,093,520	150,220	3%
Unrestricted investment earnings	100,155	113,946	13,791	14%
Unrestricted franchise fees	449,989	536,370	86,381	19%
Miscellaneous	169,188	126,116	(43,072)	-25%
Sale of assets	100,150	67,750	(32,400)	-32%
Transfers	40,000	40,000	-	0%
Total revenue	45,021,016	45,214,444	193,428	0%
Program Expenses				
General government	7,166,222	7,138,763	(27,459)	0%
Public safety	18,405,633	18,620,948	215,315	1%
Public works	7,185,533	7,426,137	240,604	3%
Health and welfare and community development	2,002,005	1,686,845	(315,160)	-16%
Recreation and culture	7,766,034	8,472,921	706,887	9%
Interest on long-term debt	836,922	710,552	(126,370)	-15%
Total program expenses	43,362,349	44,056,166	693,817	2%
Change in Net Position	\$ 1,658,667	\$ 1,158,278	\$ (500,389)	-30%

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			Percent Change
	2013	2014	Change	
Revenue				
Program revenue:				
Charges for services:				
Water	\$ 3,557,704	\$ 3,392,364	\$ (165,340)	-5%
Sewer	8,890,664	9,198,826	308,162	3%
Parking	3,429,327	3,794,145	364,818	11%
Operating grants and contributions	277,495	303,820	26,325	9%
Capital grants and contributions	685,346	442,860	(242,486)	-35%
General revenue - Investment earnings	20,461	18,799	(1,662)	-8%
General revenue - Franchise fees	48,188	46,525	(1,663)	-3%
General revenue - Miscellaneous	8,355	950	(7,405)	-89%
General revenue - Income from joint venture	46,185	171,049	124,864	270%
Total revenue	16,963,725	17,369,338	405,613	2%
Program Expenses				
Water	3,392,922	3,359,146	(33,776)	-1%
Sewer	8,056,613	7,962,196	(94,417)	-1%
Parking	3,609,618	3,469,046	(140,572)	-4%
Total program expenses	15,059,153	14,790,388	(268,765)	-2%
Excess of Revenue Over Program Expenses - Before transfers				
	1,904,572	2,578,950	674,378	56%
Transfers	(40,000)	(40,000)	-	0%
Change in Net Position	\$ 1,864,572	\$ 2,538,950	\$ 674,378	36%

Governmental Activities

The change in net position declined by \$500.4 thousand in fiscal 2014 when compared to fiscal year 2013 largely because of the large decrease in operating grants. In fiscal year 2013, the City received a one-time extra payment of approximately \$900.0 thousand due to a change in accounting at the State.

Total revenue for governmental activities totaled approximately \$45.2 million in fiscal year 2014, which is only \$193.4 thousand or .43 percent more when compared to fiscal year 2013. Details of these changes will be discussed further in the following paragraphs.

Charges for services increased by \$175.8 thousand or 1.5 percent. This was largely from increases in housing license, business permit, parks and recreation, and seniors' program service charges as well as Community Development Block Grant (CDBG) program income.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Operating grants decreased by \$914.4 thousand or 13.8 percent, primarily due to a lower amount of PA289-Fire Protection reimbursements received from the State in fiscal year 2014 than in 2013. In fiscal year 2013, the City received a large, one-time payment of fire protection money from the State (approximately \$891.9 thousand). In fiscal year 2014, the City's payment reflected a return to the normal formula used by the State to distribute money to municipalities that provide fire protection services to state facilities located in their jurisdictions. A smaller amount of grant proceeds received from expiring police and fire grants made up the balance of the decrease in the operating grant revenue category.

Capital grants and contributions increased by \$82.7 thousand or 9.7 percent, due to the contribution from a private developer and Brownfield tax increment financing proceeds to pay some of the City's costs expended for the completion of the St. Anne Plaza project.

Property tax revenue for governmental activities (net of delinquent amounts) increased by \$674.5 thousand or 3.4 percent over last year's revenue. For the first time in fiscal year 2014, the City's taxpayers approved the levy of 1 mill dedicated for funding the City's library operations. This additional voter-approved millage generated an additional \$846.1 thousand in tax revenue. The increase in tax revenue was offset by the decline in the general tax revenue. While the operating millage remained at fiscal year 2013 levels, 17.5891, we are still feeling the effects of declining taxable values (fiscal year 2014 - \$900.3 million compared to \$911.1 million in fiscal year 2013) and numerous 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 2014, and actually received a small increase in our payments from the State, \$150.2 thousand over fiscal year 2013 amounts.

Unrestricted investment earnings increased by \$13.8 thousand due to slightly better yields in PA20-allowed instruments.

The unrestricted franchise fees increase of \$86.4 thousand (19.2 percent) is the result of an accounting correction for revenue that should be recognized in fiscal year 2014.

Miscellaneous revenue decreased by \$43.1 thousand or 25.5 percent because fiscal year 2013 contained a reimbursement from our insurance carrier for legal fees expended in excess of our self-insured retention on the successful defense of a lawsuit.

Sale of assets decreased by \$32.4 thousand or 32.4 percent as a lower amount of lot sales revenue from the Avondale Square project was recognized in fiscal year 2014 than in the prior fiscal year.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

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

General government decreased by a very small amount, \$27.5 thousand (.38 percent), primarily due to the strategy of keeping spending flat. Additionally, a smaller number of capital projects were budgeted in the government facilities department and all of those were not completed in the fiscal year.

Public safety expenses increased by \$215.3 thousand or 1.2 percent in fiscal year 2014 largely as a result of staffing increases in the fire and building permit and inspection departments.

Public works expenses increased by \$240.6 thousand or 3.3 percent as project spending in both Major and Local Streets Funds grew as well as in the General Fund's department, sidewalk repairs.

Health, welfare, and community development saw a decrease of \$315.2 thousand (15.7 percent) in costs when compared to the prior fiscal year. Spending for the St. Anne Plaza increased in fiscal year 2014 as the project was completed. But the cost increases from the plaza project were more than offset by decreases in the Avondale Square project and costs inventoried in assets available for sale. Fiscal year 2013 was also higher because 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 experienced an increase of \$706.9 thousand or 9.1 percent in fiscal year 2014. The Parks and Recreation Fund had an increase in the Hannah Center operating costs as well as significant increases in both staffing and operating costs in the Bailey Child Care and the Before and After-Child Care programs. The Library also experienced staffing cost and operating cost increases as their programming menu expanded.

Interest on long-term debt expense decreased by \$126.4 thousand (15.1 percent) when compared to the prior fiscal year because it declines each year as a normal function of amortizing.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

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 \$17.4 million. This is up by \$405.6 thousand from fiscal year 2013 predominantly due to increases in sewer metered billings to the City's residences and businesses, Meridian Township, and Michigan State University, increases in parking ramp and street meter revenue, and an increase in equity in the joint venture, East Lansing Meridian Water Sewer Authority. These increases were offset by the decreases in the water metered billings, capital contributions by developers for water infrastructure, and the contribution from the Downtown Development Authority for infrastructure debt.

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. The Parking Fund experienced an increase in net position of \$1.1 million in fiscal year 2014, compared to an increase of \$717.2 thousand in fiscal year 2013. Parking charges for services were up by \$364.8 thousand in fiscal year 2014 and interest expense down as debt on an installment purchase expired.

Program expenses for business-type activities decreased by \$268.8 thousand or 1.8 percent from fiscal year 2013 levels. Most of the savings was found in Parking Fund operations which experienced decreases in depreciation and interest expenses. The Sewer Fund also incurred lower interest expense on debt service in fiscal year 2014 as well as declines in operating costs. While the Water Fund experienced an increase of \$87.6 thousand in the cost of water purchased from the East Lansing Meridian Water & Sewer Authority, lower depreciation expense and other operating expenses offset this increase in an amount sufficient to realize a total decrease of \$33.8 thousand in program expenses.

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
	2013	2014	Change	
Revenue				
Property taxes and assessments	\$ 19,538,168	\$ 20,230,355	\$ 692,187	4%
Intergovernmental revenue	727,036	828,890	101,854	14%
Licenses and permits	1,428,970	1,566,121	137,151	10%
Federal sources	1,159,211	715,025	(444,186)	-38%
State sources	9,959,356	9,534,548	(424,808)	-4%
Charges for services	7,053,658	7,200,502	146,844	2%
Fines and forfeitures	3,167,121	2,990,796	(176,325)	-6%
Investment income	100,155	113,946	13,791	14%
Rental income	517,871	514,230	(3,641)	-1%
Other	1,447,484	1,743,049	295,565	20%
Total revenue	45,099,030	45,437,462	338,432	1%
Expenditures				
Current:				
General government	6,943,364	6,881,272	(62,092)	-1%
Public safety	17,898,667	18,344,948	446,281	2%
Public works	5,850,074	7,040,966	1,190,892	20%
Health and welfare community development	2,000,805	1,674,142	(326,663)	-16%
Recreation and culture	7,410,434	8,525,356	1,114,922	15%
Debt service	2,685,753	2,677,324	(8,429)	0%
Total expenditures	42,789,097	45,144,008	2,354,911	6%
Excess of Revenue Over Expenditures	2,309,933	293,454	(2,016,479)	-87%
Other Financing Uses - Transfers - Net	(935,785)	(660,960)	274,825	-29%
Net Change in Fund Balances	1,374,148	(367,506)	(1,741,654)	-127%
Fund Balances - Beginning of year	9,671,928	11,046,076	1,374,148	14%
Fund Balances - End of year	\$ 11,046,076	\$ 10,678,570	\$ (367,506)	-3%

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 receives an operating subsidy from the General Fund, City Council approved a resolution that commits all revenue, from any source, coming into the Parks and Recreation Fund will stay in that fund. As mentioned earlier, in addition to a 1.0000 mill levy approved by City Council, the Library is now receiving tax revenue from a voter-approved, dedicated millage (1.0000 mill), which allows us to eliminate any operating transfer from the General Fund to the Library Fund. 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 \$367.5 thousand decrease in fund balances.

The General Fund ended 2014 with a decrease of \$536.2 thousand in total fund balance to total just below \$6.8 million (compared to \$7.3 million in 2013) while the nonmajor funds, as a group, increased their fund balance by \$168.7 thousand.

Several factors affected operating results. On the revenue side:

Property tax revenue (net of delinquent amounts) increased by \$692.2 thousand or 3.5 percent largely due to levying, as mentioned earlier, a Council approved levy of 1.0000 dedicated library operating mills, and a voter-approved dedicated library levy of 1.0000 mill for a total of 2.0000 mills for the Library. The increase in tax revenue for library services was offset by a small decrease in the General Fund, the Debt Service, and the Solid Waste Fund's tax revenue.

Intergovernmental revenue's increase of \$101.9 thousand or 14.0 percent was primarily a result of the General Fund receiving a CDBG grant for sidewalk repair and the Capital Project Fund receiving St. Anne Plaza project cost reimbursement from the Brownfield Redevelopment Fund.

Licenses and permits revenue experienced a \$137.2 thousand or 9.6 percent increase in fiscal year 2014. All sources of this revenue type are derived from General Fund activities and the majority of the increases are from building permits, housing licenses, and engineering permits.

Federal grants decreased in fiscal year 2014 by \$444.2 thousand. In fiscal year 2014, the City received \$423.9 thousand in Community Development Block Grant funding compared to \$761.4 thousand in fiscal year 2013. Part of the increase in funding last fiscal year was due to the award of a \$132.0 thousand MSHDA grant as well as the spending of unspent entitlement dollars awarded in prior fiscal years. Fire and police federal staffing grants are expiring, so grant revenue is lower in fiscal year 2014 as final reimbursements are received.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

The major portion of state sources of revenue reported, which decreased just over \$424.8 thousand, 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 2014. Last fiscal year, in May 2013, we received an unexpected payment of \$891.9 thousand 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. In fiscal year 2014, we returned to the once-a-year payment, received in December 2013. This large revenue decrease in fiscal year 2014 revenue was offset by some of the revenue increases discussed below:
- State-shared revenue increased by \$150.2 thousand or 3.0 percent in fiscal year 2014 (\$5.09 million compared to \$4.94 million in the prior fiscal year).
- Department of Natural Resource grant proceeds for various City park improvements increased by \$48.6 thousand in fiscal year 2014 as several projects were completed and reimbursements were received.
- State gas and weight tax revenue recorded in the Major Streets Fund increased by \$62.2 thousand in fiscal year 2014, but this was offset by a decrease in trunkline maintenance revenue of \$25.3 thousand. The Major Streets Fund also received a state urban forestry grant in the amount of \$2.9 thousand but Metro Act revenue decreased by \$6.9 thousand in fiscal year 2014.
- The Local Streets Fund recorded an increase in the state gas and weight tax revenue of \$19.9 thousand when compared to the prior fiscal year. We also allocated a reimbursement from the State of \$167.3 thousand for winter street maintenance and a portion of the urban forestry grant (\$1.4 thousand) to the Local Streets Fund.

Charges for services increased by just below \$147.0 thousand (2.1 percent) over fiscal year 2013 totals. The primary reason for the change arose from increases in court cost recovery fees, shared employee service charges, seniors' program fees, CDBG program income, and various parks and recreation program fees.

Fines and forfeitures decreased by \$176.3 thousand or 5.6 percent due to reduced collections by the Court for parking and ordinance fines.

Investment income increased by \$13.8 thousand and represents a 13.8 percent increase over prior year. Investments in Public Act 20 allowed investments are rebounding very slightly and continue to be plagued by extremely low interest rates.

Rental income decreased by only \$3.6 thousand or .7 percent. Lower cell tower lease revenue as well as lower facility rental in various parks and recreation departments accounted for the total decrease in this revenue category.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Other revenue showed an increase of \$295.6 thousand or 20.4 percent, due to higher cable franchise revenue because of a change in revenue recognition. Miscellaneous revenue increased also because of higher contributions to the library, capital parks projects, and a capital contribution from the developer for the St. Anne Plaza project.

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

General government expenditures decreased from fiscal year 2013 levels, decreasing \$62.1 thousand or 0.9 percent. Decreased spending for government building's capital projects and in the clerk's department make up the majority of the changes in this function.

Public safety expenditures increased \$446.3 thousand or 2.5 percent as staffing levels increased in both the fire department and the building permit department. Increases in defined benefit pension contributions for the police and fire departments continue to put a strain on these operating budgets.

Public works' expenditures came in approximately \$1.2 million more than in fiscal year 2013 due to the increase in the number of capital projects in the Local Streets Fund, the amount of hazardous sidewalk repairs completed in fiscal year 2014, and winter and ice maintenance for the long, harsh winter last season.

Health and welfare community development saw a decrease of \$326.7 thousand (16.3 percent) in expenditures when compared to the prior fiscal year. There was less spending associated with the Avondale Square project and in CDBG-funded projects; both decreases were offset by the increase in capital project spending to finish the St. Anne Plaza project.

Recreation and culture expenditures increased by over \$1.1 million (15.1 percent) in fiscal year 2014. Some of the increases were due to increased contract labor usage and purchases of materials and chemicals; equipment rental was also up for the fiscal year. The Seniors Program also incurred increases in staffing and operating costs as did the library. Capital spending for Park's projects such as Patriarche Park's playground-in-the-park project, as well as the Aquatic Center building expansion, make up the remainder of the increases.

Debt service expenditures declined by \$8.4 thousand or .3 percent due to declining interest expensed on debt as it is amortized over the term of the issues offset by principal payments.

General Fund Budget Performance

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 69.

Year-end results yielded a positive budget variance in total charges to appropriations of \$997.1 thousand. The story is very similar to what happened last fiscal year. While the City budgets very conservatively, we again made conscious efforts to stay under the amounts that had been legally appropriated by Council, always looking for ways to reduce spending.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

General government was \$353.0 thousand under budget primarily due to savings in several departmental cost centers (such as the clerk's) and deferring several budgeted projects in the government building's division until after we had finished out the fiscal year to assess total fund balances.

Public safety was \$306.8 thousand under budget because we budget higher for items such as overtime in the police and fire departments. In past years, as spring weather arrives, many students feel the need to celebrate the season in addition to celebrating graduations. We have been forced to increase our police and fire/paramedic staffing to handle a variety of crowd activity and the increased number of emergency medical transports. We budget high for these events, but always hope for a quiet season that sees more normal staffing levels and a positive budget variance.

Public works - highways, streets, and sanitation came in under budget by \$314.3 thousand due to a lower amount of hazardous sidewalk repair work being done than what was originally budgeted in fiscal year 2014 and lower than planned spending on drains. Since the budgeted work on the sidewalk program was encumbered in fiscal year 2014, the outstanding encumbrance at year end will be carried forward and rebudgeted in fiscal year 2015. Similarly, sanitation in the downtown and alleys came in under budget as less work, than was budgeted, was performed.

Health, welfare, and community development expenditures came in only \$2.7 thousand lower than budget because several of the social services grant payments came in slightly below what was budgeted in fiscal year 2014.

Recreation and culture's spending is low compared to budget (\$20.3 thousand) because the Department of Public Works utilized lower-cost, temporary labor rather than the higher-rate DPW employees for park 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.

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. In June 2014, the DDA was notified that they were released from the remainder of the debt still owed and a full waiver and release was issued to us by the MEDC.

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. A recent ballot proposal to sell adjacent city-owned parking failed as part of a revised project known as the Park District. As a result, the DDA and the City will be issuing long-term debt to take out the short-term BANs. The short-term strategy will be to cover debt service from rental income. The long-term strategy is to sell the DDA properties and utilize the sale proceeds to defease the debt. We are working with the City's bond attorney and underwriters to model debt issue scenarios that attempt to achieve the best interest rates possible and the greatest flexibility available.

For more information on long-term debt, please refer to Note 9 on pages 55-57.

Capital Projects

Street project reconstruction began in early May on Coolidge Road, from Lake Lansing Road to Abbey Road. The project was completed by the end of June 2014. In early June, road construction began on Hagadorn Road, from Burcham Drive to Haslett Road, and Old Hickory Land, from Burcham Drive to Whitehills Drive.

Additional local street projects were started on June 10, 2014 on Merritt Road, from Haslett Road to Park Lake Road; Ridgewood Drive, from Hagadorn Road to Timberlane Street; Woodside Drive, from Hagadorn Road to Ridgewood Drive; and Walnut Heights Drive, from Woodside Drive to Ridgewood Drive.

In addition to road projects, sidewalk repairs and ADA-accessible ramp installation were started in mid-May 2014 and took place on M.A.C. Avenue from Grand River Avenue to Burcham Drive.

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. The work will take place over several fiscal years, 2011 through 2015, 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. Fiscal year 2014 saw work, which included painting and expansion joint repairs, finished in the Division and Charles Street garages. The final phase of the project, including elevator replacements in the Grove and Division Street garages and new LED lighting in the Grove Street ramp, will be completed in fiscal year 2015.

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. 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. 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. Two more lots sold and two houses were completed during fiscal year 2014. One home was market-rate and the other income-qualified. As of the end of fiscal year 2014, 16 homes had been constructed by Mayberry Homes and 10 more lots remain available for sale. Community Development Block Grant revenue from the federal government (\$103,507 received in fiscal year 2014) has been pledged to repay the outstanding HUD note over the next 15 fiscal years. The City holds long-term debt in the amount of \$2.37 million to cover acquisition and infrastructure work with was intended to be repaid with proceeds of lot sales and Brownfield tax capture dollars. Since the project slowed beginning with the 2008 recession and had to be redesigned, the General Fund has contributed \$500,000 (FY10-\$230,000; FY12-\$150,000, and FY14-\$120,000) to the project to date to help meet debt service and other costs.

The Anne Street Plaza reconstruction project was completed in fiscal year 2014. 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 City provided \$196,000 for the completion of the Plaza in fiscal year 2014 and was reimbursed \$55,990 by the developer and another \$38,430 from a portion of the Brownfield tax increment financing revenue for the St. Anne Brownfield Plan. The balance of just over \$101,000 will be repaid through the Brownfield TIF revenue in fiscal years 2015 and 2016.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

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, were used to build a new market performance space, a decorative shade canopy, electrical service, accessible pathways, and bike parking, all completed in fiscal year 2014. The improvements were unveiled just prior to the 2014 opening of the market in June.

The City, with the help of hundreds of community volunteers, completed a new, fully accessible, 1.2-acre playground at Patriarche Park to replace the former wooden structure. In partnership with the East Lansing Rotary Club, we've moved closer to our fundraising goal for the Playground in the Park Re-Imagine project in 2014. The Rotary Club has been accepting thousands in community pledges to be forwarded to the City, and the City was awarded a \$300.0 thousand Michigan Natural Resources Trust Fund grant for the project. The project broke ground in spring 2014 and a community build followed June 18-20, 2014. The project brings a modern, eco-friendly play structure that is accessible and encourages youth fitness. Landscaping and paver-bricks were completed after the community-build and the new playground was dedicated on August 4, 2014.

For more information on capital asset activity, please refer to Note 7 on pages 51 through 53.

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.

In early fiscal year 2015, the Lansing Economic Area Partnership, or LEAP, assumed management duties of the Technology Innovation Center (TIC). The TIC is supported financially by the Downtown Development Authority (DDA) through debt that funded the initial leasehold build-outs. In addition, the Local Development Financing Authority (LDFA) provided funding for operational support. This change in management coincided with contributions from the Michigan Economic Development Corporation and Michigan State University that provided sufficient funding to cover the DDA's remaining debt (principal and interest) on the project, approximately \$644.0 thousand. The LDFA, which was created to capture taxes, will continue to provide funding for operations via a contract with LEAP.

The City is considering the following future bond issues during the 2015 calendar year:

- A refinancing of its 2012 Downtown Development Refunding Notes (General Obligation Limited Tax), with a proposed issuance in February 2015. The Refunding Bonds are anticipated to be in an approximate par amount of \$5.8 million.
- A current refunding of its 2005 Downtown Development Refunding Bonds (General Obligation Limited Tax)-Taxable, anticipated to be issued during the first quarter of 2015, for the purpose of realizing interest savings on the 2005 bonds. The estimated par amount is \$3.0 million.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

- A current refunding of its Building Authority Refunding Bonds, Series 2005 (General Obligation Limited Tax), anticipated to be issued during the first quarter of 2015, for the purpose of realizing interest savings on the 2005 bonds. The estimated par amount is \$4.4 million.

The City is also working on the next phase of the project plan for capital improvements at the Wastewater Treatment Plant (WWTP) and as such, submitted their application for consideration to the MDEQ revolving loan division on November 26, 2014. This project is the first of several WWTP projects recommended in order to increase the capacity and operations of the facility. It includes upgrades to the existing tertiary filter system; construction of an ultraviolet disinfection system to replace the use of chlorine disinfection; and the construction of a new effluent discharge pipe into the Red Cedar River adjacent to the plant site. Construction is expected to begin in the spring of 2015 and to be completed in the summer of 2017. The \$13.9 million project is being funded through the MDEQ-administered State Revolving Loan Fund at an interest rate of 2.5 percent and by a \$600.0 thousand Stormwater, Asset Management, and Wastewater (SAW) grant.

The Chesterfield Neighborhood utility replacement project is currently under final design, utilizing fiscal year 2015 funds, with construction starting in the summer of 2015 (fiscal year 2016). The current cost estimates for this project are \$12.6 million and include the replacement of original underground infrastructure (the original dates back as far as 1918), street reconstruction, and sidewalk and curb repair. The project is anticipated to span four construction seasons. Sources of funding for this project are still being identified, but sewer work is expected to utilize SRF borrowing.

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, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 14,685,741	\$ 3,442,597	\$ 18,128,338	\$ 561,678
Receivables - Net (Note 6)	3,416,335	1,914,010	5,330,345	176,022
Inventories and prepaids	447,984	182,682	630,666	100
Restricted cash (Note 5)	-	631,778	631,778	-
Net investment in East Lansing - Meridian Water and Sewer Authority (Note 14)	-	2,260,325	2,260,325	-
Assets available for sale	385,000	-	385,000	-
Net OPEB asset (Note 13)	-	243,086	243,086	-
Capital assets - Net (Note 7):				
Assets not subject to depreciation	10,199,373	5,862,931	16,062,304	1,276,799
Assets subject to depreciation	54,796,480	62,255,467	117,051,947	4,854,225
Long-term receivable	114,661	-	114,661	-
Total assets	84,045,574	76,792,876	160,838,450	6,868,824
Deferred Outflows of Resources -				
Deferred charge on refunding of debt	164,230	365,770	530,000	-
Liabilities				
Accounts payable	1,714,433	397,869	2,112,302	29,653
Due to other governmental units	-	69,657	69,657	-
Accrued and other liabilities	1,492,802	103,667	1,596,469	155
Unearned revenue	175,493	-	175,493	834
Accrued interest payable	221,828	293,266	515,094	24,741
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 9)	2,105,013	110,745	2,215,758	-
Provision for claims	-	16,500	16,500	-
Long-term debt (Note 9)	2,583,264	3,840,004	6,423,268	5,655,000
Due in more than one year:				
Compensated absences (Note 9)	859,722	86,743	946,465	-
Net OPEB obligation (Note 13)	859,562	31,969	891,531	-
Long-term debt (Note 9)	19,019,008	28,850,555	47,869,563	-
Total liabilities	29,031,125	33,800,975	62,832,100	5,710,383
Deferred Inflows of Resources -				
Sale of future revenues	679,257	525,668	1,204,925	-
Net Position				
Net investment in capital assets	43,770,811	36,425,387	80,196,198	476,024
Restricted for:				
Special assessment debt repayment	370,010	-	370,010	-
Debt service	1,034,326	61,877	1,096,203	-
Drug forfeiture	8,486	-	8,486	-
Burcham Park	114,660	-	114,660	-
Donations for special purposes	107,107	-	107,107	-
CDBG	10,631	-	10,631	-
Unrestricted	9,083,391	6,344,739	15,428,130	682,417
Total net position	\$ 54,499,422	\$ 42,832,003	\$ 97,331,425	\$ 1,158,441

City of East Lansing, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,138,763	\$ 5,113,270	\$ 29,252	\$ -
Public safety	18,620,948	3,765,459	1,381,019	14,555
Public works	7,426,137	481,828	3,171,509	67,074
Health and welfare and community and development	1,686,845	101,905	431,934	666,285
Culture and recreation	8,472,921	2,828,711	703,371	188,035
Interest on long-term debt	710,552	-	-	-
Total governmental activities	44,056,166	12,291,173	5,717,085	935,949
Business-type activities:				
Water	3,359,146	3,392,364	-	-
Sewer	7,962,196	9,198,826	-	-
Parking	3,469,046	3,794,145	303,820	442,860
Total business-type activities	14,790,388	16,385,335	303,820	442,860
Total primary government	\$ 58,846,554	\$ 28,676,508	\$ 6,020,905	\$ 1,378,809
Component units:				
Downtown Development Authority	\$ 1,652,170	\$ 663,264	\$ 36,695	\$ -
Downtown Management Board	53,608	2,000	-	-
Brownfield Redevelopment Authority	558,847	-	-	-
Economic Development Corporation	-	-	-	-
Local Development Financing Authority	116,939	23,231	70,000	-
Total component units	\$ 2,381,564	\$ 688,495	\$ 106,695	\$ -
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment earnings				
Unrestricted franchise fees				
Miscellaneous				
Sale of assets				
Income from joint venture				
Total general revenue				
Special Item - Forgiveness of long-term debt				
Transfers				
Change in Net Position				
Net Position - Beginning of year - As restated (Note 3)				
Net Position - End of year				

Statement of Activities Year Ended June 30, 2014

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,996,241)	\$ -	\$ (1,996,241)	\$ -
(13,459,915)	-	(13,459,915)	-
(3,705,726)	-	(3,705,726)	-
(486,721)	-	(486,721)	-
(4,752,804)	-	(4,752,804)	-
(710,552)	-	(710,552)	-
(25,111,959)	-	(25,111,959)	-
-	33,218	33,218	-
-	1,236,630	1,236,630	-
-	1,071,779	1,071,779	-
-	2,341,627	2,341,627	-
(25,111,959)	2,341,627	(22,770,332)	-
-	-	-	(952,211)
-	-	-	(51,608)
-	-	-	(558,847)
-	-	-	-
-	-	-	(23,708)
-	-	-	(1,586,374)
20,292,535	-	20,292,535	1,824,260
5,093,520	-	5,093,520	-
113,946	18,799	132,745	3,279
536,370	46,525	582,895	-
126,116	950	127,066	10,021
67,750	-	67,750	-
-	171,049	171,049	-
26,230,237	237,323	26,467,560	1,837,560
-	-	-	350,000
40,000	(40,000)	-	-
1,158,278	2,538,950	3,697,228	601,186
53,341,144	40,293,053	93,634,197	557,255
\$ 54,499,422	\$ 42,832,003	\$ 97,331,425	\$ 1,158,441

City of East Lansing, Michigan

Governmental Funds Balance Sheet June 30, 2014

	General Fund	Nonmajor Funds	Total
Assets			
Cash and investments (Note 5)	\$ 6,765,293	\$ 3,836,449	\$ 10,601,742
Receivables - Net (Note 6)	1,793,623	1,622,289	3,415,912
Inventories and prepaids	8,281	113,181	121,462
Assets available for sale (Note 1)	-	385,000	385,000
Loan receivable	-	114,661	114,661
Total assets	\$ 8,567,197	\$ 6,071,580	\$ 14,638,777
Liabilities			
Accounts payable	\$ 369,313	\$ 1,116,527	\$ 1,485,840
Accrued and other liabilities	399,815	86,435	486,250
Unearned revenue	175,493	-	175,493
Total liabilities	944,621	1,202,962	2,147,583
Deferred Inflows of Resources			
Sale of future revenue	549,251	-	549,251
Unavailable revenue	296,872	966,501	1,263,373
Total deferred inflows of resources	846,123	966,501	1,812,624
Total liabilities and deferred inflows of resources	1,790,744	2,169,463	3,960,207
Fund Balances (Note 16)			
Nonspendable	8,281	498,181	506,462
Restricted	-	678,719	678,719
Committed	-	379,624	379,624
Assigned	1,619,272	2,345,593	3,964,865
Unassigned	5,148,900	-	5,148,900
Total fund balances	6,776,453	3,902,117	10,678,570
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,567,197	\$ 6,071,580	\$ 14,638,777

City of East Lansing, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2014

Fund Balance Reported in Governmental Funds	\$ 10,678,570
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	64,995,853
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	1,263,373
Unamortized deferred charge on refunding of debt is not reported in the funds	164,230
Long-term debt obligations are not due and payable in the current period and are not reported in the funds	(21,602,272)
Accrued interest is not due and payable in the current period and is not reported in the funds	(221,828)
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	(2,964,735)
Other postemployment benefit obligations are not reported in the funds	(859,562)
Internal service funds are included as part of government activities, net of amounts included above as capital assets, long-term obligations, accrued interest, and unamortized deferred charge on refunding of debt	<u>3,045,793</u>
Net Position of Governmental Activities	<u>\$ 54,499,422</u>

City of East Lansing, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2014

	General Fund	Nonmajor Funds	Total
Revenue			
Property taxes	\$ 15,703,727	\$ 4,526,628	\$ 20,230,355
Intergovernmental revenue	70,674	758,216	828,890
Licenses and permits	1,566,121	-	1,566,121
Federal sources	261,091	453,934	715,025
State sources	6,262,370	3,272,178	9,534,548
Charges for services	4,607,099	2,593,403	7,200,502
Fines and forfeitures	2,940,053	50,743	2,990,796
Interest income	86,224	27,722	113,946
Rental income	54,223	460,007	514,230
Other:			
Special assessments	-	386,085	386,085
Cable franchise fees	483,905	-	483,905
Other miscellaneous revenue	152,112	720,947	873,059
Total revenue	32,187,599	13,249,863	45,437,462
Expenditures			
Current:			
General government	6,878,190	3,082	6,881,272
Public safety	18,325,426	19,522	18,344,948
Public works	1,991,200	5,049,766	7,040,966
Health and welfare and community development	918,596	755,546	1,674,142
Recreation and culture	1,635,411	6,889,945	8,525,356
Debt service:			
Principal	-	1,965,000	1,965,000
Interest on long-term debt	-	712,324	712,324
Total expenditures	29,748,823	15,395,185	45,144,008
Excess of Revenue Over (Under) Expenditures	2,438,776	(2,145,322)	293,454
Other Financing Sources (Uses)			
Transfers in (Note 8)	7,000	2,855,080	2,862,080
Transfers out (Note 8)	(2,981,965)	(541,075)	(3,523,040)
Total other financing (uses) sources	(2,974,965)	2,314,005	(660,960)
Net Change in Fund Balances	(536,189)	168,683	(367,506)
Fund Balances - Beginning of year	7,312,642	3,733,434	11,046,076
Fund Balances - End of year	<u>\$ 6,776,453</u>	<u>\$ 3,902,117</u>	<u>\$ 10,678,570</u>

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, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ (367,506)
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	2,546,063
Depreciation expense	(3,117,997)
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	(263,019)
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	1,965,000
Drainage flow rights liability	34,908
Burcham Park remediation liability	22,000
Governmental funds report bond premiums, discounts, and deferred charges on refunding as expenditures; these costs are allocated over the related bond term as interest expense	(52,406)
Change in accrued interest payable and other	19,268
Change in claims payable that is not reported in the funds	60,500
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	(14,741)
Other postemployment benefit expense not reported in the funds	(12,227)
Internal Service Funds are included as part of governmental activities	<u>338,435</u>
Change in Net Position of Governmental Activities	<u>\$ 1,158,278</u>

City of East Lansing, Michigan

Proprietary Funds Statement of Net Position June 30, 2014

	Enterprise Funds				Governmental
	Automobile	Water Supply System	Sewage Disposal System	Total	Activities
	Parking System Fund				Proprietary - Internal Service
Assets					
Current assets:					
Cash and investments (Note 5)	\$ 1,437,790	\$ 470,361	\$ 1,534,446	\$ 3,442,597	\$ 4,083,999
Receivables - Net (Note 6)	64,566	621,290	1,228,154	1,914,010	423
Inventories and prepaids	12,804	146,416	23,462	182,682	326,522
Total current assets	1,515,160	1,238,067	2,786,062	5,539,289	4,410,944
Noncurrent assets:					
Restricted cash (Note 5)	631,778	-	-	631,778	-
Net investment in East Lansing - Meridian Water and Sewer Authority (Note 14)	-	2,260,325	-	2,260,325	-
Net OPEB asset (Note 13)	-	19,447	223,639	243,086	-
Capital assets (Note 7):					
Assets not subject to depreciation	1,939,863	620,590	3,302,478	5,862,931	1,568,519
Assets subject to depreciation	23,282,375	8,764,886	30,208,206	62,255,467	10,225,293
Total noncurrent assets	25,854,016	11,665,248	33,734,323	71,253,587	11,793,812
Total assets	27,369,176	12,903,315	36,520,385	76,792,876	16,204,756
Deferred Outflows of Resources -					
Deferred charge on refunding of debt	365,770	-	-	365,770	49,801
Liabilities					
Current liabilities:					
Accounts payable	38,592	34,366	324,911	397,869	228,593
Due to other governmental units	-	-	69,657	69,657	-
Accrued and other liabilities	16,422	56,361	30,884	103,667	566,651
Accrued interest payable	184,467	17,378	91,421	293,266	50,049
Compensated absences (Note 9)	27,496	-	83,249	110,745	309,561
Claims payable (Note 10)	-	-	16,500	16,500	439,901
Long-term debt (Note 9)	1,654,386	61,109	2,124,509	3,840,004	521,709
Total current liabilities	1,921,363	169,214	2,741,131	4,831,708	2,116,464
Noncurrent liabilities:					
Compensated absences (Note 9)	48,120	-	38,623	86,743	111,805
Net OPEB obligation (Note 13)	31,969	-	-	31,969	26,692
Long-term debt (Note 9)	14,787,358	1,500,514	12,562,683	28,850,555	6,214,313
Total noncurrent liabilities	14,867,447	1,500,514	12,601,306	28,969,267	6,352,810
Total liabilities	16,788,810	1,669,728	15,342,437	33,800,975	8,469,274
Deferred Inflows of Resources -					
Sale of future revenue	346,157	-	179,511	525,668	130,006
Net Position					
Net investment in capital assets	9,778,042	7,823,853	18,823,492	36,425,387	5,107,591
Restricted - Debt service	61,877	-	-	61,877	-
Unrestricted	760,060	3,409,734	2,174,945	6,344,739	2,547,686
Total net position	<u>\$ 10,599,979</u>	<u>\$ 11,233,587</u>	<u>\$ 20,998,437</u>	<u>\$ 42,832,003</u>	<u>\$ 7,655,277</u>

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

City of East Lansing, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2014

	Enterprise Funds				Governmental Activities
	Automobile	Water Supply System	Sewage Disposal System	Total Enterprise Funds	Proprietary - Internal Service
	Parking System Fund				
Operating Revenue					
Parking revenue	\$ 3,733,543	\$ -	\$ -	\$ 3,733,543	\$ -
User service charges	-	3,392,364	9,198,826	12,591,190	7,661,408
Equipment and building rental	90,404	-	16,723	107,127	3,460,347
Miscellaneous revenue	950	-	-	950	1,332
Contributions	303,820	-	-	303,820	-
Total operating revenue	4,128,717	3,392,364	9,215,549	16,736,630	11,123,087
Operating Expenses					
Purchase of water from East Lansing - Meridian Water and Sewer Authority	-	1,429,431	-	1,429,431	-
Personal services	1,017,745	950,111	2,723,537	4,691,393	8,342,298
Operations	760,787	552,294	2,808,246	4,121,327	1,789,572
Maintenance	50,786	94,055	244,823	389,664	305,592
Depreciation	804,469	256,814	1,832,499	2,893,782	874,664
Total operating expenses	2,633,787	3,282,705	7,609,105	13,525,597	11,312,126
Operating Income (Loss)	1,494,930	109,659	1,606,444	3,211,033	(189,039)
Nonoperating Revenue (Expenses)					
Interest income	6,690	2,069	10,040	18,799	18,481
Interest expense	(835,259)	(76,441)	(353,091)	(1,264,791)	(191,967)
Income from joint venture	-	171,049	-	171,049	-
Total nonoperating (expenses) revenue	(828,569)	96,677	(343,051)	(1,074,943)	(173,486)
Income (Loss) - Before contributions	666,361	206,336	1,263,393	2,136,090	(362,525)
Capital Contributions	442,860	-	-	442,860	-
Transfers In (Note 8)	-	-	-	-	700,960
Transfers Out (Note 8)	-	-	(40,000)	(40,000)	-
Change in Net Position	1,109,221	206,336	1,223,393	2,538,950	338,435
Net Position - Beginning of year - As restated (Note 3)	9,490,758	11,027,251	19,775,044	40,293,053	7,316,842
Net Position - End of year	<u>\$ 10,599,979</u>	<u>\$ 11,233,587</u>	<u>\$ 20,998,437</u>	<u>\$ 42,832,003</u>	<u>\$ 7,655,277</u>

City of East Lansing, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2014

	Enterprise Funds				Governmental Activities
	Automobile Parking System Fund	Water Supply System	Sewage Disposal System	Total	Proprietary - Internal Service Fund
Cash Flows from Operating Activities					
Receipts from customers	\$ 4,069,270	\$ 3,355,416	\$ 10,071,072	\$ 17,495,758	\$ 11,176,619
Receipts from interfund reimbursements	-	-	-	-	16,288
Payments to suppliers	(972,858)	(2,094,885)	(3,411,393)	(6,479,136)	(1,775,802)
Payments to employees	(1,040,336)	(936,120)	(2,772,383)	(4,748,839)	(1,107,864)
Claims paid	-	-	-	-	(7,488,216)
Net cash provided by operating activities	2,056,076	324,411	3,887,296	6,267,783	821,025
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	-	-	-	-	700,960
Transfers to other funds	-	-	(40,000)	(40,000)	-
Net cash (used in) provided by noncapital financing activities	-	-	(40,000)	(40,000)	700,960
Cash Flows from Capital and Related Financing Activities					
Issuance of bonds and related premiums	-	-	2,016,170	2,016,170	-
Contributions from other governmental units	442,860	-	-	442,860	-
Purchase of capital assets	(404,018)	(507,378)	(2,621,901)	(3,533,297)	(392,568)
Principal and interest paid on long-term debt	(2,483,439)	(137,550)	(2,357,599)	(4,978,588)	(704,844)
Net cash used in capital and related financing activities	(2,444,597)	(644,928)	(2,963,330)	(6,052,855)	(1,097,412)
Cash Flows from Investing Activities -					
Interest received on investments	6,690	2,069	10,040	18,799	18,272
Net (Decrease) Increase in Cash and Cash Equivalents	(381,831)	(318,448)	894,006	193,727	442,845
Cash and Cash Equivalents - Beginning of year	2,451,399	788,809	640,440	3,880,648	3,641,154
Cash and Cash Equivalents - End of year	<u>\$ 2,069,568</u>	<u>\$ 470,361</u>	<u>\$ 1,534,446</u>	<u>\$ 4,074,375</u>	<u>\$ 4,083,999</u>

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

City of East Lansing, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2014

	Enterprise Funds				Governmental Activities
	Automobile Parking System Fund	Water Supply System	Sewage Disposal System	Total	Proprietary Internal Service Fund
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments	\$ 1,437,790	\$ 470,361	\$ 1,534,446	\$ 3,442,597	\$ 4,083,999
Restricted cash	631,778	-	-	631,778	-
Total cash and cash equivalents	<u>\$ 2,069,568</u>	<u>\$ 470,361</u>	<u>\$ 1,534,446</u>	<u>\$ 4,074,375</u>	<u>\$ 4,083,999</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 1,494,930	\$ 109,659	\$ 1,606,444	\$ 3,211,033	\$ (189,039)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	804,469	256,814	1,832,499	2,893,782	874,664
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
Receivables	(29,645)	(36,948)	872,247	805,654	68,156
Due from other funds	-	-	-	-	16,288
Inventories and prepaids	(12,804)	2,031	(7,706)	(18,479)	(57,442)
Accounts payable	(148,481)	(21,966)	(353,756)	(524,203)	(435,060)
Claims payable	-	-	-	-	146,838
Accrued and other liabilities	(22,591)	14,821	(45,708)	(53,478)	411,244
Deferred inflow	(29,802)	-	(16,724)	(46,526)	(14,624)
Net cash provided by operating activities	<u>\$ 2,056,076</u>	<u>\$ 324,411</u>	<u>\$ 3,887,296</u>	<u>\$ 6,267,783</u>	<u>\$ 821,025</u>

City of East Lansing, Michigan

Fiduciary Funds Statement of Fiduciary Net Position - Agency June 30, 2014

Assets

Cash and investments	\$ 875,726
Receivables - Net	<u>122,164</u>
Total assets	<u><u>\$ 997,890</u></u>

Liabilities

Accounts payable	\$ 104,981
Due to other governmental units	291,211
Accrued and other liabilities	<u>601,698</u>
Total liabilities	<u><u>\$ 997,890</u></u>

City of East Lansing, Michigan

Component Units Statement of Net Position June 30, 2014

	Downtown Development Authority	Downtown Management Board	Brownfield Redevelopment Authority	Economic Development Corporation	Local Development Financing Authority	Total
Assets						
Cash and investments	\$ 271,039	\$ 37,711	\$ 196,289	\$ 11	\$ 56,628	\$ 561,678
Receivables - Net (Note 6)	2,554	173,259	-	-	209	176,022
Prepaid expenses	100	-	-	-	-	100
Capital assets - Net (Note 7)	6,131,024	-	-	-	-	6,131,024
Total assets	6,404,717	210,970	196,289	11	56,837	6,868,824
Liabilities						
Accounts payable	23,778	2,883	-	-	2,992	29,653
Accrued and other liabilities	-	-	-	-	155	155
Unearned revenue	834	-	-	-	-	834
Accrued interest payable	24,741	-	-	-	-	24,741
Current portion of long-term debt (Note 9)	5,655,000	-	-	-	-	5,655,000
Total liabilities	5,704,353	2,883	-	-	3,147	5,710,383
Net Position						
Net investment in capital assets	476,024	-	-	-	-	476,024
Unrestricted	224,340	208,087	196,289	11	53,690	682,417
Total net position	\$ 700,364	\$ 208,087	\$ 196,289	\$ 11	\$ 53,690	\$ 1,158,441

City of East Lansing, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority	\$ 1,652,170	\$ 663,264	\$ 36,695	\$ -
Downtown Management Board	53,608	2,000	-	-
Brownfield Redevelopment Authority	558,847	-	-	-
Economic Development Corporation	-	-	-	-
Local Development Financing Authority	116,939	23,231	70,000	-
Total component units	\$ 2,381,564	\$ 688,495	\$ 106,695	\$ -
General revenue:				
Property taxes				
Unrestricted investment earnings				
Miscellaneous				
Total general revenue				
Special Item - Forgiveness of long-term debt				
Change in Net Position				
Net Position - Beginning of year - As restated (Note 3)				
Net Position - End of year				

**Component Units
Statement of Activities
Year Ended June 30, 2014**

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
\$ (952,211)	\$ -	\$ -	\$ -	\$ -	\$ (952,211)
-	(51,608)	-	-	-	(51,608)
-	-	(558,847)	-	-	(558,847)
-	-	-	-	-	-
-	-	-	-	(23,708)	(23,708)
(952,211)	(51,608)	(558,847)	-	(23,708)	(1,586,374)
967,198	217,773	624,455	-	14,834	1,824,260
1,776	211	1,134	-	158	3,279
5,021	5,000	-	-	-	10,021
973,995	222,984	625,589	-	14,992	1,837,560
350,000	-	-	-	-	350,000
371,784	171,376	66,742	-	(8,716)	601,186
328,580	36,711	129,547	11	62,406	557,255
\$ 700,364	\$ 208,087	\$ 196,289	\$ 11	\$ 53,690	\$ 1,158,441

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

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.

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.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Note I - Summary of Significant Accounting Policies (Continued)

For the most part, the effect of interfund activity has been removed from these 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 revenues reported for the various functions concerned.

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.

Fund Accounting

The City accounts for its various activities in several different funds, in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following fund as a "major" governmental fund:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following funds as "major" enterprise 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.

Note I - Summary of Significant Accounting Policies (Continued)

- **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.

The City's 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: general liability insurance, 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.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Note I - Summary of Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow of resources.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Bank Deposits and Investments - Cash and cash equivalents 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 the balance for the principal.

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.

Restricted Assets - The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the City of East Lansing, Michigan water and sewer lines.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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, intangible assets, 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.

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Lives
Buildings 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

Note I - Summary of Significant Accounting Policies (Continued)

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.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources related to deferred interest charges on debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has six items that qualify for reporting in this category. The deferred inflows of resources relates to the sale of future revenues and unavailable revenue from property taxes, special assessments, prepaid membership fees, housing revenue, and prepaid rent.

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

Note I - Summary of Significant Accounting Policies (Continued)

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

Fund Balance Policies - 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.

The City has a fund balance reserve policy (Policy No. 2011-6) whereby the assignment of fund balance by the City Council or their designee, the City Manager, is authorized. Less formality is needed to impose, remove, or modify a constraint reflected in assigned fund balance. No funds other than the General Fund may have unassigned fund balance; therefore, any amounts remaining in excess of nonspendable, restricted, or committed funds other than the General Fund will automatically be reported as assigned fund balance.

Property Tax Revenue - Properties are assessed as of December 31. The related property taxes become a lien on December 1 of the following year. 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 and are added to the county tax rolls.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

The City's 2013 tax is levied and collectible on July 1, 2013 and is recognized as revenue in the year ended June 30, 2014, when the proceeds of the levy are budgeted and available for the financing of operations. The 2013 taxable valuation of the City totaled \$901 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	\$ 14,872,000
Other - Administrative fees and other		832,000
Total reported in the General Fund		15,704,000
Debt	1.3423	1,190,000
Library	2.0000	1,707,000
Solid Waste Fund	1.9055	1,629,000
Total	22.8369	\$ 20,230,000

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree health care benefits to 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 statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

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.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

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.

Note 2 - Change in Accounting

During the current year, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

As a result of implementing this statement, the following assets and liabilities have been reclassified, as indicated:

Item	Amount	Prior Reporting Classification/Treatment	New Classification After Adoption of GASB Statement No. 65
Deferred charge on refunding of debt in governmental activities	\$ 164,230	Adjustment to the bonds payable liability	Deferred outflow of resources
Deferred charge on refunding of debt in business-type activities	365,770	Liability	Deferred outflow of resources
Sale of future revenues in governmental activities	679,257	Liability	Deferred inflow of resources
Sale of future revenues in business-type activities	525,668	Liability	Deferred inflow of resources
Revenue in governmental funds not collected within 60 days of year end	1,263,373	Liability	Deferred inflow of resources
Bond issuance costs - In governmental activities	388,241	Asset	Expensed
Bond issuance costs - In business-type activities	450,572	Asset	Expensed

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note 3 - Reporting Change (Prior Period Adjustments)

The financial statements for the year ended June 30, 2013 have been restated in order to comply with GASB No. 65, in which bond issuance costs are no longer allowed to be amortized.

The effect of this correction was to expense the remaining outstanding bond issuance costs, which had an effect on the fund balance/net position of various funds as of the beginning of the year ended June 30, 2014.

These changes are as follows:

	Governmental Activities	Business-type Activities	Component Units	Proprietary Internal Service Fund	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Downtown Development Authority
Net position - June 30, 2013 - As previously reported	\$ 53,729,383	\$ 40,743,624	\$ 598,588	\$ 7,400,800	\$ 9,809,849	\$ 11,060,318	\$ 19,873,457	\$ 369,913
Adjustment for bond issuance costs no longer amortizable (per GASB 65)	(388,239)	(450,571)	(41,333)	(83,958)	(319,091)	(33,067)	(98,413)	(41,333)
Net position - June 30, 2013 - As restated	<u>\$ 53,341,144</u>	<u>\$ 40,293,053</u>	<u>\$ 557,255</u>	<u>\$ 7,316,842</u>	<u>\$ 9,490,758</u>	<u>\$ 11,027,251</u>	<u>\$ 19,775,044</u>	<u>\$ 328,580</u>

Note 4 - 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 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	\$ 81,967
Nonmajor funds encumbrances	1,010,068

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:

	Budget	Actual
Seniors Fund - Recreation and culture	\$ 269,315	\$ 272,311
Parks and Recreation Fund - Recreation and culture	4,261,230	4,481,299

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - 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 29 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 \$11,990,520 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	\$ 4,226,970	\$ 4,226,970

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - 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>\$ 4,226,970</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
Business-type activities - Automobile Parking System Fund	<u>\$ 631,778</u>

Note 6 - Receivables

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

	General Fund	Nonmajor Funds	Automobile Parking System Fund	Water Supply System	Sewage Disposal System	Proprietary Internal Service Fund	Component Units
Receivables:							
Taxes	\$ 66,757	\$ 11,480	\$ -	\$ -	\$ -	\$ -	\$ 2,470
Special assessments	-	966,501	-	-	289,690	-	173,259
Accounts	1,009,536	20,435	64,566	621,290	873,995	-	1,271
Interest	5,705	285	-	-	-	383	-
Other	146,812	27,020	-	-	-	40	-
Due from other governmental units	1,032,188	599,435	-	-	64,469	-	-
Less allowance for uncollectibles	(467,375)	(2,867)	-	-	-	-	(978)
Net receivables	<u>\$ 1,793,623</u>	<u>\$ 1,622,289</u>	<u>\$ 64,566</u>	<u>\$ 621,290</u>	<u>\$ 1,228,154</u>	<u>\$ 423</u>	<u>\$ 176,022</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note 7 - Capital Assets

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

	Balance July 1, 2013	Reclassifications	Additions	Disposals	Balance June 30, 2014
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 7,798,174	\$ -	\$ -	\$ -	\$ 7,798,174
Construction in progress	2,156,421	(1,616,862)	1,861,640	-	2,401,199
Subtotal	9,954,595	(1,616,862)	1,861,640	-	10,199,373
Capital assets being depreciated:					
Land improvements	5,893,058	729,461	217,665	-	6,840,184
Buildings and improvements	36,966,678	425,843	220,361	-	37,612,882
Vehicles	7,620,818	-	250,237	-	7,871,055
Equipment	12,007,359	-	80,357	-	12,087,716
Library books and electronic resources	1,135,616	-	171,963	(220,550)	1,087,029
Traffic signals	1,476,441	-	-	-	1,476,441
Streets	44,593,604	387,746	73,842	-	45,055,192
Decorative street lights	1,259,359	-	-	-	1,259,359
Pathways	1,305,184	-	-	-	1,305,184
Sidewalks	1,739,394	73,812	62,566	-	1,875,772
Drainage flow rights	698,161	-	-	-	698,161
Bridges	772,735	-	-	-	772,735
Subtotal	115,468,407	1,616,862	1,076,991	(220,550)	117,941,710
Accumulated depreciation:					
Land improvements	3,435,156	-	316,700	-	3,751,856
Buildings and improvements	10,853,312	-	772,599	-	11,625,911
Vehicles	5,825,790	-	573,284	-	6,399,074
Equipment	10,755,795	-	306,822	-	11,062,617
Library books and electronic resources	699,497	-	178,606	(220,550)	657,553
Traffic signals	1,329,772	-	35,427	-	1,365,199
Streets	24,406,508	-	1,608,778	-	26,015,286
Decorative street lights	1,175,030	-	34,886	-	1,209,916
Pathways	143,943	-	52,982	-	196,925
Sidewalks	220,425	-	62,214	-	282,639
Drainage flow rights	226,902	-	34,908	-	261,810
Bridges	300,989	-	15,455	-	316,444
Subtotal	59,373,119	-	3,992,661	(220,550)	63,145,230
Net capital assets being depreciated	56,095,288	1,616,862	(2,915,670)	-	54,796,480
Net capital assets	\$ 66,049,883	\$ -	\$ (1,054,030)	\$ -	\$ 64,995,853

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note 7 - Capital Assets (Continued)

	Balance July 1, 2013	Reclassifications	Additions	Disposals	Balance June 30, 2014
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 2,123,839	\$ -	\$ -	\$ -	\$ 2,123,839
Construction in progress	4,757,867	(3,715,545)	2,696,770	-	3,739,092
Subtotal	6,881,706	(3,715,545)	2,696,770	-	5,862,931
Capital assets being depreciated:					
Buildings and building improvements	61,515,337	675,854	353,291	-	62,544,482
Water and sewer mains	44,738,769	3,039,691	282,229	-	48,060,689
Equipment	8,617,638	-	201,007	-	8,818,645
Subtotal	114,871,744	3,715,545	836,527	-	119,423,816
Accumulated depreciation:					
Buildings and building improvements	29,974,914	-	1,327,532	-	31,302,446
Water and sewer mains	19,898,666	-	1,255,358	-	21,154,024
Equipment	4,400,987	-	310,892	-	4,711,879
Subtotal	54,274,567	-	2,893,782	-	57,168,349
Net capital assets being depreciated	60,597,177	3,715,545	(2,057,255)	-	62,255,467
Net capital assets	\$ 67,478,883	\$ -	\$ 639,515	\$ -	\$ 68,118,398
	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014	
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	582,194	110,456	-	-	692,650
Equipment	31,536	6,343	-	-	37,879
Subtotal	613,730	116,799	-	-	730,529
Net capital assets being depreciated	4,971,024	(116,799)	-	-	4,854,225
Net capital assets	\$ 6,247,823	\$ (116,799)	\$ -	\$ -	\$ 6,131,024

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note 7 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 179,901
Public safety	168,798
Public works	1,890,416
Community and economic development	1,510
Culture and recreation	877,372
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>874,664</u>
Total governmental activities	<u>\$ 3,992,661</u>

Business-type activities:

Water Supply System Fund	\$ 256,814
Sewage Disposal System Fund	1,832,499
Automobile Parking System Fund	<u>804,469</u>
Total business-type activities	<u>\$ 2,893,782</u>

Component units:

Downtown Development Authority	\$ 116,133
Local Development Finance Authority	<u>666</u>
Total component unit activities	<u>\$ 116,799</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	\$ 620,434	\$ 777,331
Sidewalk projects	50,253	81,892
Sewer projects	977,864	138,489
Water projects	96,353	40,736
Parking projects	-	517,900
Park projects	475,223	320,055
Other projects	<u>88,387</u>	<u>1,289,918</u>
Total	<u>\$ 2,308,514</u>	<u>\$ 3,166,321</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note 8 - Interfund Receivables, Payables, and Transfers

Interfund transfers for the year ended June 30, 2014 consisted of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Local Streets Fund	\$ 300,000
	Parks and Recreation Fund	1,100,230
	Debt Service Fund	80,195
	CIP Fund	244,710
	CIP Parks Fund	555,870
	Insurance and Benefits Fund	700,960
	Total General Fund	2,981,965
Major Streets Fund	Local Streets Fund	400,000
Solid Waste Fund	Major Streets Fund	70,000
	Debt Service Fund	64,075
	Total Solid Waste Fund	134,075
Parks and Recreation Fund	Seniors Fund (combined with General Fund)	7,000
Sewage Disposal System Fund	Major Streets Fund	40,000
	Total interfund transfers	\$ 3,563,040

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. The Solid Waste Fund and Sewage Disposal System Fund each contributed funds to the Major Streets Fund to support street cleaning operations. The Parks and Recreation Fund provided support to the Seniors Fund (combined with the General Fund) for facility usage.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note 9 - 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)	665,000	-	95,000	570,000	100,000
Unlimited Tax Refunding Bonds (2005)	760,000	-	370,000	390,000	390,000
Limited Tax Downtown Development Refunding Bonds (2005)	3,095,000	-	160,000	2,935,000	170,000
2004 Limited Tax Bonds	1,730,000	-	115,000	1,615,000	120,000
2008 Limited Tax Bonds Series A	575,000	-	55,000	520,000	55,000
2008 Limited Tax Bonds Series B	285,000	-	35,000	250,000	35,000
2009 Limited Tax Bonds Series A	325,000	-	50,000	275,000	50,000
2009 Limited Tax Bonds Series B	300,000	-	30,000	270,000	30,000
2009 Unlimited Tax Refunding Bonds (1998 Aq/Han)	3,620,000	-	555,000	3,065,000	570,000
2009 Michigan Transportation Bonds (Local Streets)	1,180,000	-	90,000	1,090,000	90,000
2010 Limited Tax Bonds Series A (Avondale Square)	2,310,000	-	55,000	2,255,000	60,000
2012 Limited Tax Refunding Bonds (of 2003 Garage Bonds)	4,785,000	-	270,000	4,515,000	270,000
Plus premiums on bonds payable	383,732	-	38,356	345,376	38,356
Other general obligations:					
HUD Note Series 2006-A	1,050,000	-	75,000	975,000	75,000
Towar/Snell Drain Assessment	453,804	-	34,908	418,896	34,908
ERP Installment Loan	440,000	-	110,000	330,000	110,000
Special assessment bonds - Bond Series (2006)	1,545,000	-	395,000	1,150,000	385,000
Total general obligations	23,922,536	-	2,533,264	21,389,272	2,583,264
Other long-term obligations:					
Burcham Park remediation costs	235,000	-	22,000	213,000	-
Compensated absences	3,003,030	1,817,440	1,855,735	2,964,735	2,105,013
Total governmental activities	\$ 27,160,566	\$ 1,817,440	\$ 4,410,999	\$ 24,567,007	\$ 4,688,277

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note 9 - Long-term Debt (Continued)

The Limited Tax Downtown Development Refunding Bonds (2005) are intended to be funded by contributions from the Downtown Development Authority.

Subsequent to year end, the Limited Tax Bonds Series 2008 and 2009 B were defeased and placed into escrow.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
General obligation bonds:					
Limited Tax Bonds Series 1994 - CSO	\$ 1,390,000	\$ -	\$ 340,000	\$ 1,050,000	\$ 340,000
Limited Tax Bonds Series 1995 - CSO	3,005,000	-	725,000	2,280,000	725,000
Building Authority Bonds 1997	370,000	-	65,000	305,000	65,000
Building Authority Bonds 2000	3,105,000	-	-	3,105,000	-
Limited Tax Certificates of Participation 2001	745,000	-	235,000	510,000	235,000
Limited Tax Bonds Series 2000	315,000	-	40,000	275,000	40,000
Limited Tax Certificates of Participation 2001B	550,000	-	175,000	375,000	175,000
Limited Tax Bond Series 2004 - CSO	6,288,648	-	425,000	5,863,648	425,000
Building Authority Refunding Bonds 2005	5,280,000	-	530,000	4,750,000	530,000
Limited Tax Bonds Series A 2007	2,035,000	-	40,000	1,995,000	40,000
Limited Tax Bonds Series B 2007	2,070,000	-	40,000	2,030,000	40,000
Limited Tax Refunding Bonds 2008	1,040,000	-	240,000	800,000	240,000
Limited Tax Refunding Bonds 2009	2,805,000	-	665,000	2,140,000	665,000
Limited Tax Bonds Series A 2011 - Parking	1,897,048	-	74,282	1,822,766	74,282
Limited Tax Bonds Series A 2011 - Water	1,422,953	-	55,718	1,367,235	55,720
Limited Tax Bonds 2012 - Sewer	1,330,000	-	55,000	1,275,000	55,000
Limited Tax Bonds Series 2013	622,969	2,016,170	-	2,639,139	120,000
Plus premiums on bonds payable	122,773	-	15,002	107,771	15,002
Installment purchase contract - Parking equipment	72,629	-	72,629	-	-
Total general obligations	34,467,020	2,016,170	3,792,631	32,690,559	3,840,004
Other long-term obligations - Compensated absences	201,938	123,519	127,969	197,488	110,745
Total business-type activities	\$ 34,668,958	\$ 2,139,689	\$ 3,920,600	\$ 32,888,047	\$ 3,950,749
Component Unit Activities					
2012 DDA Refunding Bond Anticipation Notes	\$ 5,655,000	\$ -	\$ -	\$ 5,655,000	\$ 5,655,000
Installment loan agreement - Building	350,000	-	350,000	-	-
Total component unit activities	\$ 6,005,000	\$ -	\$ 350,000	\$ 5,655,000	\$ 5,655,000

Note 9 - Long-term Debt (Continued)

The Downtown Development Authority Refunding Bond Anticipation Notes, used to purchase properties in the Evergreen area of the City, in anticipation of a redevelopment project, mature in full on April 1, 2015. The notes will need to be replaced with long-term debt; however, the structure and term of the issue are yet to be determined as of the date of this report.

On June 24, 2014, the Michigan Economic Development Corporation signed a full release and termination of the amended loan agreement between them and the Downtown Development Authority. The agreement forgave the remaining \$350,000 loan balance due for the property at 303 Abbot.

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
2015	\$ 2,544,908	\$ 854,038	\$ 3,398,946	\$ 3,950,002	\$ 1,136,792	\$ 5,086,794	\$ 5,655,000	\$ 98,963	\$ 5,753,963
2016	2,649,908	759,165	3,409,073	4,080,000	1,007,516	5,087,516	-	-	-
2017	2,284,908	674,229	2,959,137	3,740,000	867,150	4,607,150	-	-	-
2018	1,864,908	589,952	2,454,860	1,650,000	773,513	2,423,513	-	-	-
2019	1,944,908	509,708	2,454,616	1,635,000	709,660	2,344,660	-	-	-
2020-2024	5,894,540	1,679,016	7,573,556	9,105,000	2,569,476	11,674,476	-	-	-
2025-2029	2,924,816	555,709	3,480,525	5,138,648	1,145,955	6,284,603	-	-	-
2030-2034	755,000	203,438	958,438	2,429,138	466,819	2,895,957	-	-	-
2035-2037	180,000	11,250	191,250	855,000	87,600	942,600	-	-	-
Total	\$ 21,043,896	\$ 5,836,505	\$ 26,880,401	\$ 32,582,788	\$ 8,764,481	\$ 41,347,269	\$ 5,655,000	\$ 98,963	\$ 5,753,963

Note 10 - 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 26 fiscal years.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note 10 - Risk Management (Continued)

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>2014</u>	<u>2013</u>
Unpaid claims - Beginning of year	\$ 293,063	\$ 332,197
Incurred claims, including claims incurred but not reported	1,229,504	801,844
Claim payments	<u>(1,082,666)</u>	<u>(840,978)</u>
Unpaid claims - End of year	<u>\$ 439,901</u>	<u>\$ 293,063</u>

Note 11 - 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.

Annual Pension Cost - For the year ended June 30, 2014, the City's annual pension cost of \$5,210,925 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, 2011, 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 the separate groups is a weighted average of 24.5 years.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note 11 - Defined Benefit Pension Plan (Continued)

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		
	2012	2013	2014
Annual pension cost (APC)	\$ 4,997,561	\$ 5,524,549	\$ 5,210,925
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2011	2012	2013
Actuarial value of assets	\$ 96,791,563	\$ 96,076,574	\$ 95,588,730
Actuarial accrued liability (AAL) (entry age)	\$ 155,184,306	\$ 158,593,831	\$ 161,479,897
Unfunded AAL (UAAL)	\$ 58,392,743	\$ 62,517,257	\$ 65,891,167
Funded ratio	62.4 %	60.6 %	59.2 %
Covered payroll	\$ 15,755,240	\$ 14,946,580	\$ 14,921,653
UAAL as a percentage of covered payroll	370.6 %	418.3 %	441.6 %

Note 11 - Defined Benefit Pension Plan (Continued)

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, 2013.

Note 12 - 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 \$421,709 during the current year and employees contributed \$310,256.

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.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note 13 - 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, 2014

Note 13 - 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, 2014, 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)	\$ 4,164,204
Interest on the prior year's net OPEB obligation	289,764
Less adjustment to the annual required contribution	<u>(175,597)</u>
Annual OPEB cost	4,278,371
Amounts contributed:	
Payments of current premiums	(2,679,925)
Advance funding	<u>(1,650,960)</u>
Decrease in net OPEB obligation	(52,514)
OPEB obligation - Beginning of year	<u>700,959</u>
OPEB obligation - End of year	<u>\$ 648,445</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note 13 - 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	\$ 555,336
Public safety	102,200
Public works	129,883
Recreation and culture	45,451
Internal service fund - Garage Fund	26,692
Total governmental activities	<u>859,562</u>
Business-type activities:	
Automobile Parking System Fund	31,969
Water Supply System Fund	(19,447)
Sewage Disposal System Fund	(223,639)
Total business-type activities	<u>(211,117)</u>
Total OPEB obligation	<u>\$ 648,445</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
6/30/14	12/31/10	\$ 4,278,371	101.2 %	\$ 648,445
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

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, 2014, the market value of plan assets held in the Municipal Employees' Retirement Health Funding Vehicle was \$11,819,551.

Note 13 - 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, 2014

Note 14 - 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 \$1,429,431 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, 2014. 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	\$	7,505,804
Total liabilities		1,009,615
Total net position		6,496,189
Total operating revenue		3,890,750
Total operating expenses		3,238,529
Increase in net position		404,611

Note 15 - 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, 2013	\$	(645,156)
Current year building permit revenue		866,245
Related expenses:		
Direct costs		505,233
Indirect costs		47,616
		<u>47,616</u>
Cumulative shortfall at June 30, 2014	\$	<u>(331,760)</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2014

Note 16 - Fund Balance Constraints

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

	Combining General Fund	Nonmajor Funds	Total
Fund Balances			
Nonspendable:			
Assets held for resale	\$ -	\$ 385,000	\$ 385,000
Inventory and prepaids	8,281	113,181	121,462
Total nonspendable	8,281	498,181	506,462
Restricted:			
Drug enforcement	-	8,486	8,486
Donations for special purposes	-	107,107	107,107
Debt service	-	67,825	67,825
Special assessment debt	-	370,010	370,010
CDBG	-	10,631	10,631
Burcham Park	-	114,660	114,660
Total restricted	-	678,719	678,719
Committed:			
Parks and recreation	-	203,328	203,328
Aquatic Center equipment reserve	-	176,296	176,296
Total committed	-	379,624	379,624
Assigned:			
Appropriations for 2014 budget	36,095	118,783	154,878
Major and local streets	-	840,052	840,052
Seniors program	76,210	-	76,210
Library	-	515,736	515,736
Capital projects	-	500,237	500,237
Infrastructure	1,425,000	-	1,425,000
Various encumbrances	81,967	-	81,967
Solid waste	-	349,140	349,140
Art festival	-	21,645	21,645
Total assigned	1,619,272	2,345,593	3,964,865
Unassigned	5,148,900	-	5,148,900
Total fund balances	<u>\$ 6,776,453</u>	<u>\$ 3,902,117</u>	<u>\$ 10,678,570</u>

Note 17 - 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, 2014, 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 \$213,000 (see Note 9). 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 18 - Upcoming Accounting Pronouncements

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, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 15,708,925	\$ 15,708,925	\$ 15,703,727	\$ (5,198)
Intergovernmental revenue	30,000	30,000	70,674	40,674
Licenses and permits	1,306,850	1,478,905	1,566,121	87,216
Federal sources	337,000	337,000	261,091	(75,909)
State sources	6,005,150	6,121,990	6,257,255	135,265
Charges for services	4,168,610	4,283,610	4,522,884	239,274
Fines and forfeitures	3,298,180	3,298,180	2,940,053	(358,127)
Interest income	70,000	70,000	85,687	15,687
Rental income	52,465	52,465	52,465	-
Other revenue	492,000	492,000	602,333	110,333
Total resources (inflows)	31,469,180	31,873,075	32,062,290	189,215
Charges to Appropriations (Outflows) -				
Current				
General government	7,186,135	7,231,196	6,878,190	353,006
Public safety	18,542,245	18,632,245	18,325,426	306,819
Public works:				
Highway and streets	1,910,915	2,020,995	1,752,648	268,347
Sanitation	159,830	284,460	238,552	45,908
Health and welfare and community development	910,810	921,310	918,596	2,714
Recreation and culture	1,323,380	1,383,380	1,363,100	20,280
Total charges to appropriations (outflows)	30,033,315	30,473,586	29,476,512	997,074
Excess of Inflows Over Outflows	1,435,865	1,399,489	2,585,778	1,186,289
Other Financing Uses - Transfers out	(1,435,865)	(3,117,405)	(3,117,405)	-
Net Change in Fund Balance	-	(1,717,916)	(531,627)	1,186,289
Fund Balance - Beginning of year	4,845,700	7,194,859	7,194,859	-
Fund Balance - End of year	\$ 4,845,700	\$ 5,476,943	\$ 6,663,232	\$ 1,186,289

City of East Lansing, Michigan

Note to Required Supplemental Information Year Ended June 30, 2014

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, 2014, the General Fund was budgeted separately from the Seniors 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, 2014

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Net Other Financing Sources (Uses)</u>	<u>Fund Balance</u>
Amounts per operating statement	\$ 32,187,599	\$ 29,748,823	\$ 2,974,965	\$ 6,776,453
Fund budgeted separately from the General Fund - Seniors Fund	<u>(125,309)</u>	<u>(272,311)</u>	<u>142,440</u>	<u>(113,221)</u>
Amounts per budget statement	<u>\$ 32,062,290</u>	<u>\$ 29,476,512</u>	<u>\$ 3,117,405</u>	<u>\$ 6,663,232</u>

City of East Lansing, Michigan

Required Supplemental Information Pension System Schedule Year Ended June 30, 2014

The schedule of funding progress 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
12/31/13	\$ 95,588,730	\$161,479,897	\$ 65,891,167	59.2	\$ 14,921,653	441.6
12/31/12	96,076,574	158,593,831	62,517,257	60.6	14,946,580	418.3
12/31/11	96,791,563	155,184,306	58,392,743	62.4	15,755,240	370.6
12/31/10	96,854,824	148,739,860	51,885,036	65.1	12,048,165	430.6

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/14	12/31/11	\$ 5,634,336	100.0
6/30/13	12/31/10	5,524,549	100.0
6/30/12	12/31/09	4,997,561	100.0
6/30/11	12/31/08	4,433,560	100.0

* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2013, the latest actuarial valuation, follows:

Amortization method	Level percent of payroll
Amortization period (perpetual)	6 to 25 years
Asset valuation method	10-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	4.5%
*Includes inflation at	3% - 4%
Cost of living adjustments	None

City of East Lansing, Michigan

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2014

The schedule of funding progress 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

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/14	12/31/10	\$ 4,164,204	104.0
6/30/13	12/31/10	4,095,932	106.9
6/30/12	12/31/08	4,142,795	76.4
6/30/11	12/31/08	4,088,680	100.0

* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2010, the latest actuarial valuation, follows:

Amortization method	Level dollar
Amortization period (perpetual)	26 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Healthcare cost trend rate	9.0 percent reduced to an ultimate rate of 4.5 percent after 10 years
Inflation rate	4.5%
Cost of living adjustments	None

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.

Debt Service Fund - This 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.

Capital Projects Fund - This fund is used to account for City capital improvements, the Avondale Square project, St. Anne Plaza project, 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	\$ 94,095	\$ 641,767	\$ (51,814)	\$ 614,275	\$ 476,784
Receivables - Net	351,714	111,803	108,441	53,432	5,174
Inventories and prepaids	44,740	-	-	11,300	57,141
Assets available for sale	-	-	-	-	-
Loan receivable	-	-	-	-	114,661
Total assets	\$ 490,549	\$ 753,570	\$ 56,627	\$ 679,007	\$ 653,760
Liabilities					
Accounts payable	\$ 135,204	\$ 220,223	\$ 45,996	\$ 227,558	\$ 17,509
Accrued and other liabilities	-	3,900	-	60,525	-
Total liabilities	135,204	224,123	45,996	288,083	17,509
Deferred Inflows of Resources -					
Unavailable revenue	-	-	-	-	-
Total liabilities and deferred inflows of resources	135,204	224,123	45,996	288,083	17,509
Fund Balances					
Nonspendable	44,740	-	-	11,300	57,141
Restricted	-	-	10,631	-	114,660
Committed	-	-	-	379,624	-
Assigned	310,605	529,447	-	-	464,450
Total fund balances	355,345	529,447	10,631	390,924	636,251
Total liabilities, deferred inflows of resources, and fund balances	\$ 490,549	\$ 753,570	\$ 56,627	\$ 679,007	\$ 653,760

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

Special Revenue Funds				Capital Projects Funds		Total
Drug Forfeiture Fund	Art Festival Fund	Library Fund	Debt Service Fund	Capital Projects Fund	Capital Projects Fund Parks	Nonmajor Governmental Funds
\$ 8,486	\$ 24,813	\$ 684,798	\$ 435,500	\$ 211,725	\$ 696,020	\$ 3,836,449
-	2,500	2,265	969,460	-	17,500	1,622,289
-	-	-	-	-	-	113,181
-	-	-	-	385,000	-	385,000
-	-	-	-	-	-	114,661
\$ 8,486	\$ 27,313	\$ 687,063	\$ 1,404,960	\$ 596,725	\$ 713,520	\$ 6,071,580
\$ -	\$ 4,579	\$ 39,826	\$ 624	\$ 3,165	\$ 421,843	\$ 1,116,527
-	1,089	20,921	-	-	-	86,435
-	5,668	60,747	624	3,165	421,843	1,202,962
-	-	-	966,501	-	-	966,501
-	5,668	60,747	967,125	3,165	421,843	2,169,463
-	-	-	-	385,000	-	498,181
8,486	-	107,107	437,835	-	-	678,719
-	-	-	-	-	-	379,624
-	21,645	519,209	-	208,560	291,677	2,345,593
8,486	21,645	626,316	437,835	593,560	291,677	3,902,117
\$ 8,486	\$ 27,313	\$ 687,063	\$ 1,404,960	\$ 596,725	\$ 713,520	\$ 6,071,580

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	\$ -	\$ -	\$ -	\$ -	\$ 1,629,185
Intergovernmental revenue	-	1,000	-	16,036	-
Federal sources	-	-	423,934	30,000	-
State sources	2,357,541	817,368	-	3,000	-
Charges for services	48,800	9,452	60,568	2,181,258	257,087
Fines and forfeitures	-	-	-	-	-
Interest income	(553)	1,336	-	3,538	13,236
Rental income	-	-	-	394,174	-
Other revenue	-	-	-	259,339	-
Total revenue	2,405,788	829,156	484,502	2,887,345	1,899,508
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	2,143,082	1,350,443	-	-	1,556,241
Health and welfare and community development	-	-	475,149	-	-
Recreation and culture	-	-	-	4,481,999	-
Debt service	-	139,263	-	-	-
Total expenditures	2,143,082	1,489,706	475,149	4,481,999	1,556,241
Excess of Revenue Over (Under) Expenditures	262,706	(660,550)	9,353	(1,594,654)	343,267
Other Financing Sources (Uses)					
Transfers in	110,000	700,000	-	1,100,230	-
Transfers out	(400,000)	-	-	(7,000)	(134,075)
Total other financing (uses) sources	(290,000)	700,000	-	1,093,230	(134,075)
Net Change in Fund Balances	(27,294)	39,450	9,353	(501,424)	209,192
Fund Balances - Beginning of year	382,639	489,997	1,278	892,348	427,059
Fund Balances - End of year	\$ 355,345	\$ 529,447	\$ 10,631	\$ 390,924	\$ 636,251

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

Special Revenue Funds			Capital Projects Funds			Total
Drug Forfeiture Fund	Art Festival Fund	Library Fund	Debt Service Fund	Capital Projects Fund	Capital Projects Fund Parks	Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,707,474	\$ 1,189,969	\$ -	\$ -	\$ 4,526,628
-	3,750	117,137	421,830	188,463	10,000	758,216
-	-	-	-	-	-	453,934
-	12,945	26,324	-	-	55,000	3,272,178
-	6,456	29,782	-	-	-	2,593,403
8,650	-	42,093	-	-	-	50,743
28	74	4,892	3,460	400	1,311	27,722
-	64,382	1,451	-	-	-	460,007
-	61,634	155,897	386,085	121,042	123,035	1,107,032
8,678	149,241	2,085,050	2,001,344	309,905	189,346	13,249,863
-	-	-	-	3,082	-	3,082
19,522	-	-	-	-	-	19,522
-	-	-	-	-	-	5,049,766
-	-	-	-	280,397	-	755,546
-	133,609	1,771,976	-	-	502,361	6,889,945
-	-	-	2,216,345	321,716	-	2,677,324
19,522	133,609	1,771,976	2,216,345	605,195	502,361	15,395,185
(10,844)	15,632	313,074	(215,001)	(295,290)	(313,015)	(2,145,322)
-	-	-	144,270	244,710	555,870	2,855,080
-	-	-	-	-	-	(541,075)
-	-	-	144,270	244,710	555,870	2,314,005
(10,844)	15,632	313,074	(70,731)	(50,580)	242,855	168,683
19,330	6,013	313,242	508,566	644,140	48,822	3,733,434
\$ 8,486	\$ 21,645	\$ 626,316	\$ 437,835	\$ 593,560	\$ 291,677	\$ 3,902,117

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Major Streets Fund Budgetary Comparison Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
State sources	\$ 2,269,290	\$ 2,269,290	\$ 2,357,541	\$ 88,251
Charges for services	10,000	10,000	48,800	38,800
Interest income	(500)	(500)	(553)	(53)
Total resources (inflows)	2,278,790	2,278,790	2,405,788	126,998
Charges to Appropriations (Outflows) - Current - Public works - Highways and streets	1,799,870	2,190,220	2,143,082	47,138
Excess of Inflows Over Outflows	478,920	88,570	262,706	174,136
Other Financing Sources (Uses)				
Transfers in	110,000	110,000	110,000	-
Transfers out	(475,000)	(475,000)	(400,000)	75,000
Total other financing uses	(365,000)	(365,000)	(290,000)	75,000
Net Change in Fund Balance	113,920	(276,430)	(27,294)	249,136
Fund Balance - Beginning of year	18,409	382,639	382,639	-
Fund Balance - End of year	<u>\$ 132,329</u>	<u>\$ 106,209</u>	<u>\$ 355,345</u>	<u>\$ 249,136</u>

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Local Streets Fund Budgetary Comparison Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ -	\$ -	\$ 1,000	\$ 1,000
State sources	623,070	623,070	817,368	194,298
Charges for services	20,000	20,000	9,452	(10,548)
Interest income	1,000	1,000	1,336	336
Total resources (inflows)	644,070	644,070	829,156	185,086
Charges to Appropriations (Outflows)				
Current - Public works	1,106,825	1,869,260	1,350,443	518,817
Debt service	139,265	139,265	139,263	2
Total expenditures	1,246,090	2,008,525	1,489,706	518,819
Excess of Outflows Over Inflows	(602,020)	(1,364,455)	(660,550)	703,905
Other Financing Sources -				
Transfers in	475,000	775,000	700,000	(75,000)
Net Change in Fund Balance	(127,020)	(589,455)	39,450	628,905
Fund Balance - Beginning of year	157,431	489,997	489,997	-
Fund Balance (Deficit) - End of year	<u>\$ 30,411</u>	<u>\$ (99,458)</u>	<u>\$ 529,447</u>	<u>\$ 628,905</u>

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Library Fund Budgetary Comparison Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 1,711,000	\$ 1,711,000	\$ 1,707,474	\$ (3,526)
Intergovernmental revenue	121,000	121,000	117,137	(3,863)
State sources	24,210	24,210	26,324	2,114
Charges for services	30,510	30,510	29,782	(728)
Fines and forfeitures	39,000	39,000	42,093	3,093
Interest income	1,250	1,250	4,892	3,642
Rental income	700	700	1,451	751
Other	50,565	50,565	155,897	105,332
Total resources (inflows)	1,978,235	1,978,235	2,085,050	106,815
Charges to Appropriations (Outflows) - Current - Recreation and culture	1,907,330	1,907,330	1,771,976	135,354
Net Change in Fund Balance	70,905	70,905	313,074	242,169
Fund Balance - Beginning of year	163,195	313,242	313,242	-
Fund Balance - End of year	<u>\$ 234,100</u>	<u>\$ 384,147</u>	<u>\$ 626,316</u>	<u>\$ 242,169</u>

City of East Lansing, Michigan

Other Supplemental Information Governmental Fund - Seniors Fund Budgetary Comparison Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
State sources	\$ -	\$ 5,115	\$ 5,115	\$ -
Charges for services	68,000	74,600	84,215	9,615
Interest income	250	250	537	287
Rental income	1,500	1,500	1,758	258
Other	31,000	31,000	33,684	2,684
Total resources (inflows)	100,750	112,465	125,309	12,844
Changes to Appropriations (Outflows) - Current - Recreation and culture	257,600	269,315	272,311	(2,996)
Excess of Outflows Over Inflows	(156,850)	(156,850)	(147,002)	9,848
Other Financing Sources - Transfers in	142,440	142,440	142,440	-
Net Change in Fund Balance	(14,410)	(14,410)	(4,562)	9,848
Fund Balance - Beginning of year	90,125	117,783	117,783	-
Fund Balance - End of year	<u>\$ 75,715</u>	<u>\$ 103,373</u>	<u>\$ 113,221</u>	<u>\$ 9,848</u>

The numbers presented in this schedule are combined with the numbers in the Required Supplemental Information Schedule, Budgetary Comparison Schedule - General Fund (page 69) to arrive at the financial results presented in the Governmental Funds - Statement of Revenue, Expenditures, and Changes in Fund Balance for the General Fund (page 28).

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Parks and Recreation Fund Budgetary Comparison Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ -	\$ -	\$ 16,036	\$ 16,036
Federal grants	-	-	30,000	30,000
State sources	-	-	3,000	3,000
Charges for services	2,268,555	2,268,555	2,181,258	(87,297)
Interest income	3,000	3,000	3,538	538
Rental income	371,600	371,600	394,174	22,574
Other	189,035	189,035	259,339	70,304
Total resources (inflows)	2,832,190	2,832,190	2,887,345	55,155
Charges to Appropriations (Outflows) - Current - Recreation and culture	4,245,550	4,261,230	4,481,999	(220,769)
Excess of Outflows Over Inflows	(1,413,360)	(1,429,040)	(1,594,654)	(165,614)
Other Financing Sources (Uses)				
Transfers in	1,100,230	1,100,230	1,100,230	-
Transfers out	(7,000)	(7,000)	(7,000)	-
Total other financing sources	1,093,230	1,093,230	1,093,230	-
Net Change in Fund Balance	(320,130)	(335,810)	(501,424)	(165,614)
Fund Balance - Beginning of year	914,201	892,348	892,348	-
Fund Balance - End of year	<u>\$ 594,071</u>	<u>\$ 556,538</u>	<u>\$ 390,924</u>	<u>\$ (165,614)</u>

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Solid Waste Management Fund Budgetary Comparison Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 1,631,000	\$ 1,631,000	\$ 1,629,185	\$ (1,815)
Charges for services	252,950	252,950	257,087	4,137
Interest income	12,000	12,000	13,236	1,236
Total resources (inflows)	1,895,950	1,895,950	1,899,508	3,558
Changes to Appropriations (Outflows) - Current - Public works	1,658,125	1,658,125	1,556,241	101,884
Excess of Inflows Over Outflows	237,825	237,825	343,267	105,442
Other Financing Uses - Transfers out	(134,075)	(134,075)	(134,075)	-
Net Change in Fund Balance	103,750	103,750	209,192	105,442
Fund Balance - Beginning of year	327,291	427,059	427,059	-
Fund Balance - End of year	<u>\$ 431,041</u>	<u>\$ 530,809</u>	<u>\$ 636,251</u>	<u>\$ 105,442</u>

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Drug Forfeiture Fund Budgetary Comparison Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Fines and forfeitures	\$ 2,500	\$ 8,650	\$ 8,650	\$ -
Interest income	50	50	28	(22)
Total resources (inflows)	2,550	8,700	8,678	(22)
Changes to Appropriations (Outflows) - Current - Public safety	7,000	19,525	19,522	3
Net Change in Fund Balance	(4,450)	(10,825)	(10,844)	(19)
Fund Balance - Beginning of year	17,137	19,330	19,330	-
Fund Balance - End of year	<u>\$ 12,687</u>	<u>\$ 8,505</u>	<u>\$ 8,486</u>	<u>\$ (19)</u>

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Art Festival Fund Budgetary Comparison Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ 10,000	\$ 10,000	\$ 3,750	\$ (6,250)
State sources	7,000	7,000	12,945	5,945
Charges for services	10,600	10,600	6,456	(4,144)
Interest income	10	10	74	64
Rental income	60,000	60,000	64,382	4,382
Other	73,000	73,000	61,634	(11,366)
Total resources (inflows)	160,610	160,610	149,241	(11,369)
Changes to Appropriations (Outflows) - Current - Recreation and culture	153,955	153,955	133,609	20,346
Net Change in Fund Balance	6,655	6,655	15,632	8,977
Fund Balance - Beginning of year	17,159	6,013	6,013	-
Fund Balance - End of year	<u>\$ 23,814</u>	<u>\$ 12,668</u>	<u>\$ 21,645</u>	<u>\$ 8,977</u>

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Debt Service Fund Budgetary Comparison Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 1,189,255	\$ 1,189,255	\$ 1,189,969	\$ 714
Intergovernmental revenue	421,830	421,830	421,830	-
Interest income	3,000	3,000	3,460	460
Other	386,085	386,085	386,085	-
Total resources (inflows)	2,000,170	2,000,170	2,001,344	1,174
Charges to Appropriations (Outflows) - Debt service	2,215,785	2,216,785	2,216,345	440
Excess of Outflows Over Inflows	(215,615)	(216,615)	(215,001)	1,614
Other Financing Sources - Transfers in	144,270	144,270	144,270	-
Net Change in Fund Balance	(71,345)	(72,345)	(70,731)	1,614
Fund Balance - Beginning of year	510,999	508,566	508,566	-
Fund Balance - End of year	<u>\$ 439,654</u>	<u>\$ 436,221</u>	<u>\$ 437,835</u>	<u>\$ 1,614</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, and general liability insurance programs as well as the 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, 2014

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
Assets				
Current assets:				
Cash and investments	\$ 2,164,037	\$ 1,691,218	\$ 228,744	\$ 4,083,999
Receivables - Net:				
Interest	383	-	-	383
Other receivables	-	40	-	40
Inventories and prepaids	<u>72,568</u>	<u>234,239</u>	<u>19,715</u>	<u>326,522</u>
Total current assets	2,236,988	1,925,497	248,459	4,410,944
Noncurrent assets - Capital assets:				
Assets not subject to depreciation	-	1,044,380	524,139	1,568,519
Assets subject to depreciation	<u>-</u>	<u>9,877,223</u>	<u>348,070</u>	<u>10,225,293</u>
Total noncurrent assets	<u>-</u>	<u>10,921,603</u>	<u>872,209</u>	<u>11,793,812</u>
Total assets	2,236,988	12,847,100	1,120,668	16,204,756
Deferred Outflows of Resources -				
Deferred charge on refunding of debt	-	49,801	-	49,801
Liabilities				
Current liabilities:				
Accounts payable	162,288	19,109	47,196	228,593
Accrued and other liabilities	481,778	77,229	7,644	566,651
Accrued interest payable	-	48,663	1,386	50,049
Compensated absences due in one year	-	290,221	19,340	309,561
Claims payable	439,901	-	-	439,901
Bonds payable due in one year	<u>-</u>	<u>411,709</u>	<u>110,000</u>	<u>521,709</u>
Total current liabilities	1,083,967	846,931	185,566	2,116,464
Noncurrent liabilities - Net of current portion:				
Compensated absences	-	74,543	37,262	111,805
Net OPEB obligation	-	26,692	-	26,692
Bonds payable	<u>-</u>	<u>5,994,313</u>	<u>220,000</u>	<u>6,214,313</u>
Total noncurrent liabilities	<u>-</u>	<u>6,095,548</u>	<u>257,262</u>	<u>6,352,810</u>
Total liabilities	1,083,967	6,942,479	442,828	8,469,274
Deferred Inflows of Resources -				
Sale of future revenue	<u>-</u>	<u>130,006</u>	<u>-</u>	<u>130,006</u>
Net Position				
Net investment in capital assets	-	4,565,382	542,209	5,107,591
Unrestricted	<u>1,153,021</u>	<u>1,259,034</u>	<u>135,631</u>	<u>2,547,686</u>
Total net position	<u>\$ 1,153,021</u>	<u>\$ 5,824,416</u>	<u>\$ 677,840</u>	<u>\$ 7,655,277</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, 2014

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
Operating Revenue				
User service charges	\$ 7,486,547	\$ 174,861	\$ -	\$ 7,661,408
Equipment and building rental	-	2,633,922	826,425	3,460,347
Miscellaneous revenue	-	980	352	1,332
Total operating revenue	7,486,547	2,809,763	826,777	11,123,087
Operating Expenses				
Personal services	7,291,232	743,341	307,725	8,342,298
Operations	693,423	694,426	401,723	1,789,572
Maintenance	-	300,914	4,678	305,592
Depreciation	-	815,591	59,073	874,664
Total operating expenses	7,984,655	2,554,272	773,199	11,312,126
Operating (Loss) Income	(498,108)	255,491	53,578	(189,039)
Nonoperating Revenue (Expenses)				
Interest income	11,293	6,318	870	18,481
Interest expense	-	(184,924)	(7,043)	(191,967)
Total nonoperating revenue (expenses)	11,293	(178,606)	(6,173)	(173,486)
(Loss) Income - Before transfers	(486,815)	76,885	47,405	(362,525)
Transfers In	700,960	-	-	700,960
Change in Net Position	214,145	76,885	47,405	338,435
Net Position - Beginning of year - As restated	938,876	5,747,531	630,435	7,316,842
Net Position - End of year	<u>\$ 1,153,021</u>	<u>\$ 5,824,416</u>	<u>\$ 677,840</u>	<u>\$ 7,655,277</u>

City of East Lansing, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2014

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 7,553,201	\$ 2,796,641	\$ 826,777	\$ 11,176,619
Receipts from interfund reimbursements	16,288	-	-	16,288
Payments to suppliers	(430,605)	(951,383)	(393,814)	(1,775,802)
Payments to employees	-	(806,050)	(301,814)	(1,107,864)
Claims paid	(7,488,216)	-	-	(7,488,216)
Net cash (used in) provided by operating activities	(349,332)	1,039,208	131,149	821,025
Cash Flows from Noncapital Financing Activities -				
Transfers from other funds	700,960	-	-	700,960
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	-	(250,238)	(142,330)	(392,568)
Principal and interest paid on long-term debt	-	(587,801)	(117,043)	(704,844)
Net cash used in capital and related financing activities	-	(838,039)	(259,373)	(1,097,412)
Cash Flows from Investing Activities -				
Interest received on investments	11,084	6,318	870	18,272
Net Increase (Decrease) in Cash and Cash Equivalents	362,712	207,487	(127,354)	442,845
Cash and Cash Equivalents - Beginning of year	1,801,325	1,483,731	356,098	3,641,154
Cash and Cash Equivalents - End of year	<u>\$ 2,164,037</u>	<u>\$ 1,691,218</u>	<u>\$ 228,744</u>	<u>\$ 4,083,999</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (498,108)	\$ 255,491	\$ 53,578	\$ (189,039)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	-	815,591	59,073	874,664
Changes in assets, deferred outflows, liabilities, and deferred inflows:				
Receivables	66,654	173	-	66,827
Due from other funds	16,288	-	-	16,288
Inventories and prepaids	(72,268)	31,260	(16,434)	(57,442)
Accounts payable	(475,969)	11,888	29,021	(435,060)
Claims payable	146,838	-	-	146,838
Accrued and other liabilities	467,233	(61,900)	5,911	411,244
Deferred inflow	-	(13,295)	-	(13,295)
Net cash (used in) provided by operating activities	<u>\$ (349,332)</u>	<u>\$ 1,039,208</u>	<u>\$ 131,149</u>	<u>\$ 821,025</u>

City of East Lansing, Michigan

Other Supplemental Information Statement of Net Position Agency Funds June 30, 2014

	Agency Funds		
	Agency	District Court	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 674,566	\$ 201,160	\$ 875,726
Receivables - Net	122,164	-	122,164
Total assets	\$ 796,730	\$ 201,160	\$ 997,890
Liabilities			
Accounts payable	\$ 104,981	\$ -	\$ 104,981
Due to other governmental units	170,132	121,079	291,211
Accrued and other liabilities	521,617	80,081	601,698
Total liabilities	\$ 796,730	\$ 201,160	\$ 997,890

City of East Lansing, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Fiduciary Funds - Agency Funds Year Ended June 30, 2014

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014
<u>Agency</u>				
Assets				
Cash and investments	\$ 584,846	\$ 61,518,816	\$ (61,429,096)	\$ 674,566
Receivables - Net	165,297	52,076,605	(52,119,738)	122,164
Total assets	<u>\$ 750,143</u>	<u>\$ 113,595,421</u>	<u>\$ (113,548,834)</u>	<u>\$ 796,730</u>
Liabilities				
Accounts payable	\$ 46,256	\$ 40,571,014	\$ (40,512,289)	\$ 104,981
Due to other governmental units	151,912	70,182,160	(70,163,940)	170,132
Accrued and other liabilities	551,975	1,731,173	(1,761,531)	521,617
Total liabilities	<u>\$ 750,143</u>	<u>\$ 112,484,347</u>	<u>\$ (112,437,760)</u>	<u>\$ 796,730</u>
<u>District Court</u>				
Assets - Cash and investments	<u>\$ 207,630</u>	<u>\$ -</u>	<u>\$ (6,470)</u>	<u>\$ 201,160</u>
Liabilities				
Due to other governmental units	\$ 114,659	\$ 6,420	\$ -	\$ 121,079
Accrued and other liabilities	92,971	-	(12,890)	80,081
Total liabilities	<u>\$ 207,630</u>	<u>\$ 6,420</u>	<u>\$ (12,890)</u>	<u>\$ 201,160</u>
<u>Total - All Agency Funds</u>				
Assets				
Cash and investments	\$ 792,476	\$ 61,518,816	\$ (61,435,566)	\$ 875,726
Receivables - Net	165,297	52,076,605	(52,119,738)	122,164
Total assets	<u>\$ 957,773</u>	<u>\$ 113,595,421</u>	<u>\$ (113,555,304)</u>	<u>\$ 997,890</u>
Liabilities				
Accounts payable	\$ 46,256	\$ 40,571,014	\$ (40,512,289)	\$ 104,981
Due to other governmental units	266,571	70,188,580	(70,163,940)	291,211
Accrued and other liabilities	644,946	1,731,173	(1,774,421)	601,698
Total liabilities	<u>\$ 957,773</u>	<u>\$ 112,490,767</u>	<u>\$ (112,450,650)</u>	<u>\$ 997,890</u>

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Downtown Development Authority Balance Sheet/Statement of Net Position June 30, 2014

	Downtown Development Authority	Full Accrual Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 271,039	\$ -	\$ 271,039
Receivables - Net	2,554	-	2,554
Prepaid expenses and other assets	100	-	100
Capital assets	-	6,131,024	6,131,024
Total assets	<u>\$ 273,693</u>	6,131,024	6,404,717
Liabilities			
Accounts payable	\$ 23,778	-	23,778
Unearned revenue	834	-	834
Accrued interest payable	-	24,741	24,741
Long-term debt	-	5,655,000	5,655,000
Total liabilities	24,612	5,679,741	5,704,353
Equity - Fund balance	<u>249,081</u>	<u>(249,081)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 273,693</u>		
Net Position			
Net investment in capital assets		476,024	476,024
Unrestricted		224,340	224,340
Total net position		<u>\$ 700,364</u>	<u>\$ 700,364</u>

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, 2014

	Downtown Development Authority	Full Accrual Adjustments	Statement of Activities
Revenue			
Property tax capture	\$ 967,198	\$ -	\$ 967,198
Interest income	1,776	-	1,776
Rental income	663,264	-	663,264
Other revenue	6,716	-	6,716
Total revenue	1,638,954	-	1,638,954
Expenditures			
Community and economic development	1,836,564	(350,000)	1,486,564
Depreciation	-	116,134	116,134
Interest	98,963	(59,491)	39,472
Total expenditures	1,935,527	(293,357)	1,642,170
Excess of Expenditures Over Revenue	(296,573)	293,357	(3,216)
Contribution from Other Governmental Units	35,000	-	35,000
Contribution to Other Governmental Units	(10,000)	-	(10,000)
Special Item - Forgiveness of long-term debt	350,000	-	350,000
Change in Fund Balance/Net Position	78,427	293,357	371,784
Fund Balance/Net Position - Beginning of year - As restated	170,654	157,926	328,580
Fund Balance/Net Position - End of year	<u>\$ 249,081</u>	<u>\$ 451,283</u>	<u>\$ 700,364</u>

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Downtown Management Board Balance Sheet/Statement of Net Position June 30, 2014

	Downtown Management Board	Full Accrual Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 37,711	\$ -	\$ 37,711
Receivables	173,259	-	173,259
Total assets	<u>\$ 210,970</u>	-	210,970
Liabilities - Accounts payable	\$ 2,883	-	2,883
Deferred Inflows of Resources - Unavailable revenue	173,259	<u>(173,259)</u>	-
Equity - Fund balance	<u>34,828</u>	<u>(34,828)</u>	-
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 210,970</u>		
Net Position		<u>\$ 208,087</u>	<u>\$ 208,087</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, 2014

	Downtown Management Board	Full Accrual Adjustments	Statement of Activities
Revenue			
General assessment	\$ 44,514	\$ 173,259	\$ 217,773
Interest income	211	-	211
Other revenue	7,000	-	7,000
Total revenue	51,725	173,259	224,984
Expenditures - Community and economic development	53,608	-	53,608
Change in Fund Balance/Net Position	(1,883)	173,259	171,376
Fund Balance/Net Position - Beginning of year	<u>36,711</u>	<u>-</u>	<u>36,711</u>
Fund Balance/Net Position - End of year	<u>\$ 34,828</u>	<u>\$ 173,259</u>	<u>\$ 208,087</u>

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Brownfield Redevelopment Authority Balance Sheet/Statement of Net Position June 30, 2014

	Brownfield Redevelopment Authority Fund	Full Accrual Adjustments	Statement of Net Position
Assets - Cash and investments	<u>\$ 196,289</u>	\$ -	\$ 196,289
Liabilities	\$ -	-	-
Equity - Fund balance - Assigned	<u>196,289</u>	<u>(196,289)</u>	<u>-</u>
Total liabilities and equity	<u>\$ 196,289</u>		
Net Position - Unrestricted		<u>\$ 196,289</u>	<u>\$ 196,289</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, 2014

	Brownfield Redevelopment Authority Fund	Full Accrual Adjustments	Statement of Activities
Revenue			
Property tax capture	\$ 624,455	\$ -	\$ 624,455
Interest income	<u>1,134</u>	<u>-</u>	<u>1,134</u>
Total revenue	625,589	-	625,589
Expenditures - Community and economic development	<u>558,847</u>	<u>-</u>	<u>558,847</u>
Change in Fund Balance/Net Position	66,742	-	66,742
Fund Balance/Net Position - Beginning of year	<u>129,547</u>	<u>-</u>	<u>129,547</u>
Fund Balance/Net Position - End of year	<u>\$ 196,289</u>	<u>\$ -</u>	<u>\$ 196,289</u>

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Economic Development Corporation Balance Sheet/Statement of Net Position June 30, 2014

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

Other Supplemental Information Component Unit - Economic Development Corporation Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2014

	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	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 11</u>

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Local Development Financing Authority Balance Sheet/Statement of Net Position June 30, 2014

	Local Development Financing Authority	Full Accrual Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 56,628	\$ -	\$ 56,628
Receivables - Net	209	-	209
Total assets	<u>\$ 56,837</u>	-	56,837
Liabilities			
Accounts payable	\$ 2,992	-	2,992
Accrued and other liabilities	155	-	155
Total liabilities	3,147	-	3,147
Equity - Fund balance - Assigned	<u>53,690</u>	<u>(53,690)</u>	<u>-</u>
Total liabilities and equity	<u>\$ 56,837</u>		
Net Position - Unrestricted		<u>\$ 53,690</u>	<u>\$ 53,690</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, 2014

	Local Development Financing Authority	Full Accrual Adjustments	Statement of Activities
Revenue			
Property tax capture	\$ 14,834	\$ -	\$ 14,834
State grants	70,000	-	70,000
Interest income	158	-	158
Other revenue	23,231	-	23,231
Total revenue	108,223	-	108,223
Expenditures			
Community and economic development	81,909	(635)	81,274
Depreciation	-	665	665
Total expenditures	81,909	30	81,939
Excess of Revenue Over Expenditures	26,314	(30)	26,284
Contribution to Other Governmental Units	<u>(35,000)</u>	<u>-</u>	<u>(35,000)</u>
Change in Fund Balance/Net Position	(8,686)	(30)	(8,716)
Fund Balance/Net Position - Beginning of year	<u>62,376</u>	<u>30</u>	<u>62,406</u>
Fund Balance/Net Position - End of year	<u>\$ 53,690</u>	<u>\$ -</u>	<u>\$ 53,690</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				
	2005	2006	2007	2008	2009
Governmental Activities					
Net investment in capital assets	\$ 36,821,921	\$ 38,140,253	\$ 36,734,720	\$ 39,739,466	\$ 41,124,632
Restricted	7,870,217	5,474,859	7,110,468	7,215,422	5,935,191
Unrestricted	5,396,299	7,188,323	7,350,898	6,475,153	4,031,312
Total net position	<u>\$ 50,088,437</u>	<u>\$ 50,803,435</u>	<u>\$ 51,196,086</u>	<u>\$ 53,430,041</u>	<u>\$ 51,091,135</u>
Business-type Activities					
Net investment in capital assets	\$ 25,303,824	\$ 27,566,896	\$ 29,596,773	\$ 30,904,524	\$ 31,164,400
Restricted	-	-	-	147,178	133,607
Unrestricted	3,947,305	3,971,539	4,557,093	4,499,576	4,403,814
Total net position	<u>\$ 29,251,129</u>	<u>\$ 31,538,435</u>	<u>\$ 34,153,866</u>	<u>\$ 35,551,278</u>	<u>\$ 35,701,821</u>
Primary Government in Total					
Net investment in capital assets	\$ 62,125,745	\$ 65,707,149	\$ 66,331,493	\$ 70,643,990	\$ 72,289,032
Restricted	7,870,217	5,474,859	7,110,468	7,362,600	6,068,798
Unrestricted	9,343,604	11,159,862	11,907,991	10,974,729	8,435,126
Total net position	<u>\$ 79,339,566</u>	<u>\$ 82,341,870</u>	<u>\$ 85,349,952</u>	<u>\$ 88,981,319</u>	<u>\$ 86,792,956</u>

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

Financial Trend Information Net Position by Component

		June 30				
2010	2011	2012	2013	2014		
\$ 40,719,836	\$ 40,778,664	\$ 42,247,692	\$ 42,655,752	\$ 43,770,811		
5,515,896	3,139,572	3,147,485	2,549,268	1,645,220		
4,109,356	6,574,591	6,675,539	8,524,363	9,083,391		
<u>\$ 50,345,088</u>	<u>\$ 50,492,827</u>	<u>\$ 52,070,716</u>	<u>\$ 53,729,383</u>	<u>\$ 54,499,422</u>		
\$ 31,569,615	\$ 31,700,064	\$ 34,362,979	\$ 34,919,749	\$ 36,425,387		
119,584	105,107	91,128	76,713	61,877		
5,125,739	5,890,115	4,424,945	5,747,162	6,344,739		
<u>\$ 36,814,938</u>	<u>\$ 37,695,286</u>	<u>\$ 38,879,052</u>	<u>\$ 40,743,624</u>	<u>\$ 42,832,003</u>		
\$ 72,289,451	\$ 72,478,728	\$ 76,610,671	\$ 77,575,501	\$ 80,196,198		
5,635,480	3,244,679	3,238,613	2,625,981	1,707,097		
9,235,095	12,464,706	11,100,484	14,271,525	15,428,130		
<u>\$ 87,160,026</u>	<u>\$ 88,188,113</u>	<u>\$ 90,949,768</u>	<u>\$ 94,473,007</u>	<u>\$ 97,331,425</u>		

City of East Lansing, Michigan

	Fiscal Year Ended June 30				
	2005	2006	2007	2008	2009
Expenses					
General government	\$ 5,736,504	\$ 7,703,683	\$ 8,381,585	\$ 8,541,081	\$ 9,528,989
Public safety	16,108,792	16,599,383	17,533,818	18,098,920	19,159,710
Public works	6,182,784	6,430,119	7,412,733	7,936,008	7,736,756
Health and welfare and community development	866,371	1,025,220	2,524,985	2,025,337	2,168,903
Culture and recreation	7,040,415	7,533,706	7,946,825	7,693,032	8,039,717
Interest on long-term debt	1,150,612	933,333	964,285	1,071,964	1,036,001
Total governmental activities expenses	37,085,478	40,225,444	44,764,231	45,366,342	47,670,076
Program Revenue					
Charges for services:					
General government	5,221,512	5,425,127	5,429,822	5,575,161	5,417,282
Public safety	4,364,116	2,906,264	2,629,564	2,839,622	2,556,961
Public works	535,227	315,632	557,009	555,361	674,003
Health and welfare and community development	11,453	-	-	-	191,704
Culture and recreation	2,491,114	2,727,366	2,969,049	2,889,298	3,239,833
Total charges for services	12,623,422	11,374,389	11,585,444	11,859,442	12,079,783
Operating grants and contributions	3,964,146	5,874,043	6,783,120	7,280,190	6,253,795
Capital grants and contributions	4,000	460,055	3,033,485	3,788,551	2,194,694
Total program revenue	16,591,568	17,708,487	21,402,049	22,928,183	20,528,272
Net Expense	(20,493,910)	(22,516,957)	(23,362,182)	(22,438,159)	(27,141,804)
General Revenue					
Property taxes	15,592,401	16,414,048	17,069,798	18,032,780	18,622,661
Unrestricted state-shared revenue	5,889,114	5,791,958	5,620,812	5,624,697	5,441,791
Unrestricted investment earnings	259,165	417,271	501,263	552,142	283,406
Unrestricted franchise fees	372,660	431,921	421,492	424,737	422,083
Miscellaneous	163,594	176,757	141,468	37,758	32,957
Sale of assets	-	-	-	-	-
Total general revenue	22,276,934	23,231,955	23,754,833	24,672,114	24,802,898
Transfers	(428,640)	-	-	-	-
Change in Net Position	\$ 1,354,384	\$ 714,998	\$ 392,651	\$ 2,233,955	\$ (2,338,906)

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

Financial Trend Information Changes in Governmental Net Position

Fiscal Year Ended June 30				
2010	2011	2012	2013	2014
\$ 8,245,717	\$ 7,991,674	\$ 7,669,777	\$ 7,847,593	\$ 7,138,763
18,499,495	19,527,135	19,120,860	18,355,633	18,620,948
7,170,247	7,968,670	6,760,580	6,496,044	7,426,137
2,359,466	1,646,271	1,473,100	2,002,005	1,686,845
8,251,619	7,555,873	8,005,423	7,823,034	8,472,921
899,853	989,124	914,820	836,922	710,552
45,426,397	45,678,747	43,944,560	43,361,231	44,056,166
4,987,197	4,772,306	5,550,646	5,295,108	5,113,270
2,683,779	2,931,281	3,167,735	3,580,767	3,765,459
684,556	668,339	814,277	653,909	481,828
171,104	61,792	119,008	125,965	101,905
3,113,713	3,099,638	3,089,507	2,889,749	2,828,711
11,640,349	11,533,356	12,741,173	12,545,498	12,291,173
7,089,752	6,927,317	7,379,504	7,066,422	5,717,085
1,380,330	2,500,847	855,154	285,064	935,949
20,110,431	20,961,520	20,975,831	19,896,984	18,944,207
(25,315,966)	(24,717,227)	(22,968,729)	(23,464,247)	(25,111,959)
19,148,489	18,959,494	19,115,750	19,538,168	20,292,535
4,843,019	4,985,473	4,790,468	4,943,300	5,093,520
145,920	152,238	128,104	100,155	113,946
381,805	510,787	447,227	449,989	536,370
30,686	216,974	25,069	51,302	126,116
-	-	-	-	67,750
24,549,919	24,824,966	24,506,618	25,082,914	26,230,237
20,000	40,000	40,000	40,000	40,000
\$ (746,047)	\$ 147,739	\$ 1,577,889	\$ 1,658,667	\$ 1,158,278

City of East Lansing, Michigan

	Fiscal Year Ended June 30				
	2005	2006	2007	2008	2009
Operating Revenue					
Parking revenue	\$ 3,304,790	\$ 3,609,781	\$ 3,572,973	\$ 3,505,284	\$ 3,487,670
Water user service charges	2,628,443	2,693,126	2,719,140	2,750,452	2,784,062
Sewage user service charges	6,760,789	7,094,603	7,376,993	7,754,950	7,697,117
Equipment and building rental	49,067	47,991	71,278	59,898	63,473
Other charges for services					58,073
Contributions	-	-	-	-	-
Total operating revenue	12,743,089	13,445,501	13,740,384	14,070,584	14,090,395
Operating Expenses					
Cost of water produced/purchased	1,638,161	1,935,907	2,083,754	2,004,117	2,122,353
Cost of sewage treatment	4,825,762	4,489,691	5,028,265	4,914,857	4,984,690
Other operation and maintenance costs	514,149	502,772	496,527	518,719	524,402
General and administrative costs	2,244,069	2,183,862	2,244,740	2,344,609	2,409,657
Depreciation	2,419,126	2,459,031	2,638,697	2,848,555	2,927,305
Total operating expenses	11,641,267	11,571,263	12,491,983	12,630,857	12,968,407
Operating Income	1,101,822	1,874,238	1,248,401	1,439,727	1,121,988
Nonoperating Revenue (Expenses)					
Investment income	325	30,481	42,114	143,607	27,296
(Loss) gain from joint venture	(510,797)	(236,255)	(57,576)	(212,809)	(142,478)
Interest expense	(1,420,379)	(1,398,148)	(1,350,323)	(1,621,994)	(1,667,648)
Contribution from DDA	427,200	431,310	505,435	497,150	555,700
Total nonoperating expenses	(1,503,651)	(1,172,612)	(860,350)	(1,194,046)	(1,227,130)
(Loss) Income - Before contributions and transfers	(401,829)	701,626	388,051	245,681	(105,142)
Capital Contributions	-	1,585,680	2,227,380	1,151,731	255,685
Transfers from (to) Other Funds	428,640	-	-	-	-
Change in Net Position	\$ 26,811	\$ 2,287,306	\$ 2,615,431	\$ 1,397,412	\$ 150,543

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

Financial Trend Information Changes in Business-type Net Position

Fiscal Year Ended June 30				
2010	2011	2012	2013	2014
\$ 3,721,453	\$ 3,777,095	\$ 3,820,612	\$ 3,777,577	\$ 3,733,543
2,775,173	2,904,569	3,113,018	3,557,704	3,392,364
7,662,131	7,808,793	8,223,988	8,890,664	9,198,826
188,845	410,184	127,301	108,346	107,127
9,324	14,885	9,324	9,324	950
-	-	-	-	303,820
14,356,926	14,915,526	15,294,243	16,343,615	16,736,630
2,103,937	2,006,451	2,324,644	2,320,036	2,379,542
4,538,015	4,848,134	5,379,717	5,277,782	5,531,783
522,331	1,239,050	1,415,208	1,332,849	891,172
2,515,399	1,850,431	1,853,023	1,814,409	1,829,318
2,923,193	2,912,362	2,916,659	2,923,428	2,893,782
12,602,875	12,856,428	13,889,251	13,668,504	13,525,597
1,754,051	2,059,098	1,404,992	2,675,111	3,211,033
13,226	13,684	13,000	11,137	18,799
(201,615)	(140,563)	103,338	46,185	171,049
(1,438,725)	(1,492,846)	(1,470,845)	(1,390,649)	(1,264,791)
-	-	-	-	-
(1,627,114)	(1,619,725)	(1,354,507)	(1,333,327)	(1,074,943)
126,937	439,373	50,485	1,341,784	2,136,090
1,006,180	480,975	1,173,281	562,788	442,860
(20,000)	(40,000)	(40,000)	(40,000)	(40,000)
\$ 1,113,117	\$ 880,348	\$ 1,183,766	\$ 1,864,572	\$ 2,538,950

City of East Lansing, Michigan

	As of June 30				
	2005	2006	2007	2008	2009
General Fund:					
Post-GASB No. 54:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Pre-GASB No. 54:					
Reserved	126,872	1,163,953	2,081,719	162,959	65,425
Unreserved:					
Designated	504,064	719,374	251,219	671,074	82,087
Undesignated	3,602,524	4,029,061	3,612,538	4,263,324	4,021,858
Total General Fund	<u>\$ 4,233,460</u>	<u>\$ 5,912,388</u>	<u>\$ 5,945,476</u>	<u>\$ 5,097,357</u>	<u>\$ 4,169,370</u>
All other governmental funds:					
Post-GASB No. 54:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Pre-GASB No. 54:					
Reserved	72,472	1,101,882	3,887,291	3,256,325	2,378,946
Unreserved and designated, reported in:					
Special revenue funds	904,167	728,155	1,016,920	255,064	380,772
Capital projects funds	285,807	217,948	862,134	46,925	165,500
Debt service funds	-	-	-	-	197,605
Unreserved and undesignated, reported in:					
Special revenue funds	2,373,250	1,621,921	502,081	(448,671)	(561,476)
Capital projects funds	-	-	-	813,303	330,268
Debt service funds	4,607	4,889	43,172	52,707	5,136
Total all other governmental funds	<u>\$ 3,640,303</u>	<u>\$ 3,674,795</u>	<u>\$ 6,311,598</u>	<u>\$ 3,975,653</u>	<u>\$ 2,896,751</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 ended 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				
2010	2011	2012	2013	2014
\$ -	\$ 70,945	\$ 137,525	\$ 86,400	\$ 8,281
-	12,381	113,676	-	-
-	10,116	60,908	247,474	-
-	1,031,867	1,508,847	2,075,403	1,619,272
-	4,244,246	4,539,980	4,903,365	5,148,900
117,920	-	-	-	-
801,859	-	-	-	-
3,577,535	-	-	-	-
<u>\$ 4,497,314</u>	<u>\$ 5,369,555</u>	<u>\$ 6,360,936</u>	<u>\$ 7,312,642</u>	<u>\$ 6,776,453</u>
\$ -	\$ 1,024,670	\$ 260,505	\$ 27,367	\$ 498,181
-	1,504,625	1,728,449	1,551,889	678,719
-	740,696	950,448	892,348	379,624
-	891,476	463,061	1,261,830	2,345,593
-	(421,534)	(91,471)	-	-
4,220,778	-	-	-	-
273,142	-	-	-	-
49,550	-	-	-	-
232,070	-	-	-	-
(363,440)	-	-	-	-
14,754	-	-	-	-
61,526	-	-	-	-
<u>\$ 4,488,380</u>	<u>\$ 3,739,933</u>	<u>\$ 3,310,992</u>	<u>\$ 3,733,434</u>	<u>\$ 3,902,117</u>

City of East Lansing, Michigan

	Year Ended June 30				
	2005	2006	2007	2008	2009
Revenue					
Property taxes and assessments	\$ 16,359,310	\$ 18,018,039	\$ 18,738,963	\$ 19,050,460	\$ 19,569,569
Licenses and permits	1,448,979	1,627,623	1,295,962	1,303,946	1,171,077
Federal sources	868,134	865,341	1,119,698	1,125,984	1,001,261
State sources	9,445,454	9,427,909	9,985,527	11,238,387	10,249,496
Intergovernmental revenue	627,741	600,971	707,982	938,580	993,348
Charges for services	6,323,623	6,494,206	7,093,228	7,158,913	7,480,245
Fines and forfeitures	3,241,979	3,339,178	3,154,029	3,366,930	3,202,146
Interest and rentals	531,267	708,359	791,478	828,693	575,555
Other	1,052,842	1,183,505	1,422,408	1,748,390	1,787,895
Total revenue	39,899,329	42,265,131	44,309,275	46,760,283	46,030,592
Expenditures					
Current:					
General government	7,841,240	7,978,518	8,220,884	8,273,602	8,582,025
Public safety	15,849,325	16,309,024	16,967,986	17,879,753	18,311,295
Public works sanitation	2,151,581	2,221,569	2,520,519	3,194,764	1,831,747
Highways and streets	2,711,648	3,044,212	3,631,594	5,700,003	5,765,249
Health and welfare and community development	832,696	505,627	1,867,962	1,024,125	1,012,813
Recreation and culture	6,828,618	6,748,461	7,056,343	7,144,474	7,374,035
Capital outlay	106,434	951,954	5,757,000	4,404,486	2,961,806
Debt service principal	1,752,036	1,888,159	1,934,218	2,375,494	2,020,000
Debt issuance costs	-	-	-	-	36,480
Debt service interest and fees	1,108,763	1,070,702	844,824	1,074,798	978,511
Contribution to DDA	-	-	-	400,000	400,000
Total expenditures	39,182,341	40,718,226	48,801,330	51,471,499	49,273,961
Excess of Revenue Over (Under) Expenditures	716,988	1,546,905	(4,492,055)	(4,711,216)	(3,243,369)
Other Financing Sources (Uses)					
Proceeds from issuance of long-term debt	-	6,450,000	7,408,161	1,525,000	1,230,000
Payments to escrow agents	-	-	-	-	-
Debt premium or discount	-	18,620	53,785	2,150	6,480
Transfers in	5,922,575	6,259,559	7,098,515	5,107,723	3,684,565
Transfers out	(6,351,215)	(6,259,559)	(7,398,515)	(5,107,723)	(3,684,565)
Extinguishment of debt	-	(6,302,105)	-	-	-
Total other financing (uses) sources	(428,640)	166,515	7,161,946	1,527,150	1,236,480
Other Items	-	-	-	-	-
Net Change in Fund Balances	\$ 288,348	\$ 1,713,420	\$ 2,669,891	\$ (3,184,066)	\$ (2,006,889)
Debt service as a percentage of noncapital expenditures	7.32%	7.44%	6.46%	7.33%	6.55%
Capital outlay as a percentage of total expenditures	0.27%	2.34%	11.80%	8.56%	6.01%

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					
2010	2011	2012	2013	2014	
\$ 20,052,812	\$ 18,959,494	\$ 19,115,750	\$ 19,538,168	\$ 20,230,355	
1,288,940	1,278,190	1,324,990	1,419,718	1,566,121	
907,765	1,216,117	1,079,712	1,159,211	715,025	
9,727,206	9,296,096	8,793,472	9,959,356	9,534,548	
866,842	756,089	686,974	696,036	828,890	
7,533,723	8,259,572	8,840,618	7,211,487	7,200,502	
3,260,002	3,121,472	3,386,472	3,167,121	2,990,796	
487,085	207,866	193,081	156,341	628,176	
1,345,150	3,642,054	2,689,661	1,790,474	1,743,049	
<u>45,469,525</u>	<u>46,736,950</u>	<u>46,110,730</u>	<u>45,097,912</u>	<u>45,437,462</u>	
8,420,126	7,521,936	7,270,986	7,477,468	6,734,005	
17,680,100	18,643,775	19,066,718	17,459,797	16,992,391	
1,706,588	1,957,382	1,798,091	1,612,946	1,556,241	
3,893,999	4,204,023	3,132,067	3,085,378	5,022,464	
1,116,790	1,645,082	1,471,255	2,000,805	1,674,142	
7,542,542	7,055,699	7,216,570	6,833,456	7,941,378	
1,982,457	2,430,813	2,450,510	1,632,376	2,546,063	
4,436,137	2,265,000	2,315,000	1,900,000	1,965,000	
225,426	-	-	-	-	
712,221	929,446	867,093	785,753	712,324	
-	-	-	-	-	
<u>47,716,386</u>	<u>46,653,156</u>	<u>45,588,290</u>	<u>42,787,979</u>	<u>45,144,008</u>	
(2,246,861)	83,794	522,440	2,309,933	293,454	
9,305,000	-	-	-	-	
(5,248,437)	-	-	-	-	
89,871	-	-	-	-	
4,337,820	2,363,245	2,716,935	2,694,829	2,862,080	
(4,317,820)	(2,323,245)	(2,676,935)	(3,630,614)	(3,523,040)	
-	-	-	-	-	
<u>4,166,434</u>	<u>40,000</u>	<u>40,000</u>	<u>(935,785)</u>	<u>(660,960)</u>	
-	-	-	-	-	
<u>\$ 1,919,573</u>	<u>\$ 123,794</u>	<u>\$ 562,440</u>	<u>\$ 1,374,148</u>	<u>\$ (367,506)</u>	
11.75%	7.22%	7.38%	6.53%	6.29%	
4.15%	5.21%	5.38%	3.82%	5.64%	

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 Ended June 30	Taxable Value by Property Type				
		Real Property				
		Residential	Commercial	Industrial	Developmental	Agricultural
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	-	-
2013	2014	530,314,114	326,986,100	930,980	-	-

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

Taxable Value by Property Type			Taxable Value as a Percent of Actual
Total Value	Tax Rate (Mills)	Estimated Actual Value	
\$ 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
858,231,194	22.8369	1,873,380,888	45.81

City of East Lansing, Michigan

Tax Year	Millage Rates - Direct City Taxes					Overlapping Taxes			
	General		Solid		Total	Lansing	Ingham	Capital Area	
	Operating	Debt	Waste	Library	Direct Taxes	Community College	Intermediate School District	Transportation Authority	
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
2013	17.5891	1.3423	1.9055	2.0000	22.8369	10.1963	3.8072	5.9880	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	Solid	
	Operating	Debt	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**

Overlapping Taxes			Total Tax Rate	
State	East Lansing Schools Homestead	East Lansing Schools Non- homestead	Homestead	Non- homestead
Education				
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
6.0000	9.4060	27.4060	61.2414	79.2414

City of East Lansing, Michigan

Revenue Capacity Principal Property Taxpayers

Taxpayer	2013 Taxable Value	Percentage of Total	2004 Taxable Value	Percentage of Total	2004 Rank
1 MSUFCU	\$ 21,916,100	2.44	\$ -	-	-
3 Cooloff Group (Sam Eyde)	10,852,100	1.21	-	-	-
2 The Landings at MSU	9,148,000	1.02	-	-	-
4 Abbot Road Associates	8,094,400	0.90	-	-	-
5 Greenstone Farm Credit Service	7,383,300	0.82	-	-	-
6 MEA Family of Companies	6,477,500	0.72	15,930,570	1.91	2
7 CV East Lansing MI	5,939,800	0.66	-	-	-
8 Burcham Hills Retirement Center	5,595,300	0.62	-	-	-
9 Cedar Village Apartments	5,438,500	0.60	-	-	-
10 Michigan Education Special Services Assoc	5,431,800	0.60	-	-	-
- DTN Management	-	-	32,461,750	3.89	1
- Community Resources Management	-	-	14,103,510	1.69	3
- Sam Eyde Development Co.	-	-	11,806,150	1.41	4
- D.L. Kesler & Associated Properties	-	-	7,168,750	0.86	5
- Dunn Development Group	-	-	7,162,540	0.86	6
- Capstone University Commons	-	-	6,856,980	0.82	7
- American Physicians Insurance	-	-	6,775,760	0.81	8
- Meijer Inc	-	-	6,600,960	0.79	9
- South Bend Nursing Home Association	-	-	5,440,900	0.65	10
Total	<u>\$86,276,800</u>	<u>9.59</u>	<u>\$ 114,307,870</u>	<u>13.68</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		Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
	Ended June 30	Total Levy					
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	47,141	18,448,321	99.96
2009	2010	19,279,285	19,222,103	99.70	49,968	19,272,071	99.96
2010	2011	19,153,963	19,132,474	99.89	15,634	19,148,108	99.97
2011	2012	19,186,150	19,167,433	99.90	13,354	19,180,787	99.97
2012	2013	19,641,323	19,608,049	99.83	23,261	19,631,310	99.95
2013	2014	20,345,388	20,304,199	99.80	17,107	20,321,306	99.88

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

	2005	2006	2007	2008
Governmental Activities				
General obligation bonds	\$ 25,498,876	\$ 24,379,041	\$ 24,333,342	\$ 24,406,248
Installment purchase agreements	-	-	-	-
Special assessment bonds	4,180,000	3,480,000	6,695,000	5,675,000
Contractual agreements	-	555,000	2,942,946	2,730,910
Capital leases	-	89,806	45,495	-
Total	29,678,876	28,503,847	34,016,783	32,812,158
Business-type Activities				
General obligation bonds	44,107,600	44,448,051	46,698,154	43,995,489
Installment purchase agreements	-	-	944,181	798,922
Total	44,107,600	44,448,051	47,642,335	44,794,411
Total debt of the government	<u>\$ 73,786,476</u>	<u>\$ 72,951,898</u>	<u>\$ 81,659,118</u>	<u>\$ 77,606,569</u>
Total Real Property Taxable Value	\$ 751,507,180	\$ 795,675,370	\$ 846,697,350	\$ 896,423,170
Debt as a percentage of taxable value	9.82	9.17	9.64	8.66
Total Population	46,290	46,010	45,680	45,502
Total debt per capita	\$ 1,594	\$ 1,586	\$ 1,788	\$ 1,706
Total Personal Income (in thousands)	\$ 1,336,948	\$ 1,378,874	\$ 1,427,226	\$ 1,467,713
Debt as a percentage of total personal income	5.52	5.29	5.72	5.29

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

Debt Capacity Ratios of Outstanding Debt

2009	2010	2011	2012	2013	2014
\$ 24,383,375	\$ 25,225,000	\$ 23,635,000	\$ 21,980,000	\$ 20,050,000	\$ 18,170,000
-	-	-	-	440,000	330,000
4,730,000	3,790,000	2,860,000	1,940,000	1,545,000	1,150,000
2,736,937	2,614,028	2,157,620	1,960,712	1,738,804	1,606,896
-	-	-	-	-	-
31,850,312	31,629,028	28,652,620	25,880,712	23,773,804	21,256,896
41,181,271	38,888,648	39,313,648	35,863,648	34,271,618	32,582,788
653,664	508,405	363,146	217,888	72,629	-
41,834,935	39,397,053	39,676,794	36,081,536	34,344,247	32,582,788
\$ 73,685,247	\$ 71,026,081	\$ 68,329,414	\$ 61,962,248	\$ 58,118,051	\$ 53,839,684
\$ 933,367,270	\$ 970,659,220	\$ 937,697,440	\$ 903,071,940	\$ 867,895,710	\$ 858,231,194
7.89	7.32	7.29	6.86	6.70	6.27
45,334	45,166	48,579	48,666	48,518	48,554
\$ 1,625	\$ 1,573	\$ 1,407	\$ 1,273	\$ 1,198	\$ 1,109
\$ 1,514,020	\$ 1,463,875	\$ 1,640,173	\$ 1,682,753	\$ 1,709,331	\$ 1,750,226
4.87	4.85	4.17	3.68	3.40	3.08

City of East Lansing, Michigan

Fiscal Year	Limited Tax		Less Pledged Debt Service Funds	Other General Obligation Debt	Net General Obligation Debt	Estimated Actual Value
	General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)				
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	48,534,788	5,465,000	(1,873,948)	2,016,433	54,142,273	1,813,659,580
2014	46,307,788	4,445,000	(1,466,213)	1,723,896	51,010,471	1,873,380,888

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
3.73	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	1,116
2.72	48,554	1,051

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	\$ 33,762,538	11.90	\$ 4,017,742
Clinton County	6,260,258	3.38	211,597
East Lansing School District	53,456,828	77.64	41,503,881
Lansing School District	43,525,000	4.90	2,132,725
Bath School District	17,197,127	6.50	1,117,813
Haslett School District	54,877,453	0.25	137,194
Ingham Intermediate School District	2,002,000	10.84	217,017
Lansing Community College	77,855,000	9.04	<u>7,038,092</u>
Total overlapping debt			56,376,061
Direct City debt	21,256,896	100.00	<u>21,256,896</u>
Total direct and overlapping debt			<u><u>\$ 77,632,957</u></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

	2005	2006	2007	2008
Calculation of Debt Limit -				
State equalized valuation	<u>\$ 915,319,700</u>	<u>\$ 983,257,000</u>	<u>\$ 1,045,757,600</u>	<u>\$ 1,080,215,200</u>
10 percent of taxable value	\$ 91,531,970	\$ 98,325,700	\$ 104,575,760	\$ 108,021,520
Calculation of Debt Subject to Limit				
Total debt	73,786,476	72,951,898	81,659,118	77,606,569
Less debt not subject to limit:				
Special assessment bonds	(4,180,000)	(3,480,000)	(6,695,000)	(5,675,000)
Pollution abatement bonds	(22,423,912)	(23,956,867)	(22,913,648)	(21,233,648)
Deferred charges on refunding	<u>357,436</u>	<u>1,324,775</u>	<u>1,172,152</u>	<u>1,051,911</u>
Net debt subject to limit	<u>47,540,000</u>	<u>46,839,806</u>	<u>53,222,622</u>	<u>51,749,832</u>
Legal debt margin	<u>\$ 43,991,970</u>	<u>\$ 51,485,894</u>	<u>\$ 51,353,138</u>	<u>\$ 56,271,688</u>
Net debt subject to limit as a percentage of debt limit	51.94	47.64	50.89	47.91

See independent auditor's disclaimer on the statistical information.

**Debt Capacity
Legal Debt Margin**

2009	2010	2011	2012	2013	2014
<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>	<u>\$ 936,362,344</u>
\$ 110,127,320	\$ 109,735,050	\$ 104,226,330	\$ 100,715,451	\$ 94,873,343	\$ 93,636,234
73,685,247	71,026,081	68,329,414	61,962,248	58,118,051	53,839,684
(4,730,000)	(3,790,000)	(2,860,000)	(1,940,000)	(1,545,000)	(1,150,000)
(19,533,648)	(17,793,648)	(16,003,648)	(14,173,648)	(12,293,648)	(10,353,648)
<u>924,002</u>	<u>907,341</u>	<u>746,012</u>	<u>625,836</u>	<u>729,406</u>	<u>530,000</u>
<u>50,345,601</u>	<u>50,349,774</u>	<u>50,211,778</u>	<u>46,474,436</u>	<u>45,008,809</u>	<u>42,866,036</u>
<u>\$ 59,781,719</u>	<u>\$ 59,385,276</u>	<u>\$ 54,014,552</u>	<u>\$ 54,241,015</u>	<u>\$ 49,864,534</u>	<u>\$ 50,770,198</u>
45.72	45.88	48.18	46.14	47.44	45.78

City of East Lansing, Michigan

Debt Capacity Pledged-revenue Coverage

Fiscal Year	Special Assessment Bonds				Coverage
	Special Assessment Collections	Debt Service			
		Principal	Interest		
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	
2014	386,085	395,000	53,900	0.86	

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
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
2013	48,554	1,750,226	36,047	8.5	8.8

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
	2013	Percentage	2004	Percentage	Year 2004
	Employees	of Total	Employees	of Total	Rank
1 Michigan State University	11,600	66.20	12,300	63.22	1
2 Michigan Education Association	570	3.25	526	2.70	4
3 MSU Federal Credit Union	530	3.02	-	-	-
4 IBM Global Delivery Center	500	2.85	-	-	-
5 Burcham Hills Community	460	2.63	300	1.54	8
6 East Lansing School District	360	2.05	600	3.08	3
7 City of East Lansing	355	2.03	359	1.85	6
8 Meijer, Inc.	340	1.94	650	3.34	2
9 First National Bank of America	165	0.94	-	-	-
10 Greenstone Farm Credit Services	150	0.86	-	-	-
- Michigan State Police	-	-	500	2.57	5
- U.S. Postal Service	-	-	300	1.54	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	2005	2006	2007	2008	2009	2010
General government:						
City manager and policy analysis	6.25	6.25	5.25	5.25	5.50	5.50
54-B District Court	31.50	31.50	32.50	33.50	32.50	31.50
Engineering and public works administration	13.00	13.00	13.00	11.00	11.00	11.25
Planning	11.00	12.25	12.75	12.50	10.25	10.25
Financial services and finance	17.25	16.25	17.00	16.00	16.00	16.25
Human resources	3.50	4.00	3.50	3.50	3.50	3.50
Clerk and elections	3.75	3.75	4.00	4.50	4.50	4.50
Communications	3.50	3.50	4.50	3.50	4.00	4.00
Public buildings	13.00	13.00	10.00	9.50	8.00	2.00
Information systems	4.00	4.00	4.00	4.00	4.00	3.00
Public safety:						
Police operations	102.25	99.25	101.00	101.00	98.00	94.00
Fire operations	53.00	53.00	53.00	53.00	53.00	53.00
Parking enforcement	10.50	10.50	10.50	10.50	9.25	9.25
Building and housing	14.00	13.75	14.50	13.50	12.00	8.75
Public works:						
Highways and streets	20.00	22.00	22.00	22.00	21.00	21.00
Water	7.00	8.00	8.00	8.00	8.00	10.00
Sewer	28.50	28.50	28.50	28.50	27.00	27.00
Parking	27.00	28.25	30.00	26.50	25.25	24.50
Garage	8.00	8.00	8.00	7.00	7.00	8.00
Culture and recreation:						
Parks and recreation	93.00	89.75	94.50	95.75	91.50	90.50
Library	22.00	22.75	23.00	23.00	23.00	21.00
Total	<u>492.00</u>	<u>491.25</u>	<u>499.50</u>	<u>492.00</u>	<u>474.25</u>	<u>458.75</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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
5.50	5.50	4.50	4.50
30.50	31.00	29.75	28.38
9.75	9.75	9.75	11.73
9.75	9.25	9.55	9.89
15.25	15.50	15.00	15.26
3.00	3.00	2.00	2.00
3.75	4.00	5.50	5.50
3.75	3.75	3.75	3.87
2.00	2.00	2.00	2.00
3.00	3.00	3.00	3.00
97.75	93.38	80.30	86.20
51.00	50.00	51.00	50.77
9.25	9.50	10.00	10.00
8.75	8.75	9.00	11.10
21.00	19.00	17.00	17.00
10.00	10.00	10.00	9.00
26.00	26.00	26.00	23.70
24.50	23.00	21.75	20.08
8.00	8.00	6.00	4.85
85.16	80.33	76.99	71.95
<u>19.00</u>	<u>20.25</u>	<u>16.83</u>	<u>16.27</u>
<u>446.66</u>	<u>434.96</u>	<u>409.67</u>	<u>407.05</u>

City of East Lansing, Michigan

Function/Program	2005	2006	2007	2008	2009
Election data:					
Registered voters	27,321	29,072	29,949	29,483	36,320
Voters (at the polls or absentee)	3,805	13,435	3,353	4,990	23,810
Percent voting	13.9	46.2	11.2	16.9	65.6
District Court:					
Number of court cases (1)	22,765	25,499	26,216	26,641	25,332
Number of parking tickets (1)	67,802	69,661	63,810	64,788	60,354
Police:					
Physical arrests (1)	3,295	3,576	3,271	3,355	3,191
Traffic violations (1)	9,759	14,081	11,567	12,319	14,936
Investigations (1)	1,189	856	861	852	442
Fire:					
Fire runs (1)	978	1,059	1,050	1,108	1,276
Emergency medical runs (1)	2,601	2,650	2,769	2,853	2,974
Public works:					
Miles of street resurfaced	2.53	2.42	0.77	1.70	1.39
Refuse collected (cubic yards) (1)	14,750	14,410	13,890	13,860	14,050
Parks and recreation (2):					
Softball complex attendance	52,012	48,375	54,276	41,700	40,163
Soccer complex attendance	84,196	92,680	96,896	96,152	84,805
Aquatic center attendance	58,719	52,637	51,874	53,880	46,004
Hannah Center pass visits	35,412	34,541	32,805	30,202	40,174
Hannah Center rental reservations attendance	72,228	68,354	53,742	58,188	71,014
Adult day care participants	70	77	64	67	66
Adult day care hours of care	22,675	19,921	25,256	22,162	25,595
Child care registrants	568	505	511	525	537
Recreation and arts programs registrants	2,351	3,093	3,664	3,234	3,702
Youth Action Team - After school	2,953	5,392	6,112	6,689	5,073
Aquatics/Athletics programs registrants	4,348	4,257	4,663	4,597	4,776
SCENE Metrospace attendance	n/a	n/a	n/a	n/a	n/a
Library:					
Circulation (books borrowed)	365,009	375,083	324,550	303,387	297,540
Visitors	263,216	256,928	252,000	252,441	264,303
Water:					
Number of customers billed	28,524	33,708	30,092	31,298	31,401
Total consumption	934,520	921,484	907,964	903,150	874,503
Average consumption per user	32.76	27.34	30.17	28.86	27.85
Sewer - Average daily sewage treatment (MGD)	13.4	12.8	13.3	13.3	14.3

Source: City of East Lansing records

See independent auditor's disclaimer on the statistical information.

Operating Information Operating Indicators

2010	2011	2012	2013	2014
25,521	26,271	25,822	26,818	24,790
4,599	3,370	5,503	8,096	9,246
18.0	12.8	21.3	30.2	37.3
21,999	22,415	23,365	19,353	21,452
55,877	52,539	49,022	49,424	46,694
3,112	3,244	3,139	4,108	2,221
12,769	14,646	15,191	11,995	13,647
494	349	231	359	435
1,266	1,167	1,171	1,316	1,609
3,058	3,212	3,284	3,387	3,622
1.00	1.26	0.96	0.68	2.26
13,930	13,660	13,700	12,970	13,604
41,925	67,935	64,762	68,228	67,012
94,680	102,625	107,398	111,776	121,008
54,865	57,005	58,755	43,604	40,145
44,436	48,204	46,569	47,893	46,162
73,498	71,893	83,427	82,835	87,402
60	51	47	n/a	n/a
21,066	15,135	14,382	n/a	n/a
528	519	532	489	641
4,777	4,026	4,816	5,319	4,936
3,194	n/a	n/a	n/a	n/a
4,387	4,095	4,263	3,644	8,715
4,094	3,866	4,000	3,475	2,726
316,730	309,585	319,370	338,903	307,114
266,261	268,876	265,712	263,018	254,592
31,687	31,702	31,791	31,821	31,753
843,450	869,466	783,026	843,541	870,482
26.62	27.43	24.63	26.51	27.41
12.0	12.3	11.7	11.8	12.9

City of East Lansing, Michigan

Function/Program	2005	2006	2007	2008	2009
Police:					
Stations	1	1	1	1	1
Patrol units	12	13	13	13	13
Other vehicles	17	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	7	8	8	8	9
Public works:					
Streets (miles):					
Major streets	24.4	24.4	24.4	24.6	24.6
Local streets	61.5	61.5	61.5	61.5	61.6
Trunkline streets	8.2	8.2	8.2	8.2	8.2
Traffic signals	45	45	45	45	45
Refuse collection trucks	5	5	5	5	5
Recycling trucks	3	3	3	3	3
Parks and recreation:					
Acreage	488	488	488	488	490
Developed parks/playgrounds	25	25	25	25	26
Developed sporting fields	27	27	27	27	27
Libraries:					
Branches	1	1	1	1	1
Book collections	159,039	144,500	141,064	144,206	153,641
Water:					
Mains (miles)	118.77	118.77	120.58	121.01	121.26
Fire hydrants	not available	875	895	1,019	1,019
Storage capacity	1.95	1.95	1.95	1.95	1.95
Sewer:					
Miles of sanitary sewers	151.07	151.07	152.17	152.27	152.41
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

2010	2011	2012	2013	2014
1	1	1	1	1
13	13	13	13	16
17	16	16	17	15
2	2	2	2	2
2	2	2	2	3
3	3	3	3	4
9	9	9	6	5
24.6	24.6	24.6	24.6	27.0
61.6	61.6	61.6	61.6	62.9
8.2	8.2	8.2	8.2	8.2
45	46	46	46	48
5	5	5	5	5
3	3	3	3	3
494	494	514	514	514
26	26	27	27	27
27	27	27	27	27
1	1	1	1	1
154,858	139,084	128,383	125,162	112,538
121.70	121.70	121.70	121.70	121.77
1,023	1,023	1,023	1,023	1,024
1.95	1.95	1.95	1.95	1.95
152.41	152.41	152.41	152.68	153.39
18.50	18.50	18.50	18.50	18.50