

City of East Lansing, Michigan

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2015

Prepared by:
Department of Finance
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Director of Finance

City of East Lansing, Michigan

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City of East Lansing, Michigan

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CITY OF EAST LANSING

The Home of Michigan State University

December 2, 2015

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 ended June 30, 2015 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 ended June 30, 2015 were prepared in accordance with Statement No. 34 of the Governmental 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's 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 experienced a rebound from the past economic recession. The state equalized value (SEV) of all property in the City increased over \$32.3 million in fiscal year 2015, a 3.4 percent increase over fiscal year 2014.

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 1, and add some additional disclosures. The City has completed the CVTRS certification, due December 1, and the Citizen's Guide and Performance Dashboard is 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 includes:

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 toward 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 FY2015:

- The five-year financial forecast for the General Fund was updated for the ninth 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 2015 and an integral part of developing the fiscal year 2016 budget.
- The City is in a position to make a significant additional payment on underfunded retiree benefits, continuing the sustained efforts to adequately fund these obligations. This follows six years whereby the City made the full annual required contribution for Other Post Employment Benefits (OPEB). As of the June 30, 2015 statement from MERS, the City had over \$12.8 million in plan assets set aside to fund the OPEB liability.
- The City made significant improvements in fostering greater two-way communication with residents. These include a new website featuring a new look, improved functionality and better navigation and e-Town Hall, a web-based citizen engagement platform.
- The City's bond rating was affirmed at AA+ by Standard & Poor's on January 30, 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 third year of all labor contracts, and will be working with union leadership to settle labor agreements that recognize the need to retain highly skilled and valued employees, while also considering the financial environment.
- 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.
- In FY2015, 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 2015. 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 toward community activities or events. The initiative has grown to nine different staff liaisons working with sixteen neighborhoods and there has been an increased interest in the mini-grant program.
- For the 28th year, the City was named a Tree City USA by the National Arbor Day Foundation in 2015. In celebration, the City hosted its annual school tree planting at Pinecrest Elementary during April's Arbor Day.

- The City of East Lansing and MSU hosted the 2015 One Book, One Community program, featuring the works of two extraordinary champions of human rights this past fall. The selections embodied the theme: A Community Conversation on Justice, Human Rights and Compassion. The selections included "Just Mercy," a book by attorney and author Bryan Stevenson, and "The House I Live In," a documentary film by Eugene Jarecki.
- The East Lansing Public Library hosted the 6th Annual East Lansing Welcomes the World event in 2015, 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, 2014, as well as the thirty 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, 2015. The issuance of this report is the culmination of many hours of effort in analyzing and reporting city-wide fiscal operations for the 2015 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 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 Managements Discussion and Analysis included in the report.

Sincerely,



George Lahanas
City Manager



Mary L. Haskell, CPA
Director of Finance



Government Finance Officers Association

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

Presented to

**City of East Lansing
Michigan**

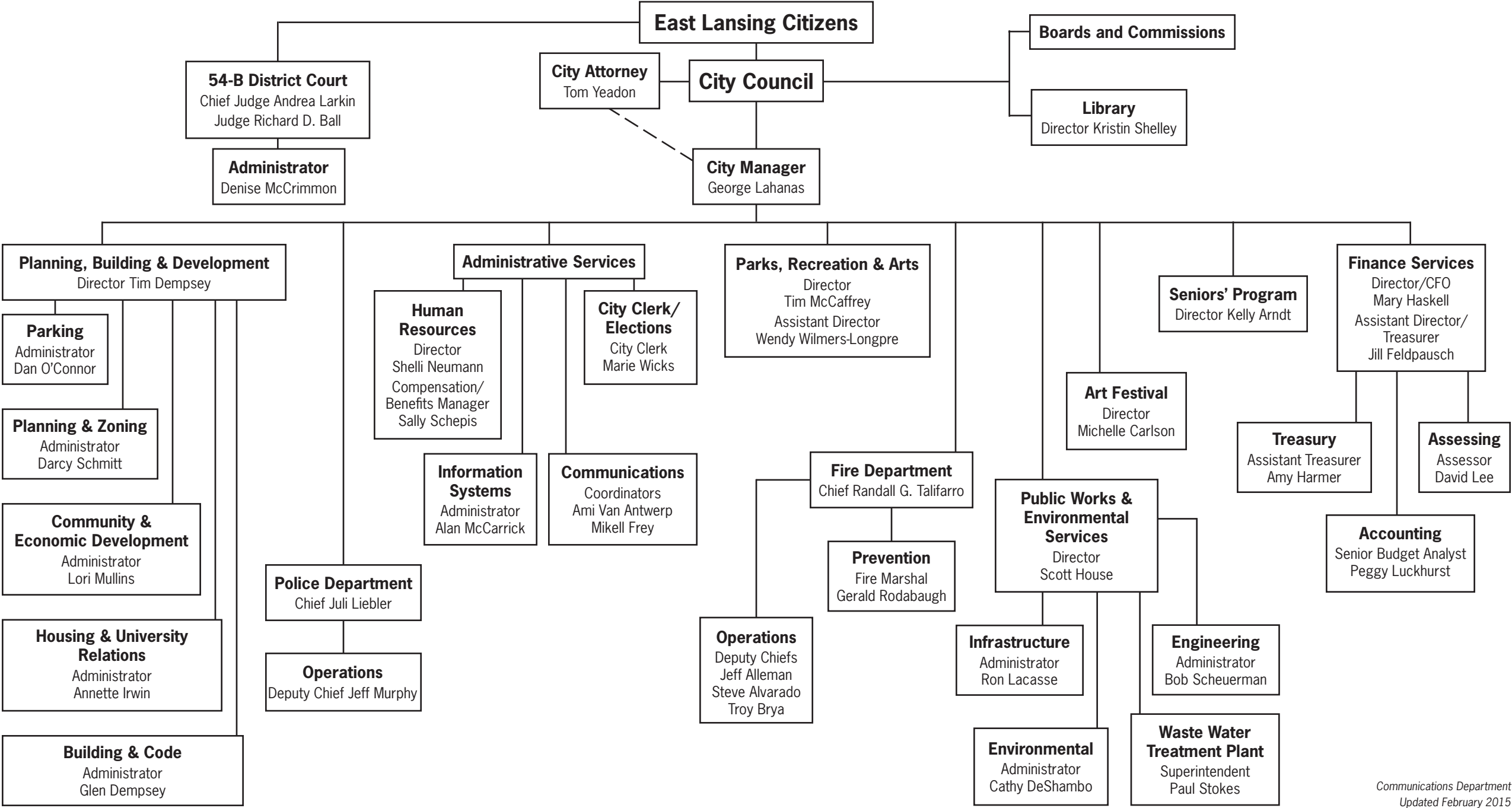
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014



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, 2015 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.

To the City Council
City of East Lansing, Michigan

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, 2015 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.

Emphasis of Matter

As described in Note 2 to the financial statements, during the year ended June 30, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, the City's net pension liability has been recognized on the government-wide and proprietary statements and, as discussed in Note 2, the beginning of year net position been restated. In these statements, the cost of the pension benefit is being recognized as the employment services are rendered, rather than as it is being funded. Our opinion is not modified with respect to this matter.

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.

To the City Council
City of East Lansing, Michigan

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015 on our consideration of the City of East Lansing, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of East Lansing, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 2, 2015

City of East Lansing, Michigan

Management's Discussion and Analysis

Overview of the Financial Statements

The City of East Lansing, Michigan's (the "City") 2015 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 the full accrual funds (governmental and business-type activities), the reader will see very different financial results in the fiscal year 2015 statements than in prior fiscal years with the implementation of the required Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 requires governments to record the unfunded defined benefit pension liability in the government-wide and business-type statements. This change does not impact the General Fund or any other governmental fund at the fund level. Pension expense which in past fiscal years equaled the cost of the annual required contributions made to Michigan Employees' Retirement System (MERS) is now adjusted per the criteria of GASB 68. In subsequent fiscal years, the net pension liability will be reduced or increased as annual pension expenses and adjusted plan assets are recorded.

The financial statements for the year ended June 30, 2014 have been restated in this audit report in order to comply with GASB 68. With the adoption of GASB 68, the financial statements for the year ended FY2014 have been restated to reflect the decrease in net position from recording the net pension liability at June 30, 2014. To see specific details of the changes from the restatement, please refer to Note 2 - Reporting Change (Prior Period Adjustment) in the note section of these financial statements.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

The calculations of the pension liability under GASB 68 have published for the first time what City leadership has been talking about over the last 10 to 15 years. The net pension liability, added to the full accrual statements, totals \$71.8 million and represents the unfunded portion of the long-term liability. The total net liability is allocated between business-type activities (Water, Sewer, and Parking System Funds), in the amount of \$7.0 million, and governmental activities (all other City activities excluding the component units) in the amount of \$64.8 million.

Generous pension benefits, granted many years ago in better economic times, were not funded at a high enough level over those many years, pushing off the unfunded liability to current and future taxpayers. The City has always made its full annual required contribution every fiscal year, as calculated by the actuaries. However, it has become apparent that smoothing and other assumptions used by actuaries, while producing more stable annual contributions, also produced an annual contribution that was too low. Coupled with the fact that public safety employees could retire at the age of 50, retirees are living to an older age and plans allowed final average compensation (a component of calculating a retiree's annual pension payment) to be padded with unfunded overtime, the impact on our annual required contributions, funding ratio, and unfunded liability is staggering. In the table below, you will see the history of the City's annual required contributions and funding ratios over the past 30 years.

Fiscal Year	Funding Ratios	Annual Required Contributions	Fiscal Year	Funding Ratios	Annual Required Contributions
FY2015	57.7%	5,788,683	FY2000	86.2%	2,159,076
FY2014	59.2%	5,688,698	FY1999	83.7%	2,226,652
FY2013	60.6%	5,379,563	FY1998	82.4%	2,225,250
FY2012	62.4%	4,819,096	FY1997	76.1%	2,198,845
FY2011	65.1%	4,012,231	FY1996	75.3%	1,987,296
FY2010	67.2%	3,687,481	FY1995	79.0%	1,957,140
FY2009	69.9%	3,361,359	FT1994	80.0%	1,615,890
FY2008	72.0%	3,099,813	FY1993	81.0%	1,400,176
FY2007	73.0%	2,872,809	FY1992	85.0%	879,548
FY2006	74.0%	2,590,160	FY1991	87.0%	454,380
FY2005	76.0%	2,457,259	FY1990	94.0%	806,164
FY2004	78.0%	2,085,242	FY1989	91.0%	663,616
FY2003	80.0%	1,986,983	FY1988	97.0%	614,496
FY2002	84.0%	2,038,784	FY1987	97.0%	599,967
FY2001	86.0%	2,090,345	FY1988	101.0%	875,960

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

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 for all years covered by the program.

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.

The City of East Lansing, Michigan has a combined net position of approximately \$36.7 million. Business-type activities comprise approximately \$40.2 million and governmental activities make up approximately (\$3.5) million of the total net position. The combined net position increased in total by \$5.0 million or 16.0 percent over restated fiscal year 2014.

In a condensed format, the table below shows a comparison of the net position as of the current date to the restated net position from the prior year:

	Governmental Activities			
	2014 - As restated	2015	Change	Percent Change
Assets				
Other assets	\$ 19,049,721	\$ 21,235,817	\$ 2,186,096	11%
Capital assets	64,995,853	64,756,964	(238,889)	0%
Total assets	84,045,574	85,992,781	1,947,207	2%
Deferred Outflows of Resources	2,738,705	3,938,291	1,199,586	44%
Liabilities				
Current liabilities	3,817,556	4,129,241	311,685	8%
Long-term liabilities	87,045,016	88,700,620	1,655,604	2%
Total liabilities	90,862,572	92,829,861	1,967,289	2%
Deferred Inflows of Resources	679,257	618,901	(60,356)	-9%
Net Position				
Net investment in capital assets	43,770,811	46,022,097	2,251,286	5%
Restricted	1,645,220	5,027,442	3,382,222	206%
Unrestricted	(50,173,581)	(54,567,229)	(4,393,648)	9%
Total net position	<u>\$ (4,757,550)</u>	<u>\$ (3,517,690)</u>	<u>\$ 1,239,860</u>	-26%

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			Percent Change
	2014 - As restated	2015	Change	
Assets				
Other assets	\$ 8,674,478	\$ 9,694,462	\$ 1,019,984	12%
Capital assets	<u>68,118,398</u>	<u>68,136,264</u>	<u>17,866</u>	0%
Total assets	76,792,876	77,830,726	1,037,850	1%
Deferred Outflows of Resources	645,479	742,851	97,372	15%
Liabilities				
Current liabilities	880,959	1,601,909	720,950	82%
Long-term liabilities	<u>39,637,844</u>	<u>36,290,954</u>	<u>(3,346,890)</u>	-8%
Total liabilities	40,518,803	37,892,863	(2,625,940)	-6%
Deferred Inflows of Resources	<u>525,668</u>	<u>482,968</u>	<u>(42,700)</u>	-8%
Net Position				
Net investment in capital assets	36,425,387	39,422,838	2,997,451	8%
Restricted	61,877	46,660	(15,217)	-25%
Unrestricted	<u>(93,380)</u>	<u>728,248</u>	<u>821,628</u>	-880%
Total net position	<u>\$ 36,393,884</u>	<u>\$ 40,197,746</u>	<u>\$ 3,803,862</u>	10%
	Total			Percent Change
	2014 - As restated	2015	Change	
Assets				
Other assets	\$ 27,724,199	\$ 30,930,279	\$ 3,206,080	12%
Capital assets	<u>133,114,251</u>	<u>132,893,228</u>	<u>(221,023)</u>	0%
Total assets	160,838,450	163,823,507	2,985,057	2%
Deferred Outflows of Resources	3,384,184	4,681,142	1,296,958	38%
Liabilities				
Current liabilities	4,698,515	5,731,150	1,032,635	22%
Long-term liabilities	<u>126,682,860</u>	<u>124,991,574</u>	<u>(1,691,286)</u>	-1%
Total liabilities	131,381,375	130,722,724	(658,651)	-1%
Deferred Inflows of Resources	<u>1,204,925</u>	<u>1,101,869</u>	<u>(103,056)</u>	-9%
Net Position				
Net investment in capital assets	80,196,198	85,444,935	5,248,737	7%
Restricted	1,707,097	5,074,102	3,367,005	197%
Unrestricted	<u>(50,266,961)</u>	<u>(53,838,981)</u>	<u>(3,572,020)</u>	7%
Total net position	<u>\$ 31,636,334</u>	<u>\$ 36,680,056</u>	<u>\$ 5,043,722</u>	16%

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

The governmental activities' net position increased slightly over \$1.2 million when compared to the prior fiscal year, but as mentioned earlier, the impact of restating fiscal year 2014, due to the implantation of GASB 68 and recording \$64.8 million of net pension liabilities has placed government activities in a negative net position.

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 increased just under \$2.2 million at the end of fiscal year 2015, when compared to prior year. Details of the increase can be found in the governmental fund's statement of revenue, expenditures, and changes in fund balances (see page 33). These changes are also discussed under the governmental fund section of this narrative. The reconciliation shown on the balance sheet to the statement of net position (see page 32) of the audit report itemizes the adjustments that are made to the fund-based statements to achieve full accrual-based statements and how we arrived at the change in the net position of governmental activities, from a positive \$12.9 million to a negative \$3.5 million.

Business-type activities' net position increased just over \$3.8 million or 10.5 percent when compared to the prior fiscal year. This was largely driven by the increase in other assets of just over \$1.0 million, combined with a decrease of \$3.3 million in long-term liabilities. Most of the increase in other assets is attributable to the \$876.4 thousand of additional receivables from Meridian Township and Michigan State University for their share of the operating costs and debt service for the Water Resource Recovery Facility (WRRF). The decrease in long-term liabilities was primarily from principal reductions in existing debt (particularly in the Sewer Fund Combined Sewer Overflow bonds) and savings from refunding Building Authority bonds, which is offset by the \$721.0 thousand increase in short-term liabilities. Most of the increase in short-term liabilities is from the June progress billings for the WRRF capital projects that were invoiced and paid after fiscal year end.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net position:

	Governmental Activities			Percent
	2014	2015	Change	Change
Revenue				
Program revenue:				
Charges for services	\$ 12,291,173	\$ 12,128,448	\$ (162,725)	-1%
Operating grants	5,455,310	5,439,778	(15,532)	0%
Capital grants	1,261,642	3,256,768	1,995,126	158%
General revenue:				
Property taxes	20,228,617	20,295,406	66,789	0%
Unrestricted state-shared revenue	5,093,520	5,196,550	103,030	2%
Unrestricted investment earnings	113,946	131,705	17,759	16%
Unrestricted franchise fees	536,370	441,002	(95,368)	-18%
Miscellaneous	126,116	153,497	27,381	22%
Sale of assets	67,750	134,415	66,665	98%
Transfers	40,000	-	(40,000)	-100%
Total revenue	45,214,444	47,177,569	1,963,125	4%
Program Expenses				
General government	7,138,763	7,206,304	67,541	1%
Public safety	18,620,948	20,639,766	2,018,818	11%
Public works	7,426,095	7,653,140	227,045	3%
Health and welfare and community development	1,686,887	1,741,690	54,803	3%
Recreation and culture	8,472,921	8,055,406	(417,515)	-5%
Interest on long-term debt	710,552	641,403	(69,149)	-10%
Total program expenses	44,056,166	45,937,709	1,881,543	4%
Change in Net Position	\$ 1,158,278	\$ 1,239,860	\$ 81,582	7%

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			Percent Change
	2014	2015	Change	
Revenue				
Program revenue:				
Charges for services:				
Water	\$ 3,392,364	\$ 3,561,696	\$ 169,332	5%
Sewer	9,198,826	10,192,304	993,478	11%
Parking	3,794,145	3,895,452	101,307	3%
Operating grants and contributions	303,820	270,980	(32,840)	-11%
Capital grants and contributions	442,860	1,373,885	931,025	210%
General revenue - Investment earnings	18,799	26,996	8,197	44%
General revenue - Franchise fees	46,525	42,700	(3,825)	-8%
General revenue - Miscellaneous	950	9,820	8,870	934%
General revenue - Income from joint venture	171,049	(38,097)	(209,146)	-122%
Total revenue	17,369,338	19,335,736	1,966,398	11%
Program Expenses				
Water	3,359,146	3,413,480	54,334	2%
Sewer	7,962,196	8,744,209	782,013	10%
Parking	3,469,046	3,374,185	(94,861)	-3%
Total program expenses	14,790,388	15,531,874	741,486	5%
Excess of Revenue Over Program Expenses - Before transfers	2,578,950	3,803,862	1,224,912	56%
Transfers	(40,000)	-	40,000	-100%
Change in Net Position	\$ 2,538,950	\$ 3,803,862	\$ 1,264,912	50%

Governmental Activities

The net position increased by \$81.6 thousand in fiscal year 2015 when compared to fiscal year 2014.

Total revenue for governmental activities totaled approximately \$47.2 million in fiscal year 2015, which is just below \$2.0 million or 4.3 percent more when compared to fiscal year 2014. However, since total program expenses, at just below \$46.0 million, increased by \$1.9 million, the net result is the small increase in net position. Details of these changes will be discussed further in the following paragraphs.

Charges for services decreased by \$162.7 thousand or 1.3 percent. This was largely from decreases in parks and recreation programs such as Bailey childcare, the Family Aquatic Center, recreation, and athletics.

Operating grants decreased by just below \$15.5 thousand (.28 percent) primarily due to decline in police staffing grant proceeds (the grants expired in fiscal year 2014).

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Capital grants and contributions increased by \$2.0 million or 158.1 percent, largely due to a contribution from an anonymous donor of \$1.5 million for extensive renovations to the Library building. The balance of the increase is from a contribution from the Downtown Development Authority (DDA) to the City's Debt Service Fund. The DDA financially supports the City's Technology Innovation Center (TIC) and back in 2008 and 2009, the City issued limited tax bonds, on behalf of the DDA, to pay for leasehold improvements at the TIC. In fiscal year 2015, the DDA received 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 leasehold improvements. The funds were transferred to the City's Debt Service Fund to defease the bonds in July 2014.

Property tax revenue for governmental activities (net of delinquent amounts) increased by \$66.8 thousand or .33 percent over last year's revenue. Although the operating millage remained at fiscal year 2013 levels, 17.5891, the small increase in revenue is a result of some restored growth in taxable values (\$915.6 million compared to \$900.3 million in fiscal year 2014).

As stated earlier, 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 and certification from the State. The City completed the certification in fiscal year 2015, and actually received a small increase in our payments from the State, \$103.0 thousand over fiscal year 2014 amounts.

Unrestricted investment earnings increased by \$17.8 thousand due to slightly better yields in PA20-allowed instruments.

The unrestricted franchise fees decrease of \$95.4 thousand (17.8 percent) is the result of timing differences from a previous accounting correction related to revenue recognition.

Miscellaneous revenue increased by \$27.4 thousand or 21.7 percent because the City received a partial reimbursement, from Ingham County, of costs associated with ice damage sustained in the storm of December 2013.

Sales of assets increased by \$66.7 thousand (98.4 percent) over fiscal year 2014 totals. The City received \$5.0 thousand for the sale of property at 1667 Snyder and also saw an increase in lot sale proceeds in the Avondale Square project, \$129.4 thousand, in fiscal year 2015.

The \$40.0 thousand transfer in fiscal year 2014, from the Sewer Fund to the Major Streets Fund, to defray the cost of sweeping out street storm drains, was discontinued and did not take place in fiscal year 2015.

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 increased by \$67.5 thousand (.95 percent). Increases from a pension expense allocation from the City's internal service funds, additions to other postemployment benefit expenses, and depreciation expenses were offset by lower custodial costs and other cost saving efforts in several general government divisions.

Public safety expenses increased by \$2.0 million (10.8 percent) over prior fiscal year's totals from the impact of recording additional pension and postemployment benefit expenses.

Public works expenses increased by \$227.0 thousand or 3.1 percent from the impact of recording higher pension and other postemployment benefit expenses.

Health, welfare, and community development saw a small increase of \$54.8 thousand (3.3 percent) in costs when compared to the prior fiscal year. This activity was allocated \$34.0 thousand of pension expense and \$17.0 thousand of other postemployment benefit costs in fiscal year 2015.

Recreation and culture expenses experienced a decrease of \$417.5 thousand or 4.9 percent in fiscal year 2015. The Parks and Recreation Fund had a large decrease in operating costs at the Bailey Child Care program as the transition plan was put in place to close the program in early fiscal year 2016. The Family Aquatic Center's variable expenses were reduced as well as the cooler summer reduced customer participation. These cost decreases were offset by the additional expenses related to the allocation of pension and OPEB costs, particularly as it relates to DPW employees assigned to parks maintenance.

Interest on long-term debt expense decreased by \$69.1 thousand (9.7 percent) when compared to the prior fiscal year because it declines each year as a normal function of amortizing.

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 \$19.3 million. This is up just under \$2.0 million from fiscal year 2014 predominantly due to the increase in billings to Meridian Township and Michigan State University for their share of the debt and operating expenses of the Water Resource Recovery Facility (WRRF) in the Sewer Fund. Water and sewer metered billings to the City's residences and businesses increased as well as parking ramp and street meter revenue. The Sewer Fund also received \$801.4 thousand in Michigan Stormwater Asset Management and Wastewater (SAW) grant proceeds in fiscal year 2015 to assist in financing the capital projects at the WRRF. The Water Fund received \$198.8 thousand in capital contributions (fiscal year 2014 was zero) for water mains in the Caddis-Trowbridge development project. These increases were offset by a \$209.1 thousand decrease in equity in the joint venture, East Lansing Meridian Water Sewer Authority.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

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 \$1.2 million in fiscal year 2015, compared to an increase of \$1.1 million in fiscal year 2014. Parking charges for services were up by \$100.5 thousand in fiscal year 2015 and long-term debt was lower due to refunding higher cost bonds.

Program expenses for business-type activities increased by \$741.5 thousand or 5.0 percent from fiscal year 2014 levels, largely from higher personal service and operating costs in the Sewer Fund. Sewer personal services experienced higher defined benefit pension expense and allocated engineering service charges for project management at the plant while operations were charged higher equipment rental rates from the garage internal service fund. Higher internal equipment rental rates also made up much of the \$54.3 thousand increase in Water Fund expenses. These higher expenses in the Water and Sewer Funds were offset by the \$94.9 thousand decrease in Parking Fund expenses, mostly from debt service savings associated with refunding higher priced bonds.

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
	2014	2015	Change	
Revenue				
Property taxes and assessments	\$ 20,230,355	\$ 20,265,409	\$ 35,054	0%
Intergovernmental revenue	816,540	1,377,452	560,912	69%
Licenses and permits	1,566,121	1,707,590	141,469	9%
Federal sources	715,025	407,935	(307,090)	-43%
State sources	9,534,548	10,029,455	494,907	5%
Charges for services	7,200,502	6,825,892	(374,610)	-5%
Fines and forfeitures	2,990,796	3,023,331	32,535	1%
Investment income	113,946	131,705	17,759	16%
Rental income	514,230	508,314	(5,916)	-1%
Other	1,743,049	3,154,729	1,411,680	81%
Total revenue	45,425,112	47,431,812	2,006,700	4%
Expenditures				
Current:				
General government	6,881,272	6,777,554	(103,718)	-2%
Public safety	18,344,948	18,874,433	529,485	3%
Public works	7,039,966	7,023,988	(15,978)	0%
Health and welfare community development	1,674,142	1,462,509	(211,633)	-13%
Recreation and culture	8,514,006	7,809,740	(704,266)	-8%
Debt service	2,677,324	2,669,272	(8,052)	0%
Total expenditures	45,131,658	44,617,496	(514,162)	-1%
Excess of Revenue Over Expenditures	293,454	2,814,316	2,520,862	859%
Other Financing Uses - Transfers - Net	(660,960)	(635,298)	25,662	-4%
Net Change in Fund Balances	(367,506)	2,179,018	2,546,524	-693%
Fund Balances - Beginning of year	11,046,076	10,678,570	(367,506)	-3%
Fund Balances - End of year	<u>\$ 10,678,570</u>	<u>\$ 12,857,588</u>	<u>\$ 2,179,018</u>	20%

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 \$2.2 million increase in fund balances.

The General Fund ended 2015 with an increase of \$151.3 thousand in total fund balance to total just over \$6.9 million (compared to just below \$6.8 million in 2014) while the non-major funds, as a group, increased their fund balance by \$2.0 million.

Several factors affected operating results. On the revenue side:

Although the general operating millage remained at fiscal year 2013 levels, 17.5891, the small increase in revenue is a result of some restored growth in taxable values (\$915.6 million compared to \$900.3 million in fiscal year 2014). The City levies a dedicated millage of two mills for the Library, as authorized under Public Act 164 and voted on by East Lansing citizens. The City reduced the levy for Solid Waste operations in fiscal year 2015 to 1.7680 mills from 1.9055 mills in fiscal year 2014. Voter-approved debt millage decreased to 1.3128 from 1.3423 in fiscal year 2014.

The Intergovernmental revenue increase of \$560.9 thousand or 69.0 percent was primarily a result of the Capital Project Fund receiving more dollars from both St. Anne Plaza and Avondale Square project cost reimbursements from the Brownfield Redevelopment Fund. The General Fund also received a \$10.0 thousand contribution from the DDA in fiscal 2015 to reimburse their staff costs related to all of their work related to the transfer of the TIC assets and operations to the regional LDFA.

Licenses and permits revenue experienced a \$141.5 thousand or 9.0 percent increase in fiscal year 2015. All sources of this revenue type are derived from General Fund activities such as building permits, housing licenses, and engineering permits. The increase in fiscal year 2015 is all related to the growth in building permit and inspection activity.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Federal grants decreased in fiscal year 2015 by \$307.1 thousand (43.0 percent). In fiscal year 2015, the City received \$341.5 thousand in Community Development Block Grant funding compared to \$423.9 thousand in fiscal year 2014. Fiscal year 2015 was the first year that 54-B District Court was reimbursed (\$45.0 thousand) for Veteran's Court, but this was more than offset by the decrease in fire and police federal staffing grants which expired in fiscal year 2014.

The major portion of state sources of revenue reported, which increased just over \$494.9 thousand, is outlined below.

- The City received \$1.1 million for PA289-fire protection services of state-owned properties in fiscal year 2015, the same amount received in fiscal year 2014.
- State-shared revenue increased by \$103.0 thousand or 2.2 percent in fiscal year 2015 (\$5.2 million compared to \$5.1 million in the prior fiscal year).
- The fire department received its first reimbursement in fiscal year 2015, \$74.9 thousand, for fire equipment and training from the State's Competitive Grant Assistance Program (CGAP).
- Department of Natural Resource grant proceeds for City park improvements increased by \$245.0 thousand in fiscal year 2015 as the Patriarche Park playground project was completed and reimbursements were received.
- State gas and weight tax revenue recorded in the Major Streets Fund increased by \$44.4 thousand in fiscal year 2015, but this was offset by a decrease in trunkline maintenance revenue of \$15.8 thousand. The Major Streets Fund also saw a reduction of \$13.2 thousand in Metro Act revenue in fiscal year 2015.
- The Local Streets Fund recorded an increase in the state gas and weight tax revenue of \$13.8 thousand when compared to the prior fiscal year. We also saw an increase in our allocation from the State of \$15.6 thousand for winter street maintenance.

Charges for services decreased by \$374.6 thousand (5.2 percent) over fiscal year 2014 totals. The primary reason for the change arose from decreases in police and 54-B District Courts' cost recovery programs, and ambulance services. Various parks and recreation program fees declined as well, particularly Bailey Child Care as the decision was made to cease the program early in fiscal year 2016.

Fines and forfeitures increased by \$32.5 thousand or 1.1 percent due to increased collections by the Court for parking fines.

Investment income increased by \$17.8 thousand and represents a 15.6 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.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Rental income decreased by only \$5.9 thousand or 1.2 percent. Lower cell tower lease revenue in fiscal year 2015 accounted for most of the decline as well as lower income from various parks and recreation departments.

Other revenue showed an increase of \$1.4 million or 81.0 percent due to a restricted donation of \$1.5 million from an anonymous donor for building renovations at the city library. This donation was offset by a \$91.2 thousand decrease in cable franchise revenue because of a change in accounting related to the timing of revenue recognition and fluctuations in various sources of miscellaneous revenue accounts across the City.

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

General government expenditures decreased from fiscal year 2014 levels, decreasing \$103.7 thousand or 1.5 percent. Repairs and maintenance at City Hall and deferral of capital projects for government buildings contributed to most of the decrease.

Public safety expenditures increased \$529.5 thousand or 2.9 percent as defined benefit pension contributions for the police and fire departments continue to put a strain on these operating budgets. Capital spending for fire increased by over \$200.0 thousand for equipment purchases associated with the CGAP grant and equipment replacement funded by the City.

Public works' expenditures came in fairly close to prior fiscal year levels, decreasing only \$16.0 thousand. Increases in hazardous sidewalk repair work and utility costs for street lighting were offset by reductions in other activities.

Health and welfare community development saw a decrease of \$211.6 thousand (12.6 percent) in expenditures when compared to the prior fiscal year. As the capital spending for the St. Anne Plaza project took place in fiscal year 2014 and the project was completed in that same fiscal year, we see the decline in spending in fiscal year 2015.

Recreation and culture expenditures decreased by \$704.3 thousand (8.3 percent) in fiscal year 2015. The \$45.1 thousand decrease in the General Fund is from cost-saving measures taken in parks maintenance. The balance of the decrease is lower capital spending for the Patriarche Park playground project in fiscal year 2015 as the project neared completion. The Parks and Recreation Fund scaled back operating costs and enrollment declined in the Bailey Childcare Program and at the Family Aquatic Center

Debt service expenditures declined by \$8.1 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 83.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Year-end results yielded a positive budget variance in total charges to appropriations of \$1.8 million. The story is very similar to what happened last fiscal year. While the City budgets very conservatively on a prospective basis, we typically prepare and ask City Council to approve budget amendments, based on the year-end estimates provided by department directors. If spending does not materialize by June 30th, consistent with the estimates the directors provided, the budget performance variance is larger as a result of the fiscal year-end budget amendment.

General government was \$421.5 thousand under budget for several reasons: from deferrals in filling open, budgeted positions and lower than budgeted credit card processing fees in 54-B Court and Treasury; savings from lower than budgeted labor attorney fees in the human resource department; and delays in tackling repairs in City Hall and capital projects, budgeted in the Government Buildings division.

Public safety was \$951.4 thousand under budget. Approximately \$400.0 thousand of the budget variance was from delays in purchasing equipment funded by the Competitive Grant Assistance Program (CGAP) from the Michigan Department of Treasury for the new Lansing Metro Active Violence Response Initiative. These purchases will be budgeted again in fiscal year 2016. Both the Fire and Police Departments experienced reduced internal charges for fuel purchases from DPW as the cost of gasoline was much lower than was budgeted. The Police Department had regular part-time positions in the Parking and Code Enforcement division that appear to have been over-budgeted so there was a sizeable budget variance there and several positions remained unfilled due to retirements that took place closer to fiscal year end. Both the Building Permit and Housing License divisions also had savings, relative to the annual budget, from delays in hiring contingent staff and reduced spending in operating costs.

Public works - highways, streets, and sanitation came in under budget by \$272.2 thousand due to a lower amount of hazardous sidewalk repair work being done than what was originally budgeted in fiscal year 2015 and lower than planned spending on drains. 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 \$61.3 thousand lower than budget because none of the \$15.0 thousand budgeted for the Homebuyer Assistance Program was spent, and contract services as well as contingent staff wages in the Planning and Zoning division were both well below budget.

Recreation and culture's spending is low compared to budget (\$94.7 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.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

During fiscal year 2015, the City issued a par amount of \$3.795 million with a premium of \$507.9 thousand for a total of \$4.303 million in refunding bonds with an average interest rate of 3.0 percent. The proceeds of these bonds were used to refund \$4.2 million of the 2005 Building Authority bonds with an average interest rate of 4.0 percent. The proceeds of \$4.303 million along with current debt service of \$550 thousand were used to pay issuance costs of \$102.9 thousand and \$4.750 million of principal on the 2005 notes. The total cash flows required to service the new debt is \$5.01 million, resulting in a net present value savings from cash flow of \$472.6 thousand.

The City also issued a par amount of \$1.575 million in refunding bonds with an average interest rate of 2.4 percent. The proceeds of these bonds were used to refund \$1.495 million of the 2004 DPW Building bonds with an average interest rate of 4.9 percent. The proceeds of \$1.575 million along with current debt service of \$120.0 thousand were used to pay issuance costs of \$80.050 thousand and \$1.615 million of principal on the 2004 notes. The total cash flows required to service the new debt is \$1.816 million, resulting in a net present value savings from cash flow of \$143.57 thousand.

A third series of refunding bonds were issued, in a par amount of \$2.850 million with an average interest rate of 1.98 percent. The proceeds of these bonds were used to refund \$2.765 million of the 2005 DDA Refunding Bonds with an average interest rate of 5.18 percent. The proceeds of \$2.850 million along with current debt service of \$170.0 thousand were used to pay issuance costs of \$85.0 thousand and \$2.94 million of principal on the 2005 notes. The total cash flows required to service the new debt is \$3.260 million, resulting in a net present value savings from cash flow of \$349.40 thousand.

In April 2015, the City was approved and issued \$15.0 million of Sewage Disposal System Revenue Bonds (Junior Lien), to the State of Michigan through the State Revolving Fund, administered by the State Department of Environmental Quality and the Department of Treasury. The borrowing has a term of 20 years, bears an interest rate of 2.5 percent, and is being used to finance the capital project known as the "Tertiary Filter, Ultraviolet Disinfection and Effluent Discharge Project" at the Water Resource Recovery Facility (WRRF). It includes upgrades to the existing tertiary filter system and construction of an ultraviolet disinfection system at the plant.

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 (an apartment building and five rental houses) as part of a redevelopment of the Park District Planning Area site, formerly the proposed City Center II project site. Since the 2012 bond anticipation notes matured April 1, 2015, they were refinanced early in fiscal year 2015, converting them into long-term (20 years) debt. The payments are limited principal (\$25.0 thousand/yr) for the first three years, keeping payments at an average of approximately \$113.0 thousand per year until fiscal year 2019 when the payment will jump to \$375.0 thousand.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

In early fiscal year 2015, the Lansing Economic Area Partnership (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. So, in July 2014, the 2008 Limited Tax Bonds Series B and 2009 Limited Tax Bonds Series B were defeased in substance. A restricted cash escrow account was established and recorded in the City's Debt Service Fund and will service all principal and interest payments going forward. These bonds will remain on the City's debt schedules and funds will be held in escrow until fiscal year 2019, when all outstanding bonds, related to the original issues, will be redeemed and paid off.

For more information on long-term debt, please refer to Note 8 on pages 59-62.

Capital Projects

Major street project reconstruction began in early May on Bogue Street, from Grand River Avenue to south of the Red Cedar River. The project was completed by the end of June 2015. In early June, road construction began on Abbot Road, from Burcham Drive to Saginaw Highway. This project was completed in mid-August.

In addition to road projects, CDBG funded sidewalk repairs and ADA-accessible ramp installations were started in mid-May 2015 and took place on Grove Street from Linden Street to Burcham Drive.

In June 2015, the City began construction of the \$16.0 million "Tertiary Filter, Ultraviolet Disinfection and Effluent Discharge Project" at the Water Resource Recovery Facility (WRRF). 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. This project was funded mainly through the MDEQ-administered State Revolving Loan Fund (SRF) at an interest rate of 2.5 percent and also by a \$600.0 thousand MDEQ Stormwater, Asset Management, and Wastewater (SAW) grant. This project is the first of several WRRF projects recommended in order to increase the capacity and operations of the facility. Construction is expected to be completed in the fall of 2016.

On October 29, 2014, the City received a \$2.0 million SAW grant which includes a local match of \$610.0 thousand. The grant provides for \$1.2 million toward "Design Engineering Costs" and \$1.4 million toward "Wastewater Asset Management Plan Costs". Work on the SAW grant began in January 2015 and is expected to be completed by April 2017.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

In June 2015, the City submitted its "2015 Final Project Plan for Wastewater Treatment Plant and Collection System Improvements" to MDEQ. This plan outlined five collection system improvements and four WRRF projects which the City would like to be considered for funding under the MDEQ SRF program in the next five years. The City has already received approval to proceed with the necessary applications for the Brody Trunk Sewer Conversion project in FY 2016. This \$815.0 thousand project will be constructed in the summer of 2016. The project will consist of a cured-in-place lining of the 36" interceptor through the Brody Complex between Michigan Avenue and the Red Cedar River.

The second phase of the WRRF improvements - Headworks, Screening, Grit Removal and Interceptor Improvements - combines two of the WRRF projects and one collection system project. The estimated cost of the project is approximately \$25.0 million. The City has scheduled this project for funding under the fiscal year 2017 SRF program. If funding is approved, construction will begin in mid-2017 and be completed by the fall of 2018. The City is proceeding with the engineering design contract for this project in order to be ready for the potential fiscal year 2017 SRF funding Milestone Schedule. The City will use \$600.0 thousand from the SAW Engineering Design Costs toward the initial design work.

As part of the SAW Grant, the City is cleaning and televising many of its larger diameter sewers. Based on the results of this inspection and the evaluation of the risks and vulnerability of the sewers being conducted as part of the SAW Grant, the City will then be able to develop a long-term Capital Improvements Plan for repairs, rehabilitation, or replacement of its sewer collection system. Some of the work recommended under the SAW Program may also become eligible for future SRF funding of approximately \$13 million in fiscal year 2018 and fiscal year 2020.

The final two WRRF Projects outlined in the 2015 Project Plan involve work associated with the solids handling improvements. These projects are tentatively scheduled for fiscal year 2019 SRF funding at an estimated cost of \$10.5 million.

The staff is recommending proceeding with a hazardous sidewalk repair program to complete the remaining sidewalk repairs in the southwestern portion of the Glencairn Neighborhood in 2016. This work will be accomplished through a combination of General Fund dollars and assessment of adjoining properties.

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 took place over several fiscal years, 2011 through 2015, and included 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, were completed in fiscal year 2015, completing the use of bond proceeds. In early fiscal year 2016, LED lighting was installed in the Charles and Division Street garages utilizing operating income.

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 2015, 20 homes had been constructed by Mayberry Homes and Capital Area Housing Partnership and six more lots remained available for sale. Community Development Block Grant revenue from the federal government (\$126,326 received in fiscal year 2015) 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 which 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; FY14-\$120,000; and FY15-\$51,980) to the project to date to help meet debt service and other costs.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

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 \$196.0 thousand for the completion of the Plaza in fiscal year 2014 and was reimbursed \$56.0 thousand by the developer and another \$95.1 thousand (FY2014-FY2015) from a portion of the Brownfield Tax Increment Financing revenue for the St. Anne Brownfield Plan. The balance will be repaid through the Brownfield TIF revenue in fiscal year 2016.

As discussed earlier, 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, continues to provide funding for operations via a contract with LEAP.

The installation of the Patriarche Park "Playground Re-Imagined" project was completed in August 2014. This project was made possible by a \$300.0 thousand National Resources Trust Fund Grant and over \$275.0 thousand in contributions from individuals, families, businesses, foundations, and community-based organizations. The fundraising efforts were spearheaded by the Rotary Club of East Lansing.

In fiscal year 2015, at the annual City Council budget retreat, Department of Parks and Recreation staff presented a preliminary report that projected cost estimates for necessary reinvestment in parks and recreation capital assets. The document identifies the need to reinvest \$8.0 to \$15.0 million in these facilities over the next 10 years.

For more information on capital asset activity, please refer to Note 6 on pages 55 through 57.

Current Economic Issues and Initiatives

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.

After several months of deliberation, the City of East Lansing closed the Bailey Community Center due to its continued financial losses. Although the building has closed as a community center, the Capital Area Housing Partnership (CAHP) has established a plan subject to grant funding that would completely renovate the 1920's structure as an affordable Senior Apartment Living Center with space available for the community's use. Upon securing the required grant funding, the City and CAHP have agreed to a 50-year building and property lease that will allow the project to move forward as a limited-private use project.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Because the Bailey Community Center was encumbered, exclusively as a public-use facility, due to a 1990 Protecting Michigan's Future Grant project, the terms of the grant required the City to designate another property of equal or greater value for permanent public use. To comply with the grant agreement, in October 2015, the City formally designated the northeast corner of Albert and Abbot Avenues as a public park.

In August 2015, the City contracted with ACT Services, Inc. to perform an American with Disability Act (ADA) evaluation and transition plan for City facilities and buildings.

In November 2015, City Council authorized the city manager to sign an agreement to accept a grant from the Michigan Council for the Arts and Cultural Affairs in the amount of \$38.0 thousand to renovate an existing room at the East Lansing Hannah Community Center to a ceramics studio. A 50.0 percent match is required and it is anticipated that the matching funds will come from a \$25.0 thousand fundraising effort managed by interest ceramics participants and \$13.0 thousand from the Parks Fund's operating budget.

Additional local street projects were started in July 2015 in the Chesterfield Neighborhood. The roadways from Harrison west, to and including Cowley Avenue, were milled and resurfaced. ADA ramps at intersections and some curb and gutter and minor utility repairs were included.

A small storm sewer extension was completed on Daisy Lane and Hicks Drive in the fall of 2015. This work was funded by the CDBG program.

The two-level MAC Garage, under the University Place condo (hotel/office) project, requires a full deck replacement due to deteriorating conditions. The garage was originally constructed in 1988 and several construction/design limitations have resulted in a relatively short lifespan compared to other City parking structures. It is estimated that this project will cost \$3.5-\$4 million and if approved by City Council is projected to start at the end of fiscal year 2016 or early fiscal year 2017. The debt will be covered with Downtown Development Authority tax increment financing revenue currently generated from the University Place project and, if necessary, parking revenue.

The Downtown Development Authority is considering demolition of 303 Abbot, a building it acquired in 2001 for redevelopment. The building has sat vacant since 2007. Since the site is intended to be part of the future Park District redevelopment project, the DDA is considering demolition to eliminate cost and liability issues related to maintaining a vacant structure. The DDA is assessing costs of the project and is expected to make a decision in early 2016 with demolition to be completed no sooner than May 2016. Preliminary estimates project demolition to cost \$120.0 thousand - \$150.0 thousand, including asbestos abatement.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

The DDA also owns an apartment building and five rental houses on the 300 block of Evergreen Avenue intended to be part of the Park District project. The properties were refinanced in early 2015, converting Bond Anticipation Notes into long-term (20 years) debt. The payments are limited principal (\$25.0 thousand/yr.) for the first three years, keeping payments at an average of approximately \$113.0 thousand per year until fiscal year 2019 when payments would jump to \$375.0 thousand. The DDA's intent is to have a fully approved and financed redevelopment project prior to fiscal year 2019 that would allow them to address the increased debt payment obligation.

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, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 16,754,797	\$ 4,357,353	\$ 21,112,150	\$ 399,446
Receivables - Net (Note 5)	3,073,612	2,755,679	5,829,291	130,888
Inventories and prepaids	620,881	185,455	806,336	250
Restricted assets (Note 1)	520,041	-	520,041	-
Investment in East Lansing - Meridian Water and Sewer Authority (Note 14)	-	2,222,228	2,222,228	-
Assets available for sale	154,000	-	154,000	-
Net OPEB asset (Note 13)	-	173,747	173,747	-
Capital assets (Note 6):				
Assets not subject to depreciation	8,919,958	7,308,579	16,228,537	1,276,799
Assets subject to depreciation	55,837,006	60,827,685	116,664,691	3,848,662
Long-term receivable	112,486	-	112,486	-
Total assets	85,992,781	77,830,726	163,823,507	5,656,045
Deferred Outflows of Resources				
Deferred charge on bond refunding (Note 8)	195,192	336,173	531,365	-
Deferred pension costs (Note 11)	3,743,099	406,678	4,149,777	-
Total deferred outflows of resources	3,938,291	742,851	4,681,142	-
Liabilities				
Accounts payable	1,309,811	1,184,684	2,494,495	13,650
Accrued and other liabilities	2,034,479	134,814	2,169,293	31,747
Unearned revenue	118,649	-	118,649	-
Accrued interest payable	171,302	265,911	437,213	22,086
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 9)	1,998,054	111,639	2,109,693	-
Long-term debt (Note 8)	2,748,707	4,133,408	6,882,115	25,000
Due in more than one year:				
Compensated absences (Note 9)	1,169,115	48,547	1,217,662	-
Burcham Park remediation (Note 17)	495,000	-	495,000	-
Claims payable	-	16,500	16,500	-
Net OPEB obligation (Note 13)	1,818,161	42,419	1,860,580	-
Net pension liability (Note 11)	64,785,231	7,038,750	71,823,981	-
Long-term debt (Note 8)	16,181,352	24,916,191	41,097,543	5,630,000
Total liabilities	92,829,861	37,892,863	130,722,724	5,722,483
Deferred Inflows of Resources - Sale of future revenue				
	618,901	482,968	1,101,869	-

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

City of East Lansing, Michigan

Statement of Net Position (Continued) June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 46,022,097	\$ 39,422,838	\$ 85,444,935	\$ (529,539)
Restricted for:				
Streets and highways	1,261,314	-	1,261,314	-
Debt service	727,744	46,660	774,404	-
Special assessment debt repayment	281,556	-	281,556	-
Drug forfeiture	9,189	-	9,189	-
Burcham Park	112,486	-	112,486	-
Library - Special purpose	1,580,399	-	1,580,399	-
CDBG	5,705	-	5,705	-
Solid waste	529,008	-	529,008	-
Defeased in substance debt	520,041	-	520,041	-
Unrestricted	(54,567,229)	728,248	(53,838,981)	463,101
Total net position	<u>\$ (3,517,690)</u>	<u>\$ 40,197,746</u>	<u>\$ 36,680,056</u>	<u>\$ (66,438)</u>

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	\$ 7,206,304	\$ 4,984,422	\$ 110,615	\$ -
Public safety	20,639,766	3,869,062	1,152,451	80,674
Public works	7,653,140	557,217	3,235,840	43,958
Community and economic development, health and welfare	1,741,690	138,725	345,469	1,171,077
Recreation and culture	8,055,406	2,579,022	595,403	1,961,059
Interest on long-term debt	641,403	-	-	-
Total governmental activities	45,937,709	12,128,448	5,439,778	3,256,768
Business-type activities:				
Water	3,413,480	3,561,696	-	198,750
Sewer	8,744,209	10,192,304	-	801,449
Parking	3,374,185	3,895,452	270,980	373,686
Total business-type activities	15,531,874	17,649,452	270,980	1,373,885
Total primary government	<u>\$ 61,469,583</u>	<u>\$ 29,777,900</u>	<u>\$ 5,710,758</u>	<u>\$ 4,630,653</u>
Component units:				
Downtown Development Authority	\$ 1,970,378	\$ 248,874	\$ -	\$ -
Downtown Management Board	66,602	2,250	850	-
Brownfield Redevelopment Authority	1,000,907	-	-	-
Economic Development Corporation	-	-	-	-
Local Development Financing Authority	97,621	1,644	1,667	-
Total component units	<u>\$ 3,135,508</u>	<u>\$ 252,768</u>	<u>\$ 2,517</u>	<u>\$ -</u>

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 - Disposal of operations (Note 18)

Change in Net Position

Net Position - Beginning of year - As restated (Note 2)

Net Position - End of year

Statement of Activities Year Ended June 30, 2015

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,111,267)	\$ -	\$ (2,111,267)	\$ -
(15,537,579)	-	(15,537,579)	-
(3,816,125)	-	(3,816,125)	-
(86,419)	-	(86,419)	-
(2,919,922)	-	(2,919,922)	-
(641,403)	-	(641,403)	-
(25,112,715)	-	(25,112,715)	-
-	346,966	346,966	-
-	2,249,544	2,249,544	-
-	1,165,933	1,165,933	-
-	3,762,443	3,762,443	-
(25,112,715)	3,762,443	(21,350,272)	-
-	-	-	(1,721,504)
-	-	-	(63,502)
-	-	-	(1,000,907)
-	-	-	-
-	-	-	(94,310)
-	-	-	(2,880,223)
20,295,406	-	20,295,406	1,885,125
5,196,550	-	5,196,550	-
131,705	26,996	158,701	4,122
441,002	42,700	483,702	-
153,497	9,820	163,317	6,276
134,415	-	134,415	-
-	(38,097)	(38,097)	-
26,352,575	41,419	26,393,994	1,895,523
-	-	-	(240,179)
1,239,860	3,803,862	5,043,722	(1,224,879)
(4,757,550)	36,393,884	31,636,334	1,158,441
\$ (3,517,690)	\$ 40,197,746	\$ 36,680,056	\$ (66,438)

City of East Lansing, Michigan

Governmental Funds Balance Sheet June 30, 2015

	General Fund	Nonmajor Funds	Total
Assets			
Cash and investments (Note 4)	\$ 7,074,391	\$ 5,104,393	\$ 12,178,784
Receivables - Net (Note 5)	1,638,437	1,403,399	3,041,836
Due from other funds (Note 7)	91,733	-	91,733
Inventories and prepaids	42,023	157,584	199,607
Assets available for sale (Note 1)	-	154,000	154,000
Restricted assets (Note 1)	-	520,041	520,041
Loan receivable	-	112,486	112,486
Total assets	<u>\$ 8,846,584</u>	<u>\$ 7,451,903</u>	<u>\$16,298,487</u>
Liabilities			
Accounts payable	\$ 379,625	\$ 701,330	\$ 1,080,955
Due to other funds (Note 7)	-	91,733	91,733
Accrued and other liabilities	542,440	97,009	639,449
Unearned revenue	118,649	-	118,649
Total liabilities	1,040,714	890,072	1,930,786
Deferred Inflows of Resources			
Unavailable revenue	377,162	631,969	1,009,131
Sale of future revenue	500,982	-	500,982
Total deferred inflows of resources	878,144	631,969	1,510,113
Fund Balances			
Nonspendable (Note 16)	42,023	310,743	352,766
Restricted (Note 16)	-	4,245,191	4,245,191
Committed (Note 16)	2,450	10,715	13,165
Assigned (Note 16)	825,672	1,363,213	2,188,885
Unassigned	6,057,581	-	6,057,581
Total fund balances	<u>6,927,726</u>	<u>5,929,862</u>	<u>12,857,588</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,846,584</u>	<u>\$ 7,451,903</u>	<u>\$16,298,487</u>

City of East Lansing, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

Fund Balance Reported in Governmental Funds	\$	12,857,588
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		64,756,964
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds		3,743,099
Net pension liability is not due and payable in the current period and is not reported in the funds		(64,785,231)
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures		1,009,131
Unamortized deferred charge on refunding of debt is not reported in the funds		195,192
Long-term debt obligations are not due and payable in the current period and are not reported in the funds		(19,425,059)
Accrued interest is not due and payable in the current period and is not reported in the funds		(171,302)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities		(3,167,169)
Other postemployment benefit obligations are not reported in the funds		(1,818,161)
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		3,287,258
Net Position Deficit of Governmental Activities	\$	<u>(3,517,690)</u>

City of East Lansing, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2015

	General Fund	Nonmajor Funds	Total
Revenue			
Property taxes	\$ 15,850,400	\$ 4,415,009	\$ 20,265,409
Intergovernmental revenue	59,958	1,317,494	1,377,452
Licenses and permits	1,707,590	-	1,707,590
Federal sources	64,916	343,019	407,935
State sources	6,467,305	3,562,150	10,029,455
Charges for services	4,451,441	2,374,451	6,825,892
Fines and forfeitures	2,980,252	43,079	3,023,331
Interest income	93,235	38,470	131,705
Rental income	50,254	458,060	508,314
Other:			
Special assessments	-	382,574	382,574
Cable franchise fees	392,733	-	392,733
Other miscellaneous revenue	188,106	2,191,316	2,379,422
Total revenue	32,306,190	15,125,622	47,431,812
Expenditures			
Current:			
General government	6,696,648	80,906	6,777,554
Public safety	18,872,810	1,623	18,874,433
Public works	1,900,967	5,123,021	7,023,988
Health and welfare and community development	794,939	667,570	1,462,509
Recreation and culture	1,590,331	6,219,409	7,809,740
Debt service:			
Principal	-	2,010,000	2,010,000
Interest on long-term debt	-	659,272	659,272
Total expenditures	29,855,695	14,761,801	44,617,496
Excess of Revenue Over Expenditures	2,450,495	363,821	2,814,316
Other Financing Sources (Uses)			
Issuance of debt	-	2,850,000	2,850,000
Transfers in (Note 7)	433,133	2,620,985	3,054,118
Transfers out (Note 7)	(2,732,355)	(970,208)	(3,702,563)
Payment to bond refunding escrow agent	-	(2,836,853)	(2,836,853)
Total other financing (uses) sources	(2,299,222)	1,663,924	(635,298)
Net Change in Fund Balances	151,273	2,027,745	2,179,018
Fund Balances - Beginning of year	6,776,453	3,902,117	10,678,570
Fund Balances - End of year	<u>\$ 6,927,726</u>	<u>\$ 5,929,862</u>	<u>\$ 12,857,588</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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 2,179,018
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	2,356,014
Depreciation expense	(3,034,947)
Net book value of assets disposed of	(240,964)
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	(254,242)
Change in deferred outflows related to pensions	1,153,466
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	2,010,000
Drainage flow rights liability	34,908
Burcham Park remediation liability	(282,000)
Refunding of bonds payable and other long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,765,000
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(2,850,000)
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	16,127
Change in net pension liability is not a financial resource and is not reported in the governmental funds	(2,915,470)
Change in accrued interest payable and other	38,686
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	(210,426)
Other postemployment benefit expense not reported in the funds	(945,316)
Internal Service Funds are included as part of governmental activities	1,420,006
Change in Net Position of Governmental Activities	\$ 1,239,860

City of East Lansing, Michigan

Proprietary Funds Statement of Net Position June 30, 2015

	Enterprise Funds				Governmental Activities
	Automobile Parking System Fund	Water Supply System	Sewage Disposal System	Total	Proprietary Internal Service Fund
Assets					
Current assets:					
Cash and investments (Note 4)	\$ 1,719,691	\$ 748,083	\$ 1,889,579	\$ 4,357,353	\$ 4,576,013
Receivables - Net (Note 5)	54,343	596,736	2,104,600	2,755,679	31,776
Inventories and prepaids	15,106	143,480	26,869	185,455	421,274
Total current assets	1,789,140	1,488,299	4,021,048	7,298,487	5,029,063
Noncurrent assets:					
Net investment in East Lansing - Meridian Water and Sewer Authority (Note 14)	-	2,222,228	-	2,222,228	-
Net OPEB asset (Note 13)	-	6,797	166,950	173,747	-
Capital assets (Note 6):					
Assets not subject to depreciation	1,943,710	414,254	4,950,615	7,308,579	1,134,610
Assets subject to depreciation	23,187,557	9,031,058	28,609,070	60,827,685	11,340,210
Total noncurrent assets	25,131,267	11,674,337	33,726,635	70,532,239	12,474,820
Total assets	26,920,407	13,162,636	37,747,683	77,830,726	17,503,883
Deferred Outflows of Resources					
Deferred charge on bond refunding	336,173	-	-	336,173	81,281
Deferred pension costs (Note 11)	33,198	59,757	313,723	406,678	48,552
Total deferred outflows	369,371	59,757	313,723	742,851	129,833
Liabilities					
Current liabilities:					
Accounts payable	90,382	13,291	1,081,011	1,184,684	228,855
Accrued and other liabilities	17,846	59,457	57,511	134,814	705,829
Accrued interest payable	171,244	16,871	77,796	265,911	38,208
Compensated absences (Note 9)	28,253	-	83,386	111,639	308,801
Long-term debt (Note 8)	1,838,504	65,395	2,229,509	4,133,408	371,386
Total current liabilities	2,146,229	155,014	3,529,213	5,830,456	1,653,079
Noncurrent liabilities:					
Compensated absences (Note 9)	12,048	-	36,499	48,547	104,573
Net OPEB obligation (Note 13)	42,419	-	-	42,419	39,975
Net pension liability (Note 11)	574,592	1,034,265	5,429,893	7,038,750	840,341
Claims payable (Note 10)	-	-	16,500	16,500	689,201
Long-term debt (Note 8)	12,910,043	1,432,976	10,573,172	24,916,191	5,881,978
Total noncurrent liabilities	13,539,102	2,467,241	16,056,064	32,062,407	7,556,068
Total liabilities	15,685,331	2,622,255	19,585,277	37,892,863	9,209,147
Deferred Inflows of Resources -					
Sale of future revenue	318,660	-	164,308	482,968	117,919
Net Position					
Net investment in capital assets	10,718,893	7,946,941	20,757,004	39,422,838	6,302,737
Restricted - Debt service	46,660	-	-	46,660	-
Unrestricted	520,234	2,653,197	(2,445,183)	728,248	2,003,913
Total net position	\$ 11,285,787	\$ 10,600,138	\$ 18,311,821	\$ 40,197,746	\$ 8,306,650

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, 2015

	Enterprise Funds				Governmental Activities
	Automobile Parking System Fund	Water Supply System	Sewage Disposal System	Total Enterprise Funds	Proprietary - Internal Service
Operating Revenue					
Parking revenue	\$ 3,834,027	\$ -	\$ -	\$ 3,834,027	\$ -
User service charges	-	3,561,696	10,192,304	13,754,000	7,340,565
Equipment and building rental	88,922	-	15,203	104,125	4,175,558
Miscellaneous revenue	9,820	-	-	9,820	-
Contributions	270,980	-	-	270,980	-
Total operating revenue	4,203,749	3,561,696	10,207,507	17,972,952	11,516,123
Operating Expenses					
Purchase of water from East Lansing - Meridian Water and Sewer Authority	-	1,427,804	-	1,427,804	-
Personal services	1,018,611	947,678	2,957,132	4,923,421	7,414,944
Operations	761,381	613,022	3,267,482	4,641,885	1,883,655
Maintenance	106,415	69,730	262,959	439,104	427,289
Depreciation	756,466	281,310	1,852,489	2,890,265	893,474
Total operating expenses	2,642,873	3,339,544	8,340,062	14,322,479	10,619,362
Operating Income	1,560,876	222,152	1,867,445	3,650,473	896,761
Nonoperating Revenue (Expenses)					
Interest income	8,119	3,691	15,186	26,996	20,629
Interest expense	(651,353)	(73,936)	(330,621)	(1,055,910)	(158,224)
Bond issuance costs	(79,959)	-	(73,526)	(153,485)	-
Gain on sale of assets	-	-	-	-	12,395
Loss from joint venture	-	(38,097)	-	(38,097)	-
Total nonoperating expenses	(723,193)	(108,342)	(388,961)	(1,220,496)	(125,200)
Income - Before contributions	837,683	113,810	1,478,484	2,429,977	771,561
Capital Contributions	373,686	198,750	801,449	1,373,885	-
Transfers In (Note 7)	-	-	-	-	648,445
Change in Net Position	1,211,369	312,560	2,279,933	3,803,862	1,420,006
Net Position - Beginning of year (Note 2)	10,074,418	10,287,578	16,031,888	36,393,884	6,886,644
Net Position - End of year	<u>\$ 11,285,787</u>	<u>\$ 10,600,138</u>	<u>\$ 18,311,821</u>	<u>\$ 40,197,746</u>	<u>\$ 8,306,650</u>

City of East Lansing, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

	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	\$ 4,196,400	\$ 3,586,250	\$ 10,019,360	\$ 17,802,010	\$ 11,457,525
Payments to suppliers	(854,609)	(2,144,672)	(2,842,764)	(5,842,045)	(1,766,284)
Payments to employees	(1,013,066)	(887,963)	(2,646,501)	(4,547,530)	(1,207,414)
Claims paid	-	-	-	-	(6,426,438)
Net cash provided by operating activities	2,328,725	553,615	4,530,095	7,412,435	2,057,389
Cash Flows from Noncapital Financing Activities - Transfers from other funds	-	-	-	-	648,445
Cash Flows from Capital and Related Financing Activities					
Issuance of bonds and related premiums	4,302,946	-	294,997	4,597,943	-
Contributions from other governmental units	139,411	-	-	139,411	-
Proceeds from sales of capital assets	-	-	-	-	32,001
Purchase of capital assets	(431,220)	(142,396)	(1,901,490)	(2,475,106)	(1,594,088)
Principal and interest paid on long- term debt	(2,413,203)	(137,188)	(2,583,655)	(5,134,046)	(672,362)
Deposit to escrow agent	(4,284,655)	-	-	(4,284,655)	-
Net cash used in capital and related financing activities	(2,686,721)	(279,584)	(4,190,148)	(7,156,453)	(2,234,449)
Cash Flows from Investing Activities - Interest received on investments	8,119	3,691	15,186	26,996	20,629
Net (Decrease) Increase in Cash and Cash Equivalents	(349,877)	277,722	355,133	282,978	492,014
Cash and Cash Equivalents - Beginning of year	2,069,568	470,361	1,534,446	4,074,375	4,083,999
Cash and Cash Equivalents - End of year	<u>\$ 1,719,691</u>	<u>\$ 748,083</u>	<u>\$ 1,889,579</u>	<u>\$ 4,357,353</u>	<u>\$ 4,576,013</u>

City of East Lansing, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2015

	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	\$ 1,719,691	\$ 748,083	\$ 1,889,579	\$ 4,357,353	\$ 4,576,013
Reconciliation of Operating Income to Net Cash from Operating Activities					
Operating income	1,560,876	222,152	1,867,445	3,650,473	896,761
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation	756,466	281,310	1,852,489	2,890,265	893,474
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
Receivables	10,223	24,554	(17,685)	17,092	(31,353)
Inventories and prepaids	(2,302)	2,936	(3,407)	(2,773)	(94,752)
Accounts payable	51,790	(21,075)	756,100	786,815	262
Claims payable	-	-	-	-	249,300
Accrued and other liabilities	-	2,589	(70,280)	(67,691)	127,337
Due to other governmental units	(11,799)	-	13,002	1,203	-
Deferred inflows and outflows	(37,862)	(18,657)	(113,150)	(169,669)	(27,245)
Pension and OPEB liability	36,648	59,806	247,568	344,022	51,597
Compensated absences	(35,315)	-	(1,987)	(37,302)	(7,992)
Net cash provided by operating activities	<u>\$ 2,328,725</u>	<u>\$ 553,615</u>	<u>\$ 4,530,095</u>	<u>\$ 7,412,435</u>	<u>\$ 2,057,389</u>

City of East Lansing, Michigan

Fiduciary Funds **Statement of Fiduciary Net Position - Agency** **June 30, 2015**

Assets

Cash and investments	\$ 982,426
Receivables - Net	66,909
	<hr/>
Total assets	\$ 1,049,335

Liabilities

Accounts payable	\$ 102,517
Due to other governmental units	232,079
Accrued and other liabilities	714,739
	<hr/>
Total liabilities	\$ 1,049,335

City of East Lansing, Michigan

Component Units Statement of Net Position June 30, 2015

	Downtown Development Authority	Downtown Management Board	Brownfield Redevelopment Authority	Economic Development Corporation	Local Development Financing Authority	Total
Assets						
Cash and investments	\$ 294,812	\$ 21,149	\$ 83,313	\$ 11	\$ 161	\$ 399,446
Receivables - Net (Note 5)	944	129,944	-	-	-	130,888
Prepaid expenses	-	250	-	-	-	250
Capital assets - Net (Note 6)	5,125,461	-	-	-	-	5,125,461
Total assets	5,421,217	151,343	83,313	11	161	5,656,045
Liabilities						
Accounts payable	12,188	1,462	-	-	-	13,650
Accrued and other liabilities	31,747	-	-	-	-	31,747
Accrued interest payable	22,086	-	-	-	-	22,086
Current portion of long-term debt (Note 8)	25,000	-	-	-	-	25,000
Long-term debt - Net of current portion (Note 8)	5,630,000	-	-	-	-	5,630,000
Total liabilities	5,721,021	1,462	-	-	-	5,722,483
Net Position						
Net investment in capital assets	(529,539)	-	-	-	-	(529,539)
Unrestricted	229,735	149,881	83,313	11	161	463,101
Total net position	\$ (299,804)	\$ 149,881	\$ 83,313	\$ 11	\$ 161	\$ (66,438)

City of East Lansing, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority	\$ 1,970,378	\$ 248,874	\$ -	\$ -
Downtown Management Board	66,602	2,250	850	-
Brownfield Redevelopment Authority	1,000,907	-	-	-
Economic Development Corporation	-	-	-	-
Local Development Financing Authority	97,621	1,644	1,667	-
Total component units	\$ 3,135,508	\$ 252,768	\$ 2,517	\$ -
General revenue:				
Property tax capture				
Property tax				
Unrestricted investment earnings				
Miscellaneous				
Total general revenue				
Special Item - Disposal of operations (Note 18)				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Component Units
Statement of Activities
Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in Net Position					
Downtown Development Authority	Downtown Management Board	Brownfield Redevelopment Authority	Economic Development Corporation	Local Development Financing Authority	Total
\$ (1,721,504)	\$ -	\$ -	\$ -	\$ -	\$ (1,721,504)
-	(63,502)	-	-	-	(63,502)
-	-	(1,000,907)	-	-	(1,000,907)
-	-	-	-	-	-
-	-	-	-	(94,310)	(94,310)
(1,721,504)	(63,502)	(1,000,907)	-	(94,310)	(2,880,223)
834,030	-	886,833	-	40,737	1,761,600
123,525	-	-	-	-	123,525
2,759	221	1,098	-	44	4,122
1,201	5,075	-	-	-	6,276
961,515	5,296	887,931	-	40,781	1,895,523
(240,179)	-	-	-	-	(240,179)
(1,000,168)	(58,206)	(112,976)	-	(53,529)	(1,224,879)
700,364	208,087	196,289	11	53,690	1,158,441
\$ (299,804)	\$ 149,881	\$ 83,313	\$ 11	\$ 161	\$ (66,438)

Note 1 - 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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 revenue 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 revenue 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 for which specific revenues were used. 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. Agency funds have no measurement focus.

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 healthcare 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 proceeds from the disposal of operations are to be set aside for debt service principal and interest. These amounts have been classified as restricted assets.

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.

Note I - Summary of Significant Accounting Policies (Continued)

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

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 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 expensed. In the fund financial statements, governmental fund types recognize bond premiums and discounts. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 and pension expenses.

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 three items that qualify for reporting in this category. The deferred inflows of resources relate to unavailable revenue from property taxes, special assessments, and receivables not received in 60 days.

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.

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.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

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 unpaid real property taxes are added to the county tax rolls.

The City's 2014 tax is levied and collectible on July 1, 2014 and is recognized as revenue in the year ended June 30, 2015, when the proceeds of the levy are budgeted and available for the financing of operations. The 2014 taxable valuation of the City totaled \$909 million. The tax levy and related revenue (net of delinquent amounts, etc.) were as follows:

Purpose	Millage Rate	Revenue
General operating	17.5891	\$ 14,940,262
Other - Administrative fees and other		874,000
Total reported in the General Fund		15,814,262
Debt	1.3128	1,176,039
Library	2.0000	1,715,225
Solid Waste Fund	1.7680	1,517,354
Total	22.6699	\$ 20,222,880

Pension - The City offers pension benefits to retirees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1 - Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs - The City offers retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation of the remaining amortization period. In the governmental funds, 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.

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 - Reporting Change (Prior Period Adjustments)

During the current year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension note for further details. This change does not impact the General Fund or any other governmental fund.

The financial statements for the year ended June 30, 2014 have been restated in order to adopt GASB Statement No. 68. The effect of this new accounting standard was a decrease in net position to record the net pension liability at June 30, 2014.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 2 - Reporting Change (Prior Period Adjustments) (Continued)

These changes are as follows:

	Governmental Activities	Business-type Activities	Automobile Parking System Fund	Water Supply System	Sewage Disposal System	Proprietary Internal Service Funds
Net position - June 30, 2014 - As previously reported	\$ 54,499,422	\$ 42,832,003	\$ 10,599,979	\$ 11,233,587	\$ 20,998,437	\$ 7,655,277
Adjustment for implementation of GASB Statement No. 68	<u>(59,256,972)</u>	<u>(6,438,119)</u>	<u>(525,561)</u>	<u>(946,009)</u>	<u>(4,966,549)</u>	<u>(768,633)</u>
Net position - June 30, 2014 - As restated	<u>\$ (4,757,550)</u>	<u>\$ 36,393,884</u>	<u>\$ 10,074,418</u>	<u>\$ 10,287,578</u>	<u>\$ 16,031,888</u>	<u>\$ 6,886,644</u>

Note 3 - 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:

Combined General Fund encumbrances	\$ 375,709
Nonmajor funds encumbrances	858,449

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
Debt Service Fund	\$ 2,192,730	\$ 2,212,594

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 4 - 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 30 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs; in addition, the policy also allows for commercial paper investment in accordance with Michigan Public Act 20 of 1943, as amended. The City's deposits and investment policies are in accordance with statutory authority.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$12,409,093 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

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

<u>Investment</u>	<u>Fair Value</u>	<u>Less Than One Year</u>
Money market funds	<u>\$ 4,247,896</u>	<u>\$ 4,247,896</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 4 - 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>\$ 4,247,896</u>	Not rated	-

Restricted Assets

Restricted cash consists of cash held in escrow to pay principal and interest due on the 2008/2009 Limited Tax Bonds Series B (Smart Zone Bonds). At year end, the balances are as follows:

	Restricted Assets
Governmental activities - Debt Service Fund	<u>\$ 520,041</u>

Note 5 - 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	\$ 35,738	\$ 6,382	\$ -	\$ -	\$ -	\$ -	\$ 1,298
Special assessments	-	631,969	-	-	299,015	-	129,944
Accounts	1,016,907	16,166	44,418	596,736	897,705	-	-
Interest	3,820	285	-	-	-	383	-
Other	134,868	48,131	9,925	-	1,404	28,998	-
Accounts	962,208	701,913	-	-	906,476	2,395	-
Less allowance for uncollectibles	(515,104)	(1,447)	-	-	-	-	(354)
Net receivables	<u>\$ 1,638,437</u>	<u>\$ 1,403,399</u>	<u>\$ 54,343</u>	<u>\$ 596,736</u>	<u>\$ 2,104,600</u>	<u>\$ 31,776</u>	<u>\$ 130,888</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 6 - Capital Assets

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

	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 7,798,174	\$ -	\$ -	\$ -	\$ 7,798,174
Construction in progress	2,401,199	(1,960,013)	680,598	-	1,121,784
Subtotal	10,199,373	(1,960,013)	680,598	-	8,919,958
Capital assets being depreciated:					
Land improvements	6,840,184	402,815	297,304	-	7,540,303
Buildings and improvements	37,612,882	-	38,140	(348,190)	37,302,832
Vehicles	7,871,055	18,450	1,261,848	(254,117)	8,897,236
Equipment	12,087,716	508,689	554,562	-	13,150,967
Library books and electronic resources	1,087,029	-	201,958	(216,028)	1,072,959
Traffic signals	1,476,441	-	-	-	1,476,441
Streets	45,055,192	912,735	819,046	-	46,786,973
Decorative street lights	1,259,359	-	-	-	1,259,359
Pathways	1,305,184	30,891	-	-	1,336,075
Sidewalks	1,875,772	86,433	96,646	-	2,058,851
Drainage flow rights	698,161	-	-	-	698,161
Bridges	772,735	-	-	-	772,735
Subtotal	117,941,710	1,960,013	3,269,504	(818,335)	122,352,892
Accumulated depreciation:					
Land improvements	3,751,856	-	333,358	-	4,085,214
Buildings and improvements	11,625,911	-	784,363	(107,226)	12,303,048
Vehicles	6,399,074	-	532,605	(234,511)	6,697,168
Equipment	11,062,617	-	320,934	-	11,383,551
Library books and electronic resources	657,553	-	157,686	(216,028)	599,211
Traffic signals	1,365,199	-	34,351	-	1,399,550
Streets	26,015,286	-	1,567,292	-	27,582,578
Decorative street lights	1,209,916	-	23,929	-	1,233,845
Pathways	196,925	-	54,372	-	251,297
Sidewalks	282,639	-	69,168	-	351,807
Drainage flow rights	261,810	-	34,908	-	296,718
Bridges	316,444	-	15,455	-	331,899
Subtotal	63,145,230	-	3,928,421	(557,765)	66,515,886
Net capital assets being depreciated	54,796,480	1,960,013	(658,917)	(260,570)	55,837,006
Net capital assets	\$ 64,995,853	\$ -	\$ 21,681	\$ (260,570)	\$ 64,756,964

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 6 - Capital Assets (Continued)

	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 2,123,839	\$ -	\$ -	\$ -	\$ 2,123,839
Construction in progress	3,739,092	(371,802)	1,817,450	-	5,184,740
Subtotal	5,862,931	(371,802)	1,817,450	-	7,308,579
Capital assets being depreciated:					
Buildings and building improvements	62,544,482	-	661,650	-	63,206,132
Water and sewer mains	48,060,689	371,802	351,032	-	48,783,523
Equipment	8,818,645	-	77,999	-	8,896,644
Subtotal	119,423,816	371,802	1,090,681	-	120,886,299
Accumulated depreciation:					
Buildings and building improvements	31,302,446	-	1,341,489	-	32,643,935
Water and sewer mains	21,154,024	-	1,309,025	-	22,463,049
Equipment	4,711,879	-	239,751	-	4,951,630
Subtotal	57,168,349	-	2,890,265	-	60,058,614
Net capital assets being depreciated	62,255,467	371,802	(1,799,584)	-	60,827,685
Net capital assets	\$ 68,118,398	\$ -	\$ 17,866	\$ -	\$ 68,136,264
	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015	
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	-	(1,008,497)	4,529,863	
Equipment	46,394	-	(46,394)	-	
Subtotal	5,584,754	-	(1,054,891)	4,529,863	
Accumulated depreciation:					
Buildings and building improvements	692,650	90,386	(101,835)	681,201	
Equipment	37,879	-	(37,879)	-	
Subtotal	730,529	90,386	(139,714)	681,201	
Net capital assets being depreciated	4,854,225	(90,386)	(915,177)	3,848,662	
Net capital assets	\$ 6,131,024	\$ (90,386)	\$ (915,177)	\$ 5,125,461	

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 6 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 184,241
Public safety	156,821
Public works	1,828,635
Community and economic development	1,513
Culture and recreation	863,737
Internal service fund depreciation is charged to the various functions based on their usage of the asset	893,474
Total governmental activities	<u>\$ 3,928,421</u>

Business-type activities:

Water Supply System Fund	\$ 281,310
Sewage Disposal System Fund	1,852,489
Automobile Parking System Fund	756,466
Total business-type activities	<u>\$ 2,890,265</u>

Component units - Downtown Development Authority	<u>\$ 90,386</u>
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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	\$ 484,642	\$ 651,052
Sidewalk projects	51,235	310,143
Sewer projects	1,706,216	14,310,690
Water projects	70,587	122,695
Parking projects	106,370	275,125
Total	<u>\$ 2,419,050</u>	<u>\$ 15,669,705</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 7 - Interfund Receivables, Payables, and Transfers

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	CDBG Fund	\$ 91,733

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

Interfund transfers for the year ended June 30, 2015 consisted of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Local Streets Fund	\$ 600,000
	Parks and Recreation Fund	1,118,935
	Debt Service Fund	77,995
	Capital Improvements Fund	286,980
	Insurance and Benefits Fund	648,445
	Total General Fund	2,732,355
Major Streets Fund	Local Streets Fund	475,000
Solid Waste Fund	Debt Service Fund	62,075
Parks and Recreation Fund	Seniors Fund (combined with General Fund)	7,000
Parks Capital Improvements Fund	General Fund	350,000
Capital Improvements Fund	General Fund	76,133
	Total interfund transfers	\$ 3,702,563

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 Parks and Recreation Fund provided support to the Seniors Fund (combined with the General Fund) for facility usage. The Capital Improvements Fund remitted its portion of capital expenditures for the St. Anne Plaza renovations paid by the General Fund. The Parks Capital Improvements Fund remitted its portion of capital expenditures for the Patriarche Park renovations.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 8 - 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 debt 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	\$ 420,000
Unlimited Tax Bonds Series (1999)	570,000	-	100,000	470,000	110,000
Unlimited Tax Refunding Bonds (2005)	390,000	-	390,000	-	-
Limited Tax Downtown Development Refunding Bonds (2005)	2,935,000	-	2,935,000	-	-
2004 Limited Tax Bonds	1,615,000	-	1,615,000	-	-
2008 Limited Tax Bonds Series A	520,000	-	55,000	465,000	40,000
2008 Limited Tax Bonds Series B	250,000	-	35,000	215,000	40,000
2009 Limited Tax Bonds Series A	275,000	-	50,000	225,000	55,000
2009 Limited Tax Bonds Series B	270,000	-	30,000	240,000	35,000
2009 Unlimited Tax Refunding Bonds (1998 Aq/Han)	3,065,000	-	570,000	2,495,000	590,000
2009 Michigan Transportation Bonds (Local Streets)	1,090,000	-	90,000	1,000,000	95,000
2010 Limited Tax Bonds Series A (Avondale Square)	2,255,000	-	60,000	2,195,000	65,000
2012 Limited Tax Refunding Bonds (of 2003 Garage Bonds)	4,515,000	-	270,000	4,245,000	280,000
2014 Limited Tax Refunding Bonds (of 2004 Garage Bonds)	-	1,575,000	10,000	1,565,000	145,000
2015 Limited Tax Refunding DDA Bonds (of 2005 Bonds)	-	2,850,000	-	2,850,000	230,000
Plus premiums on bonds payable	345,376	-	69,305	276,071	38,799
Other general obligations:					
HUD Note Series 2006-A	975,000	-	75,000	900,000	75,000
Towar/Snell Drain Assessment	418,896	-	34,908	383,988	34,908
ERP Installment Loan	330,000	-	110,000	220,000	110,000
Special assessment bonds - Bond Series (2006)	1,150,000	-	385,000	765,000	385,000
Total governmental activities	\$ 21,389,272	\$ 4,425,000	\$ 6,884,213	\$ 18,930,059	\$ 2,748,707

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 8 - Long-term Debt (Continued)

The Limited Tax Downtown Development Refunding Bonds (2005) and the related refunding bonds in 2015 are intended to be funded by contributions from the Downtown Development Authority.

In July 2014, the 2008 Limited Tax Bonds Series B and 2009 Limited Tax Bonds Series B were defeased in substance. A restricted cash escrow account was established and recorded in the Debt Service Fund and will service all principal and interest payments going forward. These bonds will remain on the schedule above and funds will be held in escrow until fiscal year 2019 when all outstanding bonds will be redeemed and paid off.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
General obligation bonds:					
Limited Tax Bonds Series 1994 - CSO	\$ 1,050,000	\$ -	\$ 340,000	\$ 710,000	\$ 350,000
Limited Tax Bonds Series 1995 - CSO	2,280,000	-	745,000	1,535,000	760,000
Building Authority Bonds 1997	305,000	-	70,000	235,000	75,000
Building Authority Bonds 2000	3,105,000	-	-	3,105,000	555,000
Limited Tax Certificates of Participation 2001	510,000	-	250,000	260,000	260,000
Limited Tax Bonds Series 2000	275,000	-	40,000	235,000	40,000
Limited Tax Certificates of Participation 2001B	375,000	-	185,000	190,000	190,000
Limited Tax Bond Series 2004 - CSO	5,863,648	-	435,000	5,428,648	445,000
Building Authority Refunding Bonds 2005	4,750,000	-	4,750,000	-	-
Limited Tax Bonds Series A 2007	1,995,000	-	40,000	1,955,000	40,000
Limited Tax Bonds Series B 2007	2,030,000	-	40,000	1,990,000	40,000
Limited Tax Refunding Bonds 2008	800,000	-	255,000	545,000	270,000
Limited Tax Refunding Bonds 2009	2,140,000	-	690,000	1,450,000	710,000
Limited Tax Bonds Series A 2011 - Parking	1,822,766	-	77,139	1,745,627	79,996
Limited Tax Bonds Series A 2011 - Water	1,367,235	-	57,861	1,309,374	60,004
Limited Tax Bonds 2012 - Sewer	1,275,000	-	55,000	1,220,000	60,000
Limited Tax Bonds Series 2013	2,639,139	150,296	120,000	2,669,435	115,000
Limited Tax Bonds Series 2015 - Sewer (MFA)	-	144,701	-	144,701	-
Limited Tax Building Authority Refunding Bonds 2015	-	3,795,000	-	3,795,000	25,000
Plus premiums on bonds payable	107,771	477,450	58,407	526,814	58,408
Total business-type activities	\$ 32,690,559	\$ 4,567,447	\$ 8,208,407	\$ 29,049,599	\$ 4,133,408

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 8 - Long-term Debt (Continued)

Component Unit Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2012 DDA Refunding Bond Anticipation Notes	\$ 5,655,000	\$ -	\$ 5,655,000	\$ -	\$ -
2015 Evergreen Properties	-	5,655,000	-	5,655,000	25,000
Total component unit activities	\$ 5,655,000	\$ 5,655,000	\$ 5,655,000	\$ 5,655,000	\$ 25,000

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
2016	\$ 2,709,908	\$ 645,129	\$ 3,355,037	\$ 4,075,000	\$ 1,013,643	\$ 5,088,643	\$ 25,000	\$ 87,150	\$ 112,150
2017	2,344,908	563,908	2,908,816	3,879,701	860,230	4,739,931	25,000	85,576	110,576
2018	2,004,908	490,756	2,495,664	1,640,000	757,656	2,397,656	25,000	85,196	110,196
2019	2,024,908	415,807	2,440,715	1,625,000	694,352	2,319,352	290,000	84,816	374,816
2020	1,084,908	354,934	1,439,842	1,700,000	628,524	2,328,524	295,000	80,408	375,408
2021-2025	5,729,540	1,210,948	6,940,488	8,985,000	2,210,195	11,195,195	1,550,000	333,260	1,883,260
2026-2030	1,954,908	438,489	2,393,397	3,753,648	990,765	4,744,413	1,650,000	212,420	1,862,420
2031-2035	800,000	156,250	956,250	2,284,436	386,242	2,670,678	1,795,000	82,764	1,877,764
2036-2037	-	-	-	580,000	44,250	624,250	-	-	-
Total	\$ 18,653,988	\$ 4,276,221	\$ 22,930,209	\$ 28,522,785	\$ 7,585,857	\$ 36,108,642	\$ 5,655,000	\$ 1,051,590	\$ 6,706,590

Current Refundings - During the year, the City issued a par amount of \$3,795,000 with a premium of \$507,946 for a total of \$4,302,946 in refunding bonds with an average interest rate of 3.0 percent. The proceeds of these bonds were used to refund \$4,200,000 of the 2005 Building Authority bonds with an average interest rate of 4.0 percent. The proceeds of \$4,302,946 along with current debt service of \$550,000 were used to pay issuance costs of \$102,946 and \$4,750,000 of principal on the 2005 notes. The total cash flows required to service the new debt is \$5,009,086, resulting in a net present value savings from cash flow of \$472,591.

The City also issued a par amount of \$1,575,000 in refunding bonds with an average interest rate of 2.44 percent. The proceeds of these bonds were used to refund \$1,495,000 of the 2004 DPW Building bonds with an average interest rate of 4.9 percent. The proceeds of \$1,575,000 along with current debt service of \$120,000 were used to pay issuance costs of \$80,050 and \$1,615,000 of principal on the 2004 notes. The total cash flows required to service the new debt is \$1,815,691, resulting in a net present value savings from cash flow of \$143,571.

Note 8 - Long-term Debt (Continued)

The City also issued a par amount of \$2,850,000 in refunding bonds with an average interest rate of 1.98 percent. The proceeds of these bonds were used to refund \$2,765,000 of the 2005 Downtown Development Refunding Bonds with an average interest rate of 5.18 percent. The proceeds of \$2,850,000 along with current debt service of \$170,000 were used to pay issuance costs of \$85,000 and \$2,935,000 of principal on the 2005 notes. The total cash flows required to service the new debt is \$3,259,881, resulting in a net present value savings from cash flow of \$349,404.

Note 9 - Compensated Absences

The City provides compensated absences to its employees. In the governmental activities, the beginning balance is \$2,964,735 with additions of \$2,507,872 and reductions of \$2,305,438, which results in an ending balance at the end of the year of \$3,167,169. Due within one year for the governmental activities is \$1,998,054. In the business-type activities, the beginning balance is \$197,488 with additions of \$88,442 and reductions of \$125,744, which results in an ending balance at the end of the year of \$160,186. Due within one year for the business-type activities is \$111,639.

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, errors and omissions claims, and stop-loss insurance. 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 27 fiscal years.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

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:

	2015	2014
Unpaid claims - Beginning of year	\$ 439,901	\$ 293,063
Incurred claims, including claims incurred but not reported	1,258,172	1,229,504
Claim payments	(1,008,872)	(1,082,666)
Unpaid claims - End of year	\$ 689,201	\$ 439,901

Note 11 - Defined Benefit Pension Plan

Plan Description - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS), which covers eligible employees of the City. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

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's maximum, combined contribution to the hybrid plan at inception was 10.5 percent, but effective July 1, 2011, this was reduced to 10.0 percent for new hires.

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 11 - Defined Benefit Pension Plan (Continued)

01 - General Non Union	Closed to new hires, linked to Division HA
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25 or 55/15
Final Average Compensation	3 years
Employee Contributions	1%
02 - Police - Non Command	Closed to new hires, linked to Division 23
Benefit Multiplier	2.75% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	50/25
Early Retirement (Reduced)	55/15
Final Average Compensation	3 years
COLA for Future Retirees	2.50% (Non-Compound)
Employee Contributions	1.50%
05 - Fire	Closed to new hires, linked to Division 50
Benefit Multiplier	2.75% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	50/25
Early Retirement (Reduced)	55/15
Final Average Compensation	3 years
COLA for Future Retirees	2.50% (Non-Compound)
Employee Contributions	4.50%
08 - New Hires 54B	Closed to new hires, linked to Division HA
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25 or 55/15
Final Average Compensation	3 years
Employee Contributions	1.00%

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 11 - Defined Benefit Pension Plan (Continued)

<u>10 - General DPW</u>	<u>Closed to new hires, linked to Division HA</u>
Benefit Multiplier	2.50% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	50/25
Early Retirement (Reduced)	55/15
Final Average Compensation	3 years
Employee Contributions	6.70%
<u>11 - General Auxiliary</u>	<u>Closed to new hires, linked to Division HB</u>
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	50/25
Early Retirement (Reduced)	55/15
Final Average Compensation	3 years
Employee Contributions	1.00%
<u>12 - General 54B Court</u>	<u>Closed to new hires</u>
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	50/25
Early Retirement (Reduced)	55/15
Final Average Compensation	3 years
Employee Contributions	1.00%
DC Plan for New Hires	7/1/2006
<u>13 - Jail Services</u>	<u>Closed to new hires, linked to Division HA</u>
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25 or 55/15
Final Average Compensation	5 years
Employee Contributions	1.00%

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 11 - Defined Benefit Pension Plan (Continued)

<u>15 - Junior Non-Union</u>	<u>Closed to new hires, linked to Division HA</u>
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25 or 55/15
Final Average Compensation	3 years
Employee Contributions	3.00%
<u>16 - Community Development</u>	<u>Closed to new hires</u>
Benefit Multiplier	2.00% to Social Security Age (no max), 1.70% after SS Age (no max)
Normal Retirement Age	60
Vesting	6 years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25 or 55/15
Final Average Compensation	3 years
Employee Contributions	0.00%
<u>17 - Supervisory Independent Union</u>	<u>Closed to new hires, linked to Division HA</u>
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25 or 55/15
Final Average Compensation	3 years
Employee Contributions	1.30%
<u>18 - UAW Non Supervisory</u>	<u>Closed to new hires, linked to Division HA</u>
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25 or 55/15
Final Average Compensation	3 years
Employee Contributions	1.00%

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 11 - Defined Benefit Pension Plan (Continued)

<u>19 - UAW Junior Unit</u>	<u>Closed to new hires, linked to Division HA</u>
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25 or 55/15
Final Average Compensation	3 years
Employee Contributions	3.00%
<u>20 - Police Supervisors</u>	<u>Open Division</u>
Benefit Multiplier	2.75% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	50/25
Early Retirement (Reduced)	55/15
Final Average Compensation	3 years
COLA for Future Retirees	2.50% (Non-Compound)
Employee Contributions	3.00%
<u>21 - Police/Fire</u>	<u>Closed to new hires, linked to Division HA</u>
Benefit Multiplier	2.75% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	50/25
Early Retirement (Reduced)	55/15
Final Average Compensation	3 years
COLA for Future Retirees	2.50% (Non-Compound)
Employee Contributions	4.00%
<u>22 - Sup of Info & Tech/Records</u>	<u>Open Division</u>
Benefit Multiplier	2.50% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	50/25
Early Retirement (Reduced)	55/15
Final Average Compensation	3 years
Employee Contributions	0.00%

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 11 - Defined Benefit Pension Plan (Continued)

<u>23 - POAM aft 7/1/11-Officers Only</u>	<u>Open Division, linked to Division 02</u>
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25 or 55/15
Final Average Compensation	3 years
Employee Contributions	0.00%
<u>50 - Fire Hired after 7/1/2011</u>	<u>Open Division, linked to Division 05</u>
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25 or 55/15
Final Average Compensation	3 years
Employee Contributions	0.00%
<u>HA - New Hires after 11/1/10</u>	<u>Open Division, linked to Division 01, 08, 10, 13, 15, 17, 18, 19, 21</u>
Benefit Multiplier	Hybrid Plan - 1.50% Multiplier
Normal Retirement Age	60
Vesting	6 years
Early Retirement (Unreduced)	--
Early Retirement (Reduced)	--
Final Average Compensation	3 years
Employee Contributions	0.00%
<u>HB - Gen. Aux FOP- Hired after 7/1/2011</u>	<u>Open Division, linked to Division 11</u>
Benefit Multiplier	Hybrid Plan - 1.50% Multiplier
Normal Retirement Age	60
Vesting	6 years
Early Retirement (Unreduced)	--
Early Retirement (Reduced)	--
Final Average Compensation	3 years
Employee Contributions	0.00%

Note 11 - Defined Benefit Pension Plan (Continued)

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employees' benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms - At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	339
Inactive plan members entitled to but not yet receiving benefits	64
Active plan members	<u>273</u>
Total employees covered by MERS	<u><u>676</u></u>

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2015, the average active employee contribution rate for contributing bargaining units was 2.74 percent of annual pay and the City's average contribution rate was 14.01 percent of annual payroll.

Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

Note 11 - Defined Benefit Pension Plan (Continued)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 158,571,058	\$ 90,021,782	\$ 68,549,276
Service cost	1,909,445	-	1,909,445
Interest	12,711,098	-	12,711,098
Contributions - Employer	-	5,714,320	(5,714,320)
Contributions - Employee	-	246,569	(246,569)
Net investment income	-	5,589,194	(5,589,194)
Benefit payments, including refunds	(10,903,724)	(10,903,724)	-
Administrative expenses	-	(204,245)	204,245
Net changes	3,716,819	442,114	3,274,705
Balance at December 31, 2014	<u>\$ 162,287,877</u>	<u>\$ 90,463,896</u>	<u>\$ 71,823,981</u>

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

For the year ended June 30, 2015, the City recognized pension expense of \$7,688,797. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,300,228	\$ -
Employer contributions to the plan subsequent to the measurement date	2,849,549	-
Total	<u>\$ 4,149,777</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2016	\$ 325,057
2017	325,057
2018	325,057
2019	325,057

Note 11 - Defined Benefit Pension Plan (Continued)

Actuarial Assumptions - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 % - 4 %	
Salary increases	4.5 %	In the long term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation
Investment rate of return	8.25 %	Gross of pension plan investment expense, including inflation

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of the most recent actuarial experience study in 2008.

Discount Rate - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 11 - Defined Benefit Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.0 %
Global fixed income	20	2.2
Real assets	12	4.2
Diversifying strategies	10	6.6

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 8.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.25 percent) or 1 percentage point higher (9.25 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability of the City	\$ 89,000,512	\$ 71,823,981	\$ 57,236,942

Pension Plan Fiduciary Net Position - Detailed information about the Plan's fiduciary net position is available in the separately issued financial report found at www.mersofmichigan.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

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 \$380,946 during the current year and employees contributed \$383,614.

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, 2015

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 the City) or its commercial Medical Advantage plan, dependent upon age of retiree. Currently, 295 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, 2015

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, 2015, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2012. 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)	\$ 4,116,422
Interest on the prior year's net OPEB obligation	51,876
Less adjustment to the annual required contribution	<u>-</u>
Annual OPEB cost	4,168,298
Amounts contributed:	
Payments of current premiums	(2,481,465)
Advance funding	<u>(648,445)</u>
Increase in net OPEB obligation	1,038,388
OPEB obligation - Beginning of year	<u>648,445</u>
OPEB obligation - End of year	<u>\$ 1,686,833</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

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	\$ 695,357
Public safety	758,120
Public works	222,746
Recreation and culture	84,995
Community and economic development	16,968
Internal service fund - Garage Fund	39,975
Total governmental activities	1,818,161
Business-type activities:	
Automobile Parking System Fund	42,419
Water Supply System Fund	(6,797)
Sewage Disposal System Fund	(166,950)
Total business-type activities	(131,328)
Total OPEB obligation	\$ 1,686,833

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
6/30/15	12/31/12	\$ 4,168,298	75.1 %	\$ 1,686,833
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

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
12/31/12	\$7,426,596	\$47,038,429	\$39,611,833	15.8 %	\$ 18,791,383	210.8 %
12/31/10	3,868,537	46,969,358	43,100,821	8.2	18,044,143	238.9
12/31/08	-	43,045,951	43,045,951	-	19,607,373	219.5

As of June 30, 2015, the market value of plan assets held in the Municipal Employees' Retirement Health Funding Vehicle was \$12,819,660.

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, 2012 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7.5 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 4.0 percent after 11 years. Both rates included a 4.0 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, 2012 was 26 years.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

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 \$1,427,804 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, 2015. 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	\$ 7,574,851
Total liabilities	1,222,600
Total net position	6,427,259
Total operating revenue	3,972,822
Total operating expenses	3,275,510
Increase in net position	446,667

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, 2014	\$ (331,760)
Current year building permit revenue	988,190
Related expenses:	
Direct costs	640,341
Indirect costs	55,194
Cumulative shortfall at June 30, 2015	<u>\$ (39,105)</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2015

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	\$ -	\$ 154,000	\$ 154,000
Inventory and prepaids	42,023	156,743	198,766
Total nonspendable	42,023	310,743	352,766
Restricted:			
Major streets	-	466,246	466,246
Local streets	-	706,597	706,597
Drug enforcement	-	9,189	9,189
Donations for special purposes - Library	-	1,560,996	1,560,996
Debt service	-	95,775	95,775
Special assessment debt	-	281,556	281,556
CDBG	-	5,705	5,705
Solid waste	-	486,600	486,600
Burcham Park	-	112,486	112,486
Defeased in substance debt	-	520,041	520,041
Total restricted	-	4,245,191	4,245,191
Committed:			
Various encumbrances	2,450	-	2,450
Parks and recreation	-	10,715	10,715
Total committed	2,450	10,715	13,165
Assigned:			
Appropriations for 2016 budget	393,610	10,000	403,610
Seniors program	59,018	-	59,018
Library	-	845,574	845,574
Capital projects	-	476,135	476,135
Various encumbrances	373,044	-	373,044
Art festival	-	31,504	31,504
Total assigned	825,672	1,363,213	2,188,885
Unassigned	6,057,581	-	6,057,581
Total fund balances	\$ 6,927,726	\$ 5,929,862	\$ 12,857,588

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, 2015, the City has recorded expenses and a liability at the government-wide financial statement level for this obligation. At the beginning of the year, the liability was \$213,000. At the end of the year, the liability is estimated to have increased by \$282,000 for a total of \$495,000. 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 - Disposal of Operations

As of June 30, 2015, the Technology Innovation Center that was operated jointly by the Local Development Financing Authority and the Downtown Development Authority was transferred to an operating company. The City used the proceeds to defease (in substance) the remaining outstanding debt related to the buildout of the Technology Innovation Center. The Downtown Development Authority received total proceeds of \$675,000, of which \$644,516 was transferred to the Debt Service Fund for the future payment of the 2009 Limited Tax Bonds Series B (SmartZone) and 2008 Limited Tax Bonds Series B (SmartZone). The total revenue and expenditures that were associated with the operations in the Downtown Development Authority for the year ended June 30, 2015 were \$27,025 and \$26,496, respectively. The Local Development Financing Authority recognized \$42,425 of revenue and \$97,620 of expenditures related to operations in fiscal year 2015. In the future, the Local Development Financing Authority will remit the tax capture to the Lansing Regional SmartZone to assist in operations of the Technology Innovation Center.

Note 19 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2016 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability related to its participation in the plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary 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 the City's financial statements for the fiscal year ending June 30, 2018.

Required Supplemental Information

City of East Lansing, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 15,829,880	\$ 15,829,880	\$ 15,850,400	\$ 20,520
Intergovernmental revenue	30,000	30,000	57,958	27,958
Licenses and permits	1,478,495	1,478,495	1,707,590	229,095
Federal sources	3,575	16,075	64,916	48,841
State sources	6,406,635	6,928,835	6,461,371	(467,464)
Charges for services	4,565,850	4,640,290	4,365,323	(274,967)
Fines and forfeitures	3,263,520	3,263,520	2,980,252	(283,268)
Interest income	72,000	72,000	92,564	20,564
Rental income	48,270	48,270	48,269	(1)
Other revenue	494,000	494,000	543,104	49,104
Total resources (inflows)	32,192,225	32,801,365	32,171,747	(629,618)
Charges to Appropriations (Outflows) -				
Current				
General government	7,118,120	7,118,120	6,696,648	421,472
Public safety	19,149,230	19,824,230	18,872,810	951,420
Public works:				
Highway and streets	1,975,850	1,985,850	1,752,713	233,137
Sanitation	177,270	187,270	148,254	39,016
Health and welfare and community development	856,280	856,280	794,939	61,341
Recreation and culture	1,402,855	1,402,855	1,308,193	94,662
Total charges to appropriations (outflows)	30,679,605	31,374,605	29,573,557	1,801,048
Excess of Inflows Over Outflows	1,512,620	1,426,760	2,598,190	1,171,430
Other Financing Sources (Uses)				
Transfers in	556,390	576,135	426,133	(150,002)
Transfers out	(1,987,150)	(2,870,595)	(2,870,095)	500
Total other financing uses	(1,430,760)	(2,294,460)	(2,443,962)	(149,502)
Net Change in Fund Balance	81,860	(867,700)	154,228	1,021,928
Fund Balance - Beginning of year	5,445,846	6,663,232	6,663,232	-
Fund Balance - End of year	<u>\$ 5,527,706</u>	<u>\$ 5,795,532</u>	<u>\$ 6,817,460</u>	<u>\$ 1,021,928</u>

City of East Lansing, Michigan

Note to Required Supplemental Information Year Ended June 30, 2015

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, 2015, 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, 2015

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Net Other Financing Uses</u>	<u>Fund Balance</u>
Amounts per operating statement	\$ 32,306,190	\$ 29,855,695	\$ (2,299,222)	\$ 6,927,726
Fund budgeted separately from the General Fund - Seniors Fund	<u>(134,443)</u>	<u>(282,138)</u>	<u>(144,740)</u>	<u>(110,266)</u>
Amounts per budget statement	<u>\$ 32,171,747</u>	<u>\$ 29,573,557</u>	<u>\$ (2,443,962)</u>	<u>\$ 6,817,460</u>

City of East Lansing, Michigan

Required Supplemental Information Schedule of OPEB Funding Progress and Contributions Year Ended June 30, 2015

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
12/31/12	\$ 7,426,596	\$ 47,038,429	\$ 39,611,833	15.8	\$ 18,791,383	210.8
12/31/10	3,868,537	46,969,358	43,100,821	8.2	18,044,143	238.9
12/31/08	-	43,045,951	43,045,951	-	19,607,373	219.5

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/15	12/31/12	\$ 4,116,422	76.0
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 dollar amount both by bargaining group and in total.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2012, the latest actuarial valuation, follows:

Amortization method	Level percentage and level dollar
Amortization period (perpetual)	26 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5 percent
Healthcare cost trend rate	9.0 percent reduced to an ultimate rate of 4.0 percent after 11 years
Inflation rate	4.0 percent
Cost of living adjustments	None

City of East Lansing, Michigan

Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2015
Total Pension Liability	
Service cost	\$ 1,909,445
Interest	12,711,098
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	(10,903,724)
Net Change in Total Pension Liability	3,716,819
Total Pension Liability - Beginning of year	158,571,058
Total Pension Liability - End of year	\$ 162,287,877
Plan Fiduciary Net Position	
Contributions - Employer	\$ 5,714,320
Contributions - Member	246,569
Net investment income	5,589,194
Administrative expenses	(204,245)
Benefit payments, including refunds	(10,903,724)
Other	-
Net Change in Plan Fiduciary Net Position	442,114
Plan Fiduciary Net Position - Beginning of year	90,021,782
Plan Fiduciary Net Position - End of year	\$ 90,463,896
City's Net Pension Liability - Ending	\$ 71,823,981
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	55.74 %
Covered Employee Payroll	\$ 15,481,967
City's Net Pension Liability as a Percentage of Covered Employee Payroll	463.9 %

City of East Lansing, Michigan

Required Supplemental Information Schedule of Pension Contributions Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 5,709,684	\$ 5,210,925	\$ 5,524,549	\$ 4,997,561	\$ 4,433,560	\$ 3,574,590	\$ 3,512,275	\$ 3,165,464	\$ 2,980,777	\$ 2,585,796
Contributions in relation to the actuarially determined contribution	<u>5,709,684</u>	<u>5,210,925</u>	<u>5,524,549</u>	<u>4,997,561</u>	<u>4,433,560</u>	<u>3,574,590</u>	<u>3,512,275</u>	<u>3,165,464</u>	<u>2,980,777</u>	<u>2,585,796</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$15,481,967	\$14,921,653	\$14,946,560	\$15,755,240	\$12,048,135	\$13,718,842	\$13,523,549	\$13,682,649	\$13,997,110	\$14,478,282
Contributions as a Percentage of Covered Employee Payroll	36.9 %	34.9 %	37.0 %	31.7 %	36.8 %	26.1 %	26.0 %	23.1 %	21.3 %	17.9 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is six months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	26 years
Asset valuation method	10-year smoothed
Inflation	3.0 to 4.0 percent
Salary increases	4.5 percent
Investment rate of return	8.0 percent
Retirement age	60 years
Mortality	50% Male - 50% Female blend of the 1944 Group Annuity Mortality Table
Other information	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 Improvements Fund - This fund is used to account for City capital improvements, the Avondale Square project, St. Anne Plaza project, and other capital grants.

Parks Capital Improvements Fund - 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	Drug Forfeiture Fund
Assets						
Cash and investments	\$ 83,785	\$ 859,979	\$ -	\$ 228,596	\$ 521,737	\$ 9,189
Receivables - Net	462,551	106,227	129,577	59,205	4,210	-
Inventories and prepaids	88,287	1,023	-	6,210	42,410	-
Assets available for sale	-	-	-	-	-	-
Restricted assets	-	-	-	-	-	-
Long-term receivable	-	-	-	-	112,486	-
Total assets	\$ 634,623	\$ 967,229	\$ 129,577	\$ 294,011	\$ 680,843	\$ 9,189
Liabilities						
Accounts payable	\$ 80,089	\$ 260,449	\$ 32,139	\$ 213,246	\$ 36,143	\$ -
Due to other funds	-	-	91,733	-	-	-
Accrued and other liabilities	-	-	-	63,840	3,206	-
Total liabilities	80,089	260,449	123,872	277,086	39,349	-
Deferred Inflows of Resources -						
Unavailable revenue	-	-	-	-	-	-
Fund Balances						
Nonspendable	88,288	183	-	6,210	42,408	-
Restricted	466,246	706,597	5,705	-	599,086	9,189
Committed	-	-	-	10,715	-	-
Assigned	-	-	-	-	-	-
Total fund balances	554,534	706,780	5,705	16,925	641,494	9,189
Total liabilities, deferred inflows of resources, and fund balances	\$ 634,623	\$ 967,229	\$ 129,577	\$ 294,011	\$ 680,843	\$ 9,189

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

Special Revenue Funds			Capital Projects Funds		Total
Art Festival Fund	Library Fund	Debt Service Fund	Capital Improvements Fund	Parks Capital Improvements Fund	Nonmajor Governmental Funds
\$ 34,947	\$ 2,495,009	\$ 377,987	\$ 367,726	\$ 125,438	\$ 5,104,393
6,400	1,528	633,701	-	-	1,403,399
251	19,403	-	-	-	157,584
-	-	-	154,000	-	154,000
-	-	520,041	-	-	520,041
-	-	-	-	-	112,486
\$ 41,598	\$2,515,940	\$1,531,729	\$ 521,726	\$ 125,438	\$ 7,451,903
\$ 8,586	\$ 63,642	\$ 7	\$ 6,126	\$ 903	\$ 701,330
-	-	-	-	-	91,733
1,257	26,325	2,381	-	-	97,009
9,843	89,967	2,388	6,126	903	890,072
-	-	631,969	-	-	631,969
251	19,403	-	154,000	-	310,743
-	1,560,996	897,372	-	-	4,245,191
-	-	-	-	-	10,715
31,504	845,574	-	361,600	124,535	1,363,213
31,755	2,425,973	897,372	515,600	124,535	5,929,862
\$ 41,598	\$2,515,940	\$1,531,729	\$ 521,726	\$ 125,438	\$ 7,451,903

City of East Lansing, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	CDBG Fund	Parks and Recreation Fund	Solid Waste Management Fund	Drug Forfeiture Fund
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,520,172	\$ -
Intergovernmental revenue	-	-	-	15,880	-	-
Federal sources	-	-	341,469	-	-	-
State sources	2,368,933	845,255	-	2,500	-	-
Charges for services	50,046	18,986	85,648	1,925,318	258,463	-
Fines and forfeitures	-	-	-	-	-	2,278
Interest income	1,030	3,612	-	1,838	15,275	48
Rental income	-	-	-	396,060	-	-
Other revenue:						
Special assessments	-	-	-	-	-	-
Other	-	-	-	201,078	21,652	-
Total revenue	2,420,009	867,853	427,117	2,542,674	1,815,562	2,326
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	1,623
Public works	1,745,820	1,628,957	-	-	1,748,244	-
Health and welfare and community development	-	-	432,043	-	-	-
Recreation and culture	-	-	-	4,028,608	-	-
Debt service	-	136,563	-	-	-	-
Total expenditures	1,745,820	1,765,520	432,043	4,028,608	1,748,244	1,623
Excess of Revenue Over (Under) Expenditures	674,189	(897,667)	(4,926)	(1,485,934)	67,318	703
Other Financing Sources (Uses)						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	1,075,000	-	1,118,935	-	-
Transfers out	(475,000)	-	-	(7,000)	(62,075)	-
Payment to bond refunding escrow agent	-	-	-	-	-	-
Total other financing (uses) sources	(475,000)	1,075,000	-	1,111,935	(62,075)	-
Net Change in Fund Balances	199,189	177,333	(4,926)	(373,999)	5,243	703
Fund Balances - Beginning of year	355,345	529,447	10,631	390,924	636,251	8,486
Fund Balances - End of year	\$ 554,534	\$ 706,780	\$ 5,705	\$ 16,925	\$ 641,494	\$ 9,189

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015

Special Revenue Funds			Capital Projects Funds		Total
Art Festival Fund	Library Fund	Debt Service Fund	Capital Improvements Fund	Parks Capital Improvements Fund	Nonmajor Governmental Funds
\$ -	\$ 1,716,975	\$ 1,177,862	\$ -	\$ -	\$ 4,415,009
12,770	117,767	952,751	218,326	-	1,317,494
1,550	-	-	-	-	343,019
16,850	28,612	-	-	300,000	3,562,150
6,185	29,805	-	-	-	2,374,451
-	40,801	-	-	-	43,079
203	10,213	5,727	-	524	38,470
59,140	2,860	-	-	-	458,060
-	-	382,574	-	-	382,574
57,727	1,620,385	-	129,415	161,059	2,191,316
154,425	3,567,418	2,518,914	347,741	461,583	15,125,622
-	-	-	80,906	-	80,906
-	-	-	-	-	1,623
-	-	-	-	-	5,123,021
-	-	-	235,527	-	667,570
144,315	1,767,761	-	-	278,725	6,219,409
-	-	2,212,594	320,115	-	2,669,272
144,315	1,767,761	2,212,594	636,548	278,725	14,761,801
10,110	1,799,657	306,320	(288,807)	182,858	363,821
-	-	2,850,000	-	-	2,850,000
-	-	140,070	286,980	-	2,620,985
-	-	-	(76,133)	(350,000)	(970,208)
-	-	(2,836,853)	-	-	(2,836,853)
-	-	153,217	210,847	(350,000)	1,663,924
10,110	1,799,657	459,537	(77,960)	(167,142)	2,027,745
21,645	626,316	437,835	593,560	291,677	3,902,117
\$ 31,755	\$ 2,425,973	\$ 897,372	\$ 515,600	\$ 124,535	\$ 5,929,862

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Major Streets Fund Budgetary Comparison Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
State sources	\$ 2,309,040	\$ 2,309,040	\$ 2,368,933	\$ 59,893
Charges for services	40,000	40,000	50,046	10,046
Interest income	(300)	(300)	1,030	1,330
Total resources (inflows)	2,348,740	2,348,740	2,420,009	71,269
Charges to Appropriations (Outflows) - Current - Public works - Highways and streets	1,753,585	1,773,585	1,745,820	27,765
Excess of Inflows Over Outflows	595,155	575,155	674,189	99,034
Other Financing Sources (Uses)				
Transfers in	110,000	-	-	-
Transfers out	(475,000)	(475,000)	(475,000)	-
Total other financing uses	(365,000)	(475,000)	(475,000)	-
Net Change in Fund Balance	230,155	100,155	199,189	99,034
Fund Balance - Beginning of year	77,835	355,345	355,345	-
Fund Balance - End of year	<u>\$ 307,990</u>	<u>\$ 455,500</u>	<u>\$ 554,534</u>	<u>\$ 99,034</u>

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Local Streets Fund Budgetary Comparison Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
State sources	\$ 640,000	\$ 640,000	\$ 845,255	\$ 205,255
Charges for services	20,000	20,000	18,986	(1,014)
Interest income	1,000	1,000	3,612	2,612
Total resources (inflows)	661,000	661,000	867,853	206,853
Charges to Appropriations (Outflows)				
Current - Public works	1,695,630	1,695,630	1,628,957	66,673
Debt service	137,065	137,065	136,563	502
Total charges to appropriations (outflows)	1,832,695	1,832,695	1,765,520	67,175
Excess of Outflows Over Inflows	(1,171,695)	(1,171,695)	(897,667)	274,028
Other Financing Sources -				
Transfers in	1,075,000	1,075,000	1,075,000	-
Net Change in Fund Balance	(96,695)	(96,695)	177,333	274,028
Fund Balance - Beginning of year	109,362	529,447	529,447	-
Fund Balance - End of year	<u>\$ 12,667</u>	<u>\$ 432,752</u>	<u>\$ 706,780</u>	<u>\$ 274,028</u>

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Library Fund Budgetary Comparison Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 1,725,385	\$ 1,725,385	\$ 1,716,975	\$ (8,410)
Intergovernmental revenue	105,425	105,425	117,767	12,342
State sources	28,370	28,370	28,612	242
Charges for services	20,800	20,800	29,805	9,005
Fines and forfeitures	36,270	36,270	40,801	4,531
Interest income	2,175	2,175	10,213	8,038
Rental income	540	540	2,860	2,320
Other	42,700	242,700	1,620,385	1,377,685
Total resources (inflows)	1,961,665	2,161,665	3,567,418	1,405,753
Charges to Appropriations (Outflows) - Current - Recreation and culture	1,875,220	2,075,220	1,767,761	307,459
Net Change in Fund Balance	86,445	86,445	1,799,657	1,713,212
Fund Balance - Beginning of year	384,147	626,316	626,316	-
Fund Balance - End of year	\$ 470,592	\$ 712,761	\$ 2,425,973	\$ 1,713,212

City of East Lansing, Michigan

Other Supplemental Information Governmental Fund - Seniors Fund Budgetary Comparison Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ 1,500	\$ 1,500	\$ 2,000	\$ 500
State sources	7,000	7,000	5,934	(1,066)
Charges for services	73,700	73,700	86,118	12,418
Interest income	305	305	671	366
Rental income	1,850	1,850	1,985	135
Other	36,500	36,500	37,735	1,235
Total resources (inflows)	120,855	120,855	134,443	13,588
Changes to Appropriations (Outflows) - Current - Recreation and culture	301,690	301,690	282,138	19,552
Excess of Outflows Over Inflows	(180,835)	(180,835)	(147,695)	33,140
Other Financing Sources - Transfers in	144,740	144,740	144,740	-
Net Change in Fund Balance	(36,095)	(36,095)	(2,955)	33,140
Fund Balance - Beginning of year	110,548	113,221	113,221	-
Fund Balance - End of year	<u>\$ 74,453</u>	<u>\$ 77,126</u>	<u>\$ 110,266</u>	<u>\$ 33,140</u>

The numbers presented in this schedule are combined with the numbers in the Required Supplemental Information Schedule, Budgetary Comparison Schedule - General Fund (page 83) 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 33).

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Parks and Recreation Fund Budgetary Comparison Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ 16,145	\$ 16,145	\$ 15,880	\$ (265)
State sources	4,000	4,000	2,500	(1,500)
Charges for services	2,530,520	2,530,520	1,925,318	(605,202)
Interest income	3,000	3,000	1,838	(1,162)
Rental income	407,945	407,945	396,060	(11,885)
Other	185,805	185,805	201,078	15,273
Total resources (inflows)	3,147,415	3,147,415	2,542,674	(604,741)
Charges to Appropriations (Outflows) - Current - Recreation and culture	4,319,600	4,319,600	4,028,608	290,992
Excess of Outflows Over Inflows	(1,172,185)	(1,172,185)	(1,485,934)	(313,749)
Other Financing Sources (Uses)				
Transfers in	1,118,935	1,118,935	1,118,935	-
Transfers out	(65,000)	(65,000)	(7,000)	58,000
Total other financing sources	1,053,935	1,053,935	1,111,935	58,000
Net Change in Fund Balance	(118,250)	(118,250)	(373,999)	(255,749)
Fund Balance - Beginning of year	618,385	390,924	390,924	-
Fund Balance - End of year	<u>\$ 500,135</u>	<u>\$ 272,674</u>	<u>\$ 16,925</u>	<u>\$ (255,749)</u>

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Solid Waste Management Fund Budgetary Comparison Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 1,525,500	\$ 1,525,500	\$ 1,520,172	\$ (5,328)
Charges for services	248,900	248,900	258,463	9,563
Interest income	12,825	13,825	15,275	1,450
Other	-	-	21,652	21,652
Total resources (inflows)	1,787,225	1,788,225	1,815,562	27,337
Changes to Appropriations (Outflows) - Current - Public works	1,769,960	1,889,960	1,748,244	141,716
Excess of Inflows Over (Under) Outflows	17,265	(101,735)	67,318	169,053
Other Financing Uses - Transfers out	(132,575)	(62,575)	(62,075)	500
Net Change in Fund Balance	(115,310)	(164,310)	5,243	169,553
Fund Balance - Beginning of year	574,554	636,251	636,251	-
Fund Balance - End of year	<u>\$ 459,244</u>	<u>\$ 471,941</u>	<u>\$ 641,494</u>	<u>\$ 169,553</u>

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Drug Forfeiture Fund Budgetary Comparison Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ 2,278	\$ 278
Interest income	15	15	48	33
Total resources (inflows)	2,015	2,015	2,326	311
Changes to Appropriations (Outflows) - Current - Public safety	2,015	2,015	1,623	392
Net Change in Fund Balance	-	-	703	703
Fund Balance - Beginning of year	6,915	8,486	8,486	-
Fund Balance - End of year	<u>\$ 6,915</u>	<u>\$ 8,486</u>	<u>\$ 9,189</u>	<u>\$ 703</u>

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Art Festival Fund Budgetary Comparison Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ 12,000	\$ 18,500	\$ 12,770	\$ (5,730)
Federal sources	-	-	1,550	1,550
State sources	7,925	7,925	16,850	8,925
Charges for services	9,300	9,300	6,185	(3,115)
Interest income	10	10	203	193
Rental income	61,750	61,750	59,140	(2,610)
Other	73,000	73,000	57,727	(15,273)
Total resources (inflows)	163,985	170,485	154,425	(16,060)
Changes to Appropriations (Outflows) - Current - Recreation and culture	163,985	170,485	144,315	26,170
Net Change in Fund Balance	-	-	10,110	10,110
Fund Balance - Beginning of year	12,668	21,645	21,645	-
Fund Balance - End of year	<u>\$ 12,668</u>	<u>\$ 21,645</u>	<u>\$ 31,755</u>	<u>\$ 10,110</u>

City of East Lansing, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Debt Service Fund Budgetary Comparison Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 1,181,845	\$ 1,181,845	\$ 1,177,862	\$ (3,983)
Intergovernmental revenue	421,455	421,455	952,751	531,296
Interest income	3,000	3,000	5,727	2,727
Other	370,105	370,105	382,574	12,469
Total resources (inflows)	1,976,405	1,976,405	2,518,914	542,509
Charges to Appropriations (Outflows) - Debt service	2,192,730	2,192,730	2,212,594	(19,864)
Excess of Inflows (Under) Over Outflows	(216,325)	(216,325)	306,320	522,645
Other Financing Sources (Uses)				
Issuance of debt	-	2,850,000	2,850,000	-
Transfers in	141,070	141,070	140,070	(1,000)
Payment to bond refunding escrow agent	-	(2,850,000)	(2,836,853)	13,147
Total other financing sources (uses)	141,070	141,070	153,217	12,147
Net Change in Fund Balance	(75,255)	(75,255)	459,537	534,792
Fund Balance - Beginning of year	438,498	437,835	437,835	-
Fund Balance - End of year	<u>\$ 363,243</u>	<u>\$ 362,580</u>	<u>\$ 897,372</u>	<u>\$ 534,792</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, 2015

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
Assets				
Current assets:				
Cash and investments	\$ 3,112,044	\$ 1,357,597	\$ 106,372	\$ 4,576,013
Receivables - Net:				
Interest	383	-	-	383
Other receivables	20,782	40	8,176	28,998
Accounts	2,395	-	-	2,395
Inventories and prepaids	89,003	219,780	112,491	421,274
Total current assets	3,224,607	1,577,417	227,039	5,029,063
Noncurrent assets - Capital assets:				
Assets not subject to depreciation	-	1,044,380	90,230	1,134,610
Assets subject to depreciation	-	10,399,389	940,821	11,340,210
Total noncurrent assets	-	11,443,769	1,031,051	12,474,820
Total assets	3,224,607	13,021,186	1,258,090	17,503,883
Deferred Outflows of Resources				
Deferred charge on bond refunding	-	81,281	-	81,281
Deferred outflows related to pensions	-	46,892	1,660	48,552
Total deferred outflows of resources	-	128,173	1,660	129,833
Liabilities				
Current liabilities:				
Accounts payable	49,483	58,952	120,420	228,855
Accrued and other liabilities	594,646	103,690	7,493	705,829
Accrued interest payable	-	37,284	924	38,208
Compensated absences due in one year	-	288,844	19,957	308,801
Bonds payable due in one year	-	261,386	110,000	371,386
Total current liabilities	644,129	750,156	258,794	1,653,079
Noncurrent liabilities - Net of current portion:				
Compensated absences	-	67,692	36,881	104,573
Net OPEB obligation	-	39,975	-	39,975
Net pension liability	-	811,611	28,730	840,341
Claims payable	689,201	-	-	689,201
Bonds payable	-	5,771,978	110,000	5,881,978
Total noncurrent liabilities	689,201	6,691,256	175,611	7,556,068
Total liabilities	1,333,330	7,441,412	434,405	9,209,147

City of East Lansing, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds (Continued) June 30, 2015

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
Deferred Inflows of Resources - Sale of future revenue	\$ -	\$ 117,919	\$ -	\$ 117,919
Net Position				
Net investment in capital assets	-	5,491,686	811,051	6,302,737
Unrestricted	1,891,277	98,342	14,294	2,003,913
Total net position	<u>\$ 1,891,277</u>	<u>\$ 5,590,028</u>	<u>\$ 825,345</u>	<u>\$ 8,306,650</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, 2015

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
Operating Revenue				
User service charges	\$ 7,168,269	\$ 172,296	\$ -	\$ 7,340,565
Equipment and building rental	-	3,140,388	1,035,170	4,175,558
Total operating revenue	7,168,269	3,312,684	1,035,170	11,516,123
Operating Expenses				
Personal services	6,143,295	966,684	304,965	7,414,944
Operations	949,743	514,341	419,571	1,883,655
Maintenance	-	410,119	17,170	427,289
Depreciation	-	778,408	115,066	893,474
Total operating expenses	7,093,038	2,669,552	856,772	10,619,362
Operating Income	75,231	643,132	178,398	896,761
Nonoperating Revenue (Expenses)				
Interest income	14,580	5,500	549	20,629
Interest expense	-	(153,060)	(5,164)	(158,224)
Gain on sale of assets	-	12,395	-	12,395
Total nonoperating revenue (expenses)	14,580	(135,165)	(4,615)	(125,200)
Income - Before transfers	89,811	507,967	173,783	771,561
Transfers In	648,445	-	-	648,445
Change in Net Position	738,256	507,967	173,783	1,420,006
Net Position - Beginning of year - As restated	1,153,021	5,082,061	651,562	6,886,644
Net Position - End of year	<u>\$ 1,891,277</u>	<u>\$ 5,590,028</u>	<u>\$ 825,345</u>	<u>\$ 8,306,650</u>

City of East Lansing, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2015

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 7,145,092	\$ 3,285,957	\$ 1,026,476	\$ 11,457,525
Payments to suppliers	(433,672)	(875,857)	(456,755)	(1,766,284)
Payments to employees	-	(903,844)	(303,570)	(1,207,414)
Claims paid	(6,426,438)	-	-	(6,426,438)
Net cash provided by operating activities	284,982	1,506,256	266,151	2,057,389
Cash Flows from Noncapital Financing Activities -				
Transfers from other funds	648,445	-	-	648,445
Cash Flows from Capital and Related Financing Activities				
Proceeds from sales of capital assets	-	32,001	-	32,001
Purchase of capital assets	-	(1,320,180)	(273,908)	(1,594,088)
Principal and interest paid on long-term debt	-	(557,198)	(115,164)	(672,362)
Net cash used in capital and related financing activities	-	(1,845,377)	(389,072)	(2,234,449)
Cash Flows from Investing Activities -				
Interest received on investments	14,580	5,500	549	20,629
Net Increase (Decrease) in Cash and Cash Equivalents	948,007	(333,621)	(122,372)	492,014
Cash and Cash Equivalents - Beginning of year	2,164,037	1,691,218	228,744	4,083,999
Cash and Cash Equivalents - End of year	\$ 3,112,044	\$ 1,357,597	\$ 106,372	\$ 4,576,013
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 75,231	\$ 643,132	\$ 178,398	\$ 896,761
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	-	778,408	115,066	893,474
Changes in assets, deferred outflows, liabilities, and deferred inflows:				
Receivables	(23,177)	-	(8,176)	(31,353)
Inventories and prepaids	(16,435)	14,459	(92,776)	(94,752)
Accounts payable	(112,805)	39,843	73,224	262
Claims payable	249,300	-	-	249,300
Accrued and other liabilities	112,868	15,082	(613)	127,337
Deferred inflows and outflows	-	(26,727)	(518)	(27,245)
Pension and OPEB liability	-	50,287	1,310	51,597
Compensated absences	-	(8,228)	236	(7,992)
Net cash provided by operating activities	\$ 284,982	\$ 1,506,256	\$ 266,151	\$ 2,057,389

City of East Lansing, Michigan

Other Supplemental Information Statement of Net Position Agency Funds June 30, 2015

	Agency Funds		
	Agency	District Court	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 826,246	\$ 156,180	\$ 982,426
Receivables - Net	66,909	-	66,909
Total assets	<u><u>\$ 893,155</u></u>	<u><u>\$ 156,180</u></u>	<u><u>\$ 1,049,335</u></u>
Liabilities			
Accounts payable	\$ 102,517	\$ -	\$ 102,517
Due to other governmental units	130,752	101,327	232,079
Accrued and other liabilities	659,886	54,853	714,739
Total liabilities	<u><u>\$ 893,155</u></u>	<u><u>\$ 156,180</u></u>	<u><u>\$ 1,049,335</u></u>

City of East Lansing, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Fiduciary Funds - Agency Funds Year Ended June 30, 2015

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015
<u>Agency</u>				
Assets				
Cash and investments	\$ 674,566	\$ 43,178,776	\$ (43,027,096)	\$ 826,246
Receivables - Net	122,164	44,042,114	(44,097,369)	66,909
Total assets	\$ 796,730	\$ 87,220,890	\$ (87,124,465)	\$ 893,155
Liabilities				
Accounts payable	\$ 104,981	\$ 41,874,277	\$ (41,876,741)	\$ 102,517
Due to other governmental units	170,132	43,273,068	(43,312,448)	130,752
Accrued and other liabilities	521,617	602,516	(464,247)	659,886
Total liabilities	\$ 796,730	\$ 85,749,861	\$ (85,653,436)	\$ 893,155
<u>District Court</u>				
Assets - Cash and investments	\$ 201,160	\$ -	\$ (44,980)	\$ 156,180
Liabilities				
Due to other governmental units	\$ 121,079	\$ 1,214	\$ (20,966)	\$ 101,327
Accrued and other liabilities	80,081	-	(25,228)	54,853
Total liabilities	\$ 201,160	\$ 1,214	\$ (46,194)	\$ 156,180
<u>Total - All Agency Funds</u>				
Assets				
Cash and investments	\$ 875,726	\$ 43,178,776	\$ (43,072,076)	\$ 982,426
Receivables - Net	122,164	44,042,114	(44,097,369)	66,909
Total assets	\$ 997,890	\$ 87,220,890	\$ (87,169,445)	\$ 1,049,335
Liabilities				
Accounts payable	\$ 104,981	\$ 41,874,277	\$ (41,876,741)	\$ 102,517
Due to other governmental units	291,211	43,274,282	(43,333,414)	232,079
Accrued and other liabilities	601,698	602,516	(489,475)	714,739
Total liabilities	\$ 997,890	\$ 85,751,075	\$ (85,699,630)	\$ 1,049,335

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Downtown Development Authority Balance Sheet/Statement of Net Position June 30, 2015

	Downtown Development Authority	Full Accrual Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 294,812	\$ -	\$ 294,812
Receivables - Net	944	-	944
Capital assets	-	5,125,461	5,125,461
Total assets	<u>\$ 295,756</u>	5,125,461	5,421,217
Liabilities			
Accounts payable	\$ 12,188	-	12,188
Accrued and other liabilities	31,747	-	31,747
Accrued interest payable	-	22,086	22,086
Long-term debt	-	5,655,000	5,655,000
Total liabilities	43,935	5,677,086	5,721,021
Equity - Fund balance	<u>251,821</u>	<u>(251,821)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 295,756</u>		
Net Position			
Net investment in capital assets		(529,539)	(529,539)
Unrestricted		229,735	229,735
Total net position		<u>\$ (299,804)</u>	<u>\$ (299,804)</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, 2015

	Downtown Development Authority	Full Accrual Adjustments	Statement of Activities
Revenue			
Property tax capture	\$ 834,030	\$ -	\$ 834,030
Property taxes	123,525	-	123,525
Interest income	2,759	-	2,759
Rental income	248,874	-	248,874
Other revenue:			
Miscellaneous	1,201	-	1,201
Debt proceeds	5,655,000	(5,655,000)	-
Total revenue	6,865,389	(5,655,000)	1,210,389
Expenditures			
Community and economic development	1,785,061	-	1,785,061
Depreciation	-	90,386	90,386
Principal	5,655,000	(5,655,000)	-
Interest	97,588	(2,657)	94,931
Total expenditures	7,537,649	(5,567,271)	1,970,378
Excess of Expenditures Over Revenue	(672,260)	(87,729)	(759,989)
Disposal of Operations	675,000	(915,179)	(240,179)
Change in Fund Balance/Net Position	2,740	(1,002,908)	(1,000,168)
Fund Balance/Net Position - Beginning of year	249,081	451,283	700,364
Fund Balance/Net Position - End of year	<u>\$ 251,821</u>	<u>\$ (551,625)</u>	<u>\$ (299,804)</u>

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Downtown Management Board Balance Sheet/Statement of Net Position June 30, 2015

	Downtown Management Board	Full Accrual Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 21,149	\$ -	\$ 21,149
Receivables - Net	129,944	-	129,944
Prepaid expenses	250	-	250
Total assets	<u>\$ 151,343</u>	-	151,343
Liabilities - Accounts payable	\$ 1,462	-	1,462
Deferred Inflows of Resources - Unavailable revenue	129,944	(129,944)	-
Equity - Fund balance	<u>19,937</u>	<u>(19,937)</u>	-
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 151,343</u>		
Net Position		<u>\$ 149,881</u>	<u>\$ 149,881</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, 2015

	Downtown Management Board	Full Accrual Adjustments	Statement of Activities
Revenue			
General assessment	\$ 43,315	\$ (43,315)	\$ -
Interest income	221	-	221
Other revenue	8,175	-	8,175
Total revenue	51,711	(43,315)	8,396
Expenditures - Community and economic development	<u>66,602</u>	<u>-</u>	<u>66,602</u>
Change in Fund Balance/Net Position	(14,891)	(43,315)	(58,206)
Fund Balance/Net Position - Beginning of year	<u>34,828</u>	<u>173,259</u>	<u>208,087</u>
Fund Balance/Net Position - End of year	<u>\$ 19,937</u>	<u>\$ 129,944</u>	<u>\$ 149,881</u>

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Brownfield Redevelopment Authority Balance Sheet/Statement of Net Position June 30, 2015

	Brownfield Redevelopment Authority Fund	Full Accrual Adjustments	Statement of Net Position
Assets - Cash and investments	\$ 83,313	\$ -	\$ 83,313
Liabilities	\$ -	-	-
Equity - Fund balance - Assigned	83,313	(83,313)	-
Total liabilities and equity	\$ 83,313		
Net Position - Unrestricted		\$ 83,313	\$ 83,313

Other Supplemental Information Component Unit - Brownfield Redevelopment Authority Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2015

	Brownfield Redevelopment Authority Fund	Full Accrual Adjustments	Statement of Activities
Revenue			
Property tax capture	\$ 886,833	\$ -	\$ 886,833
Interest income	1,098	-	1,098
Total revenue	887,931	-	887,931
Expenditures - Community and economic development	1,000,907	-	1,000,907
Change in Fund Balance/Net Position	(112,976)	-	(112,976)
Fund Balance/Net Position - Beginning of year	196,289	-	196,289
Fund Balance/Net Position - End of year	\$ 83,313	\$ -	\$ 83,313

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Economic Development Corporation Balance Sheet/Statement of Net Position June 30, 2015

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

Other Supplemental Information Component Unit - Economic Development Corporation Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2015

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

City of East Lansing, Michigan

Other Supplemental Information Component Unit - Local Development Financing Authority Balance Sheet/Statement of Net Position June 30, 2015

	Local Development Financing Authority	Full Accrual Adjustments	Statement of Net Position
Assets - Cash and investments	\$ 161	\$ -	\$ 161
Total assets	<u>\$ 161</u>	-	161
Liabilities	\$ -	-	-
Equity - Fund balance - Assigned	161	(161)	-
Total liabilities and equity	<u>\$ 161</u>		
Net Position - Unrestricted		<u>\$ 161</u>	<u>\$ 161</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, 2015

	Local Development Financing Authority	Full Accrual Adjustments	Statement of Activities
Revenue			
Property tax capture	\$ 40,737	\$ -	\$ 40,737
Interest income	44	-	44
Other revenue	1,644	-	1,644
Total revenue	42,425	-	42,425
Expenditures - Community and economic development	97,621	-	97,621
Excess of Expenditures Over Revenue	(55,196)	-	(55,196)
Contribution from Other Governmental Units	1,667	-	1,667
Change in Fund Balance/Net Position	(53,529)	-	(53,529)
Fund Balance/Net Position - Beginning of year	53,690	-	53,690
Fund Balance/Net Position - End of year	<u>\$ 161</u>	<u>\$ -</u>	<u>\$ 161</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				
	2006	2007	2008	2009	2010
Governmental Activities					
Net investment in capital assets	\$ 38,140,253	\$ 36,734,720	\$ 39,739,466	\$ 41,124,632	\$ 40,719,836
Restricted	5,474,859	7,110,468	7,215,422	5,935,191	5,515,896
Unrestricted	<u>7,188,323</u>	<u>7,350,898</u>	<u>6,475,153</u>	<u>4,031,312</u>	<u>4,109,356</u>
Total net position	<u>\$ 50,803,435</u>	<u>\$ 51,196,086</u>	<u>\$ 53,430,041</u>	<u>\$ 51,091,135</u>	<u>\$ 50,345,088</u>
Business-type Activities					
Net investment in capital assets	\$ 27,566,896	\$ 29,596,773	\$ 30,904,524	\$ 31,164,400	\$ 31,569,615
Restricted	-	-	147,178	133,607	119,584
Unrestricted	<u>3,971,539</u>	<u>4,557,093</u>	<u>4,499,576</u>	<u>4,403,814</u>	<u>5,125,739</u>
Total net position	<u>\$ 31,538,435</u>	<u>\$ 34,153,866</u>	<u>\$ 35,551,278</u>	<u>\$ 35,701,821</u>	<u>\$ 36,814,938</u>
Primary Government in Total					
Net investment in capital assets	\$ 65,707,149	\$ 66,331,493	\$ 70,643,990	\$ 72,289,032	\$ 72,289,451
Restricted	5,474,859	7,110,468	7,362,600	6,068,798	5,635,480
Unrestricted	<u>11,159,862</u>	<u>11,907,991</u>	<u>10,974,729</u>	<u>8,435,126</u>	<u>9,235,095</u>
Total net position	<u>\$ 82,341,870</u>	<u>\$ 85,349,952</u>	<u>\$ 88,981,319</u>	<u>\$ 86,792,956</u>	<u>\$ 87,160,026</u>

During the 2015 year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of this implementation, City's net pension liability has been recognized on the government-wide and proprietary statements prospectively as of June 30, 2015 on this statement.

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

Financial Trend Information Net Position by Component

June 30				
2011	2012	2013	2014	2015
\$ 40,778,664	\$ 42,247,692	\$ 42,655,752	\$ 43,770,811	\$ 46,022,097
3,139,572	3,147,485	2,549,268	1,645,220	5,027,442
<u>6,574,591</u>	<u>6,675,539</u>	<u>8,524,363</u>	<u>9,083,391</u>	<u>(54,567,229)</u>
<u>\$ 50,492,827</u>	<u>\$ 52,070,716</u>	<u>\$ 53,729,383</u>	<u>\$ 54,499,422</u>	<u>\$ (3,517,690)</u>
\$ 31,700,064	\$ 34,362,979	\$ 34,919,749	\$ 36,425,387	\$ 39,422,838
105,107	91,128	76,713	61,877	46,660
<u>5,890,115</u>	<u>4,424,945</u>	<u>5,747,162</u>	<u>6,344,739</u>	<u>728,248</u>
<u>\$ 37,695,286</u>	<u>\$ 38,879,052</u>	<u>\$ 40,743,624</u>	<u>\$ 42,832,003</u>	<u>\$ 40,197,746</u>
\$ 72,478,728	\$ 76,610,671	\$ 77,575,501	\$ 80,196,198	\$ 85,444,935
3,244,679	3,238,613	2,625,981	1,707,097	5,074,102
<u>12,464,706</u>	<u>11,100,484</u>	<u>14,271,525</u>	<u>15,428,130</u>	<u>(53,838,981)</u>
<u>\$ 88,188,113</u>	<u>\$ 90,949,768</u>	<u>\$ 94,473,007</u>	<u>\$ 97,331,425</u>	<u>\$ 36,680,056</u>

City of East Lansing, Michigan

	Fiscal Year Ended June 30				
	2006	2007	2008	2009	2010
Expenses					
General government	\$ 7,703,683	\$ 8,381,585	\$ 8,541,081	\$ 9,528,989	\$ 8,245,717
Public safety	16,599,383	17,533,818	18,098,920	19,159,710	18,499,495
Public works	6,430,119	7,412,733	7,936,008	7,736,756	7,170,247
Community and economic development, health and welfare	1,025,220	2,524,985	2,025,337	2,168,903	2,359,466
Recreation and culture	7,533,706	7,946,825	7,693,032	8,039,717	8,251,619
Interest on long-term debt	933,333	964,285	1,071,964	1,036,001	899,853
Total governmental activities expenses	40,225,444	44,764,231	45,366,342	47,670,076	45,426,397
Program Revenue					
Charges for services:					
General government	5,425,127	5,429,822	5,575,161	5,417,282	4,987,197
Public safety	2,906,264	2,629,564	2,839,622	2,556,961	2,683,779
Public works	315,632	557,009	555,361	674,003	684,556
Community and economic development, health and welfare	-	-	-	191,704	171,104
Recreation and culture	2,727,366	2,969,049	2,889,298	3,239,833	3,113,713
Total charges for services	11,374,389	11,585,444	11,859,442	12,079,783	11,640,349
Operating grants and contributions	5,874,043	6,783,120	7,280,190	6,253,795	7,089,752
Capital grants and contributions	460,055	3,033,485	3,788,551	2,194,694	1,380,330
Total program revenue	17,708,487	21,402,049	22,928,183	20,528,272	20,110,431
Net Expense	(22,516,957)	(23,362,182)	(22,438,159)	(27,141,804)	(25,315,966)
General Revenue					
Property taxes	16,414,048	17,069,798	18,032,780	18,622,661	19,148,489
Unrestricted state-shared revenue	5,791,958	5,620,812	5,624,697	5,441,791	4,843,019
Unrestricted investment earnings	417,271	501,263	552,142	283,406	145,920
Unrestricted franchise fees	431,921	421,492	424,737	422,083	381,805
Miscellaneous	176,757	141,468	37,758	32,957	30,686
Sale of assets	-	-	-	-	-
Total general revenue	23,231,955	23,754,833	24,672,114	24,802,898	24,549,919
Transfers	-	-	-	-	20,000
Change in Net Position	<u>\$ 714,998</u>	<u>\$ 392,651</u>	<u>\$ 2,233,955</u>	<u>\$ (2,338,906)</u>	<u>\$ (746,047)</u>

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

Financial Trend Information Changes in Governmental Net Position

Fiscal Year Ended June 30				
2011	2012	2013	2014	2015
\$ 7,991,674	\$ 7,669,777	\$ 7,847,593	\$ 7,138,763	\$ 7,206,304
19,527,135	19,120,860	18,355,633	18,620,948	20,639,766
7,968,670	6,760,580	6,496,044	7,426,137	7,653,140
1,646,271	1,473,100	2,002,005	1,686,845	1,741,690
7,555,873	8,005,423	7,823,034	8,472,921	8,055,406
989,124	914,820	836,922	710,552	641,403
45,678,747	43,944,560	43,361,231	44,056,166	45,937,709
4,772,306	5,550,646	5,295,108	5,113,270	4,984,422
2,931,281	3,167,735	3,580,767	3,765,459	3,869,062
668,339	814,277	653,909	481,828	557,217
61,792	119,008	125,965	101,905	138,725
3,099,638	3,089,507	2,889,749	2,828,711	2,579,022
11,533,356	12,741,173	12,545,498	12,291,173	12,128,448
6,927,317	7,379,504	7,066,422	5,717,085	5,439,778
2,500,847	855,154	285,064	935,949	3,256,768
20,961,520	20,975,831	19,896,984	18,944,207	20,824,994
(24,717,227)	(22,968,729)	(23,464,247)	(25,111,959)	(25,112,715)
18,959,494	19,115,750	19,538,168	20,292,535	20,295,406
4,985,473	4,790,468	4,943,300	5,093,520	5,196,550
152,238	128,104	100,155	113,946	131,705
510,787	447,227	449,989	536,370	441,002
216,974	25,069	51,302	126,116	153,497
-	-	-	67,750	134,415
24,824,966	24,506,618	25,082,914	26,230,237	26,352,575
40,000	40,000	40,000	40,000	-
\$ 147,739	\$ 1,577,889	\$ 1,658,667	\$ 1,158,278	\$ 1,239,860

City of East Lansing, Michigan

	Fiscal Year Ended June 30				
	2006	2007	2008	2009	2010
Operating Revenue					
Parking revenue	\$ 3,609,781	\$ 3,572,973	\$ 3,505,284	\$ 3,487,670	\$ 3,721,453
Water user service charges	2,693,126	2,719,140	2,750,452	2,784,062	2,775,173
Sewage user service charges	7,094,603	7,376,993	7,754,950	7,697,117	7,662,131
Equipment and building rental	47,991	71,278	59,898	63,473	188,845
Other charges for services	-	-	-	58,073	9,324
Contributions	-	-	-	-	-
Total operating revenue	13,445,501	13,740,384	14,070,584	14,090,395	14,356,926
Operating Expenses					
Cost of water produced/purchased	1,935,907	2,083,754	2,004,117	2,122,353	2,103,937
Cost of sewage treatment	4,489,691	5,028,265	4,914,857	4,984,690	4,538,015
Other operation and maintenance costs	502,772	496,527	518,719	524,402	522,331
General and administrative costs	2,183,862	2,244,740	2,344,609	2,409,657	2,515,399
Depreciation	2,459,031	2,638,697	2,848,555	2,927,305	2,923,193
Total operating expenses	11,571,263	12,491,983	12,630,857	12,968,407	12,602,875
Operating Income	1,874,238	1,248,401	1,439,727	1,121,988	1,754,051
Nonoperating Revenue (Expenses)					
Investment income	30,481	42,114	143,607	27,296	13,226
(Loss) gain from joint venture	(236,255)	(57,576)	(212,809)	(142,478)	(201,615)
Interest expense	(1,398,148)	(1,350,323)	(1,621,994)	(1,667,648)	(1,438,725)
Bond issuance costs	-	-	-	-	-
Contribution from DDA	431,310	505,435	497,150	555,700	-
Total nonoperating expenses	(1,172,612)	(860,350)	(1,194,046)	(1,227,130)	(1,627,114)
Income (Loss) - Before contributions and transfers	701,626	388,051	245,681	(105,142)	126,937
Capital Contributions	1,585,680	2,227,380	1,151,731	255,685	1,006,180
Transfers to Other Funds	-	-	-	-	(20,000)
Change in Net Position	<u>\$ 2,287,306</u>	<u>\$ 2,615,431</u>	<u>\$ 1,397,412</u>	<u>\$ 150,543</u>	<u>\$ 1,113,117</u>

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

Financial Trend Information

Changes in Business-type Net Position

Fiscal Year Ended June 30				
2011	2012	2013	2014	2015
\$ 3,777,095	\$ 3,820,612	\$ 3,777,577	\$ 3,733,543	\$ 3,834,027
2,904,569	3,113,018	3,557,704	3,392,364	3,561,696
7,808,793	8,223,988	8,890,664	9,198,826	10,192,304
410,184	127,301	108,346	107,127	104,125
14,885	9,324	9,324	950	9,820
-	-	-	303,820	270,980
14,915,526	15,294,243	16,343,615	16,736,630	17,972,952
2,006,451	2,324,644	2,320,036	2,379,542	2,375,482
4,848,134	5,379,717	5,277,782	5,531,783	6,224,614
1,239,050	1,415,208	1,332,849	891,172	945,711
1,850,431	1,853,023	1,814,409	1,829,318	1,886,407
2,912,362	2,916,659	2,923,428	2,893,782	2,890,265
12,856,428	13,889,251	13,668,504	13,525,597	14,322,479
2,059,098	1,404,992	2,675,111	3,211,033	3,650,473
13,684	13,000	11,137	18,799	26,996
(140,563)	103,338	46,185	171,049	(38,097)
(1,492,846)	(1,470,845)	(1,390,649)	(1,264,791)	(1,055,910)
-	-	-	-	(153,485)
-	-	-	-	-
(1,619,725)	(1,354,507)	(1,333,327)	(1,074,943)	(1,220,496)
439,373	50,485	1,341,784	2,136,090	2,429,977
480,975	1,173,281	562,788	442,860	1,373,885
(40,000)	(40,000)	(40,000)	(40,000)	-
<u>\$ 880,348</u>	<u>\$ 1,183,766</u>	<u>\$ 1,864,572</u>	<u>\$ 2,538,950</u>	<u>\$ 3,803,862</u>

City of East Lansing, Michigan

	As of June 30				
	2006	2007	2008	2009	2010
General Fund:					
Post-GASB No. 54:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Pre-GASB No. 54:					
Reserved	1,163,953	2,081,719	162,959	65,425	117,920
Unreserved:					
Designated	719,374	251,219	671,074	82,087	801,859
Undesignated	<u>4,029,061</u>	<u>3,612,538</u>	<u>4,263,324</u>	<u>4,021,858</u>	<u>3,577,535</u>
Total General Fund	<u>\$ 5,912,388</u>	<u>\$ 5,945,476</u>	<u>\$ 5,097,357</u>	<u>\$ 4,169,370</u>	<u>\$ 4,497,314</u>
All other governmental funds:					
Post-GASB No. 54:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Pre-GASB No. 54:					
Reserved	1,101,882	3,887,291	3,256,325	2,378,946	4,220,778
Unreserved and designated, reported in:					
Special revenue funds	728,155	1,016,920	255,064	380,772	273,142
Capital projects funds	217,948	862,134	46,925	165,500	49,550
Debt service funds	-	-	-	197,605	232,070
Unreserved and undesignated, reported in:					
Special revenue funds	1,621,921	502,081	(448,671)	(561,476)	(363,440)
Capital projects funds	-	-	813,303	330,268	14,754
Debt service funds	<u>4,889</u>	<u>43,172</u>	<u>52,707</u>	<u>5,136</u>	<u>61,526</u>
Total all other governmental funds	<u>\$ 3,674,795</u>	<u>\$ 6,311,598</u>	<u>\$ 3,975,653</u>	<u>\$ 2,896,751</u>	<u>\$ 4,488,380</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				
2011	2012	2013	2014	2015
\$ 70,945	\$ 137,525	\$ 86,400	\$ 8,281	\$ 42,023
12,381	113,676	-	-	-
10,116	60,908	247,474	-	2,450
1,031,867	1,508,847	2,075,403	1,619,272	825,672
4,244,246	4,539,980	4,903,365	5,148,900	6,057,581
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ 5,369,555	\$ 6,360,936	\$ 7,312,642	\$ 6,776,453	\$ 6,927,726
\$ 1,024,670	\$ 260,505	\$ 27,367	\$ 498,181	\$ 310,743
1,504,625	1,728,449	1,551,889	678,719	4,245,191
740,696	950,448	892,348	379,624	10,715
891,476	463,061	1,261,830	2,345,593	1,363,213
(421,534)	(91,471)	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ 3,739,933	\$ 3,310,992	\$ 3,733,434	\$ 3,902,117	\$ 5,929,862

City of East Lansing, Michigan

	Year Ended June 30				
	2006	2007	2008	2009	2010
Revenue					
Property taxes and assessments	\$ 18,018,039	\$ 18,738,963	\$ 19,050,460	\$ 19,569,569	\$ 20,052,812
Licenses and permits	1,627,623	1,295,962	1,303,946	1,171,077	1,288,940
Federal sources	865,341	1,119,698	1,125,984	1,001,261	907,765
State sources	9,427,909	9,985,527	11,238,387	10,249,496	9,727,206
Intergovernmental revenue	600,971	707,982	938,580	993,348	866,842
Charges for services	6,494,206	7,093,228	7,158,913	7,480,245	7,533,723
Fines and forfeitures	3,339,178	3,154,029	3,366,930	3,202,146	3,260,002
Interest and rentals	708,359	791,478	828,693	575,555	487,085
Other	1,183,505	1,422,408	1,748,390	1,787,895	1,345,150
Total revenue	42,265,131	44,309,275	46,760,283	46,030,592	45,469,525
Expenditures					
Current:					
General government	7,978,518	8,220,884	8,273,602	8,582,025	8,420,126
Public safety	16,309,024	16,967,986	17,879,753	18,311,295	17,680,100
Public works sanitation	2,221,569	2,520,519	3,194,764	1,831,747	1,706,588
Highways and streets	3,044,212	3,631,594	5,700,003	5,765,249	3,893,999
Health and welfare and community development	505,627	1,867,962	1,024,125	1,012,813	1,116,790
Recreation and culture	6,748,461	7,056,343	7,144,474	7,374,035	7,542,542
Capital outlay	951,954	5,757,000	4,404,486	2,961,806	1,982,457
Debt service principal	1,888,159	1,934,218	2,375,494	2,020,000	4,436,137
Debt issuance costs	-	-	-	36,480	225,426
Debt service interest and fees	1,070,702	844,824	1,074,798	978,511	712,221
Contribution to DDA	-	-	400,000	400,000	-
Total expenditures	40,718,226	48,801,330	51,471,499	49,273,961	47,716,386
Excess of Revenue Over (Under)					
Expenditures	1,546,905	(4,492,055)	(4,711,216)	(3,243,369)	(2,246,861)
Other Financing Sources (Uses)					
Proceeds from issuance of long-term debt	6,450,000	7,408,161	1,525,000	1,230,000	9,305,000
Payments to escrow agents	-	-	-	-	(5,248,437)
Debt premium or discount	18,620	53,785	2,150	6,480	89,871
Transfers in	6,259,559	7,098,515	5,107,723	3,684,565	4,337,820
Transfers out	(6,259,559)	(7,398,515)	(5,107,723)	(3,684,565)	(4,317,820)
Extinguishment of debt	(6,302,105)	-	-	-	-
Total other financing sources (uses)	166,515	7,161,946	1,527,150	1,236,480	4,166,434
Other Items	-	-	-	-	-
Net Change in Fund Balances	\$ 1,713,420	\$ 2,669,891	\$ (3,184,066)	\$ (2,006,889)	\$ 1,919,573
Debt service as a percentage of noncapital expenditures	7.44%	6.46%	7.33%	6.55%	11.75%
Capital outlay as a percentage of total expenditures	2.34%	11.80%	8.56%	6.01%	4.15%

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				
2011	2012	2013	2014	2015
\$ 18,959,494	\$ 19,115,750	\$ 19,538,168	\$ 20,230,355	\$ 20,265,409
1,278,190	1,324,990	1,419,718	1,566,121	1,707,590
1,216,117	1,079,712	1,159,211	715,025	407,935
9,296,096	8,793,472	9,959,356	9,534,548	10,029,455
756,089	686,974	696,036	828,890	1,377,452
8,259,572	8,840,618	7,211,487	7,200,502	6,825,892
3,121,472	3,386,472	3,167,121	2,990,796	3,023,331
207,866	193,081	156,341	628,176	640,019
3,642,054	2,689,661	1,790,474	1,743,049	3,154,729
46,736,950	46,110,730	45,097,912	45,437,462	47,431,812
7,521,936	7,270,986	7,477,468	6,734,005	6,722,522
18,643,775	19,066,718	17,459,797	16,992,391	18,468,332
1,957,382	1,798,091	1,612,946	1,556,241	1,748,244
4,204,023	3,132,067	3,085,378	5,022,464	3,821,905
1,645,082	1,471,255	2,000,805	1,674,142	1,462,509
7,055,699	7,216,570	6,833,456	7,941,378	7,178,649
2,430,813	2,450,510	1,632,376	2,546,063	2,356,014
2,265,000	2,315,000	1,900,000	1,965,000	2,010,000
-	-	-	-	-
929,446	867,093	785,753	712,324	659,272
-	-	-	-	-
46,653,156	45,588,290	42,787,979	45,144,008	44,427,447
83,794	522,440	2,309,933	293,454	3,004,365
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,363,245	2,716,935	2,694,829	2,862,080	3,054,118
(2,323,245)	(2,676,935)	(3,630,614)	(3,523,040)	(3,702,563)
-	-	-	-	-
40,000	40,000	(935,785)	(660,960)	(648,445)
-	-	-	-	-
\$ 123,794	\$ 562,440	\$ 1,374,148	\$ (367,506)	\$ 2,355,920
7.22%	7.38%	6.53%	6.29%	6.34%
5.21%	5.38%	3.82%	5.64%	5.30%

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
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	-	-
2014	2015	538,648,430	336,199,080	922,580	-	-

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	
\$ 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
875,770,090	22.6699	1,937,911,680	45.19

City of East Lansing, Michigan

Tax Year	Millage Rates - Direct City Taxes					Overlapping Taxes			
	General		Solid		Total Direct Taxes	Ingham County	Lansing	Ingham	Capital Area
	Operating	Debt	Waste	Library			Community College	Intermediate School District	Transportation Authority
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	5.9881	3.0070
2014	17.5891	1.3128	1.7680	2.0000	22.6699	10.6963	3.8072	5.9881	3.0070

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

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

	General	Debt	Solid
	Operating		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	East Lansing Schools Non- Homestead	Homestead	Non- homestead
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	61.2415	79.2415
6.0000	9.3810	27.3810	61.5495	79.5495

City of East Lansing, Michigan

Revenue Capacity Principal Property Taxpayers

Taxpayer	2014 Taxable Value	Percentage of Total	2005 Taxable Value	Percentage of Total	2005 Rank
1 MSUFCU	\$ 18,650,800	2.04	\$ -	-	-
2 The Landings at MSU	11,100,600	1.21	-	-	-
3 Cooloff Group (Same Eyde)	9,414,750	1.03	-	-	-
4 Abbot Road Associates	8,223,910	0.90	-	-	-
5 Greenstone Farm Credit Service	7,585,650	0.83	-	-	-
6 MEA Family of Companies	6,509,960	0.71	15,915,810	2.01	2
7 CV East Lansing MI	6,231,420	0.68	-	-	-
8 Burcham Hills Retirement Center	5,684,820	0.62	-	-	-
9 Cedar Village Apartments	5,525,490	0.60	-	-	-
10 Michigan Education Special Services Assoc	5,482,340	0.60	-	-	-
- DTN Management	-	-	31,143,510	3.94	1
- Sam Eyde Development Co.	-	-	11,542,870	1.46	3
- Wells Goodsir, etc	-	-	11,428,190	1.45	4
- Dunn Development Group	-	-	7,102,360	0.90	5
- Mutual Insurance Company of America	-	-	6,885,470	0.87	6
- Capstone University Commons	-	-	6,743,370	0.85	7
- D.L. Kesler & Associated Properties	-	-	6,551,000	0.83	8
- Meijer Inc	-	-	6,538,830	0.83	9
- South Bend Nursing Home Association	-	-	5,318,580	0.67	10
Total	<u>\$ 84,409,740</u>	<u>9.23</u>	<u>\$ 109,169,990</u>	<u>13.81</u>	

Source: City of East Lansing Assessor

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

City of East Lansing, Michigan

Revenue Capacity Property Tax Levies and Collections

Tax Year	Fiscal Year Ended June 30	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
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	15,760	19,148,234	99.97
2011	2012	19,186,150	19,167,433	99.90	13,727	19,181,160	99.97
2012	2013	19,641,323	19,608,049	99.83	30,087	19,638,136	99.98
2013	2014	20,345,388	20,304,199	99.80	36,578	20,340,777	99.98
2014	2015	20,504,085	20,466,309	99.82	23,726	20,490,035	99.93

Source: City of East Lansing Treasurer

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

Debt Capacity

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

City of East Lansing, Michigan

	2006	2007	2008	2009
Governmental Activities				
General obligation bonds	\$ 24,900,000	\$ 24,745,000	\$ 24,765,000	\$ 24,383,375
Installment purchase agreements	-	-	-	-
Special assessment bonds	3,480,000	6,695,000	5,675,000	4,730,000
Contractual agreements	-	2,163,253	2,053,345	1,943,437
Capital leases	89,806	45,495	-	-
Total	28,469,806	33,648,748	32,493,345	31,056,812
Business-type Activities				
General obligation bonds	44,590,544	47,458,647	44,688,648	41,803,648
Installment purchase agreements	-	944,181	798,922	653,664
Total	44,590,544	48,402,828	45,487,570	42,457,312
Total debt of the government	<u>\$ 73,060,350</u>	<u>\$ 82,051,576</u>	<u>\$ 77,980,915</u>	<u>\$ 73,514,124</u>
Total Real Property Taxable Value	\$ 795,675,370	\$ 846,697,350	\$ 896,423,170	\$ 933,367,270
Debt as a percentage of taxable value	9.18	9.69	8.70	7.88
Total Population	46,010	45,680	45,502	45,334
Total debt per capita	\$ 1,588	\$ 1,796	\$ 1,714	\$ 1,622
Total Personal Income (in thousands)	\$ 1,359,549	\$ 1,396,757	\$ 1,430,583	\$ 1,487,817
Debt as a percentage of total personal income	5.37	5.87	5.45	4.94

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

Debt Capacity Ratios of Outstanding Debt

2010	2011	2012	2013	2014	2015
\$ 25,225,000	\$ 23,635,000	\$ 21,980,000	\$ 20,050,000	\$ 18,170,000	\$ 16,385,000
-	-	-	440,000	330,000	220,000
3,790,000	2,860,000	1,940,000	1,545,000	1,150,000	765,000
1,833,528	1,723,620	1,613,712	1,503,804	1,393,896	1,283,988
-	-	-	-	-	-
30,848,528	28,218,620	25,533,712	23,538,804	21,043,896	18,653,988
38,888,648	39,313,648	35,863,648	34,271,618	32,582,788	28,522,785
508,405	363,146	217,888	72,629	-	-
39,397,053	39,676,794	36,081,536	34,344,247	32,582,788	28,522,785
<u>\$ 70,245,581</u>	<u>\$ 67,895,414</u>	<u>\$ 61,615,248</u>	<u>\$ 57,883,051</u>	<u>\$ 53,626,684</u>	<u>\$ 47,176,773</u>
\$ 970,659,220	\$ 937,697,440	\$ 903,071,940	\$ 867,895,710	\$ 858,231,194	\$ 875,770,090
7.24	7.24	6.82	6.67	6.25	5.39
45,166	48,579	48,666	48,518	48,554	48,648
\$ 1,555	\$ 1,398	\$ 1,266	\$ 1,193	\$ 1,104	\$ 970
\$ 1,438,492	\$ 1,610,637	\$ 1,665,448	\$ 1,700,507	\$ 1,725,075	\$ 1,783,387
4.88	4.22	3.70	3.40	3.11	2.65

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	Tax Supported				
	Obligation Bonds (LTGO)	Bonds (UTGO)				
2006	\$ 58,086,867	\$ 12,065,000	\$ (4,889)	\$ 644,806	\$ 70,791,784	\$ 1,887,156,000
2007	61,193,648	11,010,000	(43,172)	3,932,621	76,093,097	2,012,128,600
2008	59,543,648	9,910,000	(1,147,533)	3,529,832	71,835,947	2,077,423,200
2009	57,388,648	9,100,000	(963,851)	3,390,601	68,915,398	2,120,613,400
2010	55,793,648	8,320,000	(1,035,288)	3,122,433	66,200,793	2,106,504,600
2011	55,017,443	7,405,000	(763,482)	2,520,766	64,179,727	1,996,948,000
2012	50,934,928	6,450,000	(448,455)	2,178,600	59,115,073	1,930,184,820
2013	48,534,788	5,465,000	(585,279)	2,016,433	55,430,942	1,813,659,580
2014	46,307,788	4,445,000	(499,712)	1,723,896	51,976,972	1,873,380,888
2015	41,522,785	3,385,000	(944,032)	1,503,988	45,467,741	1,937,911,680

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
3.75	46,010	\$ 1,539
3.78	45,680	1,666
3.46	45,502	1,579
3.25	45,334	1,520
3.14	45,166	1,466
3.21	48,579	1,321
3.06	48,666	1,215
3.06	48,518	1,142
2.77	48,554	1,070
2.35	48,648	935

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	\$ 32,603,896	11.89	\$ 3,876,603
Clinton County	2,053,375	3.60	73,922
East Lansing School District	41,068,377	77.74	31,926,556
Lansing School District	39,930,000	5.13	2,048,409
Bath School District	15,824,343	6.30	996,934
Haslett School District	51,912,205	0.35	181,693
Ingham Intermediate School District	1,836,000	11.03	202,511
Lansing Community College	72,720,000	9.18	6,675,696
Total overlapping debt			45,982,324
Direct City debt	21,043,896	100.00	21,043,896
Total direct and overlapping debt			\$ 67,026,220

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

In Michigan, the Municipal Advisory Council calculates and maintains documentation on the overlapping debt issues for all governmental agencies in the State. This is based on the proportionate share of the City's taxable value relative to the total taxable value of the overlapping jurisdiction as a whole.

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

City of East Lansing, Michigan

	2006	2007	2008	2009
Calculation of Debt Limit -				
State equalized valuation	<u>\$ 983,257,000</u>	<u>\$ 1,045,757,600</u>	<u>\$ 1,080,215,200</u>	<u>\$ 1,101,273,200</u>
10 percent of taxable value	\$ 98,325,700	\$ 104,575,760	\$ 108,021,520	\$ 110,127,320
Calculation of Debt Subject to Limit				
Total debt	73,060,350	82,051,576	77,980,915	73,514,124
Less debt not subject to limit:				
Special assessment bonds	(3,480,000)	(6,695,000)	(5,675,000)	(4,730,000)
Pollution abatement bonds	<u>(23,956,867)</u>	<u>(22,913,648)</u>	<u>(21,233,648)</u>	<u>(19,533,648)</u>
Net debt subject to limit	<u>45,623,483</u>	<u>52,442,928</u>	<u>51,072,267</u>	<u>49,250,476</u>
Legal debt margin	<u>\$ 52,702,217</u>	<u>\$ 52,132,832</u>	<u>\$ 56,949,253</u>	<u>\$ 60,876,844</u>
Net debt subject to limit as a percentage of debt limit	46.40	50.15	47.28	44.72

See independent auditor's disclaimer on the statistical information.

Debt Capacity
Legal Debt Margin

2010	2011	2012	2013	2014	2015
<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>	<u>\$ 967,717,290</u>
\$ 109,735,050	\$ 104,226,330	\$ 100,715,451	\$ 94,873,343	\$ 93,636,234	\$ 96,771,729
70,245,581	67,895,414	61,615,248	57,883,051	53,626,684	47,176,773
(3,790,000)	(2,860,000)	(1,940,000)	(1,545,000)	(1,150,000)	(765,000)
<u>(17,793,648)</u>	<u>(16,003,648)</u>	<u>(14,173,648)</u>	<u>(12,293,648)</u>	<u>(10,353,648)</u>	<u>(8,358,648)</u>
<u>48,661,933</u>	<u>49,031,766</u>	<u>45,501,600</u>	<u>44,044,403</u>	<u>42,123,036</u>	<u>38,053,125</u>
<u>\$ 61,073,117</u>	<u>\$ 55,194,564</u>	<u>\$ 55,213,851</u>	<u>\$ 50,828,940</u>	<u>\$ 51,513,198</u>	<u>\$ 58,718,604</u>
44.34	47.04	45.18	46.42	44.99	39.32

City of East Lansing, Michigan

Debt Capacity Pledged-revenue Coverage

Fiscal Year	Special Assessment Bonds			
	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
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
2015	382,471	385,000	38,300	0.90

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
2005	46,010	\$ 1,359,549	\$ 29,549	7.3	6.8
2006	45,680	1,396,757	30,577	7.4	7.0
2007	45,502	1,430,583	31,440	7.1	7.0
2008	45,334	1,487,817	32,819	7.8	8.0
2009	45,166	1,438,492	31,849	12.9	13.7
2010	48,579	1,610,637	33,155	7.4	12.6
2011	48,666	1,665,448	34,222	6.3	10.4
2012	48,518	1,700,507	35,049	5.6	9.1
2013	48,554	1,725,075	35,529	5.5	8.9
2014	48,648	1,783,387	36,659	4.3	7.3

Sources:

U.S. Bureau of Economic Analysis, Table CA1, December 1, 2015

U.S. Census Bureau, 2010 Census and Annual Estimates

Michigan Department of Technology, Management, and Budget, Labor Market Information (LAUS),
December 1, 2015

City of East Lansing Department of Planning, Building, and Development

See independent auditor's disclaimer on the statistical information.

City of East Lansing, Michigan

Demographic and Economic Information Principal Employers

Taxpayer	Calendar Year		Calendar Year		Calendar Year 2005 Rank
	2014 Employees	Percentage of Total	2005 Employees	Percentage of Total	
1 Michigan State University	11,600	51.57	10,500	53.97	1
2 Michigan Education Association	570	2.53	320	1.64	7
3 MSU Federal Credit Union	470	2.09	297	1.53	8
4 Burcham Hills Community	450	2.00	415	2.13	4
5 IBM Global Delivery Center	400	1.78	-	-	-
6 East Lansing School District	360	1.60	363	1.87	6
7 City of East Lansing	345	1.53	634	3.26	3
8 Meijer, Inc.	340	1.51	2,000	10.28	2
9 Vertafore	200	0.89	-	-	-
10 First National Bank of America	165	0.73	-	-	-
- Kellogg Hotel & Conference Center	-	-	400	2.06	5

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	2006	2007	2008	2009	2010	2011
General government:						
City manager and policy analysis	6.25	5.25	5.25	5.50	5.50	5.50
54-B District Court	31.50	32.50	33.50	32.50	31.50	30.50
Engineering and public works administration	13.00	13.00	11.00	11.00	11.25	9.75
Planning	12.25	12.75	12.50	10.25	10.25	9.75
Financial services and finance	16.25	17.00	16.00	16.00	16.25	15.25
Human resources	4.00	3.50	3.50	3.50	3.50	3.00
Clerk and elections	3.75	4.00	4.50	4.50	4.50	3.75
Communications	3.50	4.50	3.50	4.00	4.00	3.75
Public buildings	13.00	10.00	9.50	8.00	2.00	2.00
Information systems	4.00	4.00	4.00	4.00	3.00	3.00
Public safety:						
Police operations	99.25	101.00	101.00	98.00	94.00	97.75
Fire operations	53.00	53.00	53.00	53.00	53.00	51.00
Parking enforcement	10.50	10.50	10.50	9.25	9.25	9.25
Building and housing	13.75	14.50	13.50	12.00	8.75	8.75
Public works:						
Highways and streets	22.00	22.00	22.00	21.00	21.00	21.00
Water	8.00	8.00	8.00	8.00	10.00	10.00
Sewer	28.50	28.50	28.50	27.00	27.00	26.00
Parking	28.25	30.00	26.50	25.25	24.50	24.50
Garage	8.00	8.00	7.00	7.00	8.00	8.00
Culture and recreation:						
Parks and recreation	89.75	94.50	95.75	91.50	90.50	85.16
Library	22.75	23.00	23.00	23.00	21.00	19.00
Total	<u>491.25</u>	<u>499.50</u>	<u>492.00</u>	<u>474.25</u>	<u>458.75</u>	<u>446.66</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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
5.50	4.50	4.50	4.50
31.00	29.75	28.38	28.72
9.75	9.75	11.73	11.22
9.25	9.55	9.89	8.76
15.50	15.00	15.26	16.04
3.00	2.00	2.00	2.00
4.00	5.50	5.50	5.50
3.75	3.75	3.87	3.85
2.00	2.00	2.00	2.00
3.00	3.00	3.00	3.00
93.38	80.30	86.20	75.69
50.00	51.00	50.77	49.80
9.50	10.00	10.00	11.40
8.75	9.00	11.10	12.19
19.00	17.00	17.00	14.92
10.00	10.00	9.00	9.00
26.00	26.00	23.70	23.05
23.00	21.75	20.08	19.35
8.00	6.00	4.85	4.23
80.33	76.99	71.95	72.65
<u>20.25</u>	<u>16.83</u>	<u>16.27</u>	<u>16.49</u>
<u>434.96</u>	<u>409.67</u>	<u>407.05</u>	<u>394.36</u>

City of East Lansing, Michigan

Function/Program	2006	2007	2008	2009	2010
Election data:					
Registered voters	29,072	29,949	29,483	36,320	25,521
Voters (at the polls or absentee)	13,435	3,353	4,990	23,810	4,599
Percent voting	46.2	11.2	16.9	65.6	18.0
District Court:					
Number of court cases (not parking related) (1)	25,499	26,216	26,641	25,332	21,999
Number of parking tickets (1)	69,661	63,810	64,788	60,354	55,877
Police:					
Physical arrests (1)	3,576	3,271	3,355	3,191	3,112
Traffic violations (1)	14,081	11,567	12,319	14,936	12,769
Investigations (1)	856	861	852	442	494
Fire:					
Fire runs (1)	1,059	1,050	1,108	1,276	1,266
Emergency medical runs (1)	2,650	2,769	2,853	2,974	3,058
Public works:					
Miles of street resurfaced	2.42	0.77	1.70	1.39	1.00
Refuse collected (cubic yards) (1)	14,410	13,890	13,860	14,050	13,930
Parks and recreation (2):					
Softball complex attendance	48,375	54,276	41,700	40,163	41,925
Soccer complex attendance	92,680	96,896	96,152	84,805	94,680
Aquatic center attendance	52,637	51,874	53,880	46,004	54,865
Hannah Center pass visits	34,541	32,805	30,202	40,174	44,436
Hannah Center rental reservations attendance	68,354	53,742	58,188	71,014	73,498
Adult day care participants	77	64	67	66	60
Adult day care hours of care	19,921	25,256	22,162	25,595	21,066
Child care registrants	505	511	525	537	528
Recreation and arts programs registrants	3,093	3,664	3,234	3,702	4,777
Youth Action Team - After school	5,392	6,112	6,689	5,073	3,194
Aquatics/Athletics programs registrants	4,257	4,663	4,597	4,776	4,387
SCENE Metrospace attendance	not available	not available	not available	not available	4,094
Library:					
Circulation (books borrowed)	375,083	324,550	303,387	297,540	316,730
Circulation (e-content borrowed)	not available	not available	not available	not available	not available
Visitors	256,928	252,000	252,441	264,303	266,261
Water:					
Number of customers billed	33,708	30,092	31,298	31,401	31,687
Total consumption	921,484	907,964	903,150	874,503	843,450
Average consumption per user	27.34	30.17	28.86	27.85	26.62
Sewer - Average daily sewage treatment (MGD)	12.8	13.3	13.3	14.3	12.0

(1) Amounts reflect the previous calendar year

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

Source: City of East Lansing records

See independent auditor's disclaimer on the statistical information.

Operating Information

Operating Indicators

2011	2012	2013	2014	2015
26,271	25,822	26,818	24,790	24,825
3,370	5,503	8,096	9,246	9,144
12.8	21.3	30.2	37.3	36.8
22,415	23,365	19,353	21,452	18,732
52,539	49,022	49,424	46,694	49,009
3,244	3,139	4,108	2,221	2,208
14,646	15,191	11,995	13,647	10,624
349	231	359	435	not available
1,167	1,171	1,316	1,609	1,373
3,212	3,284	3,387	3,622	3,733
1.26	0.96	0.68	2.26	3.02
13,660	13,700	12,970	13,604	12,598
67,935	64,762	68,228	67,012	49,200
102,625	107,398	111,776	121,008	125,258
57,005	58,755	43,604	40,145	48,851
48,204	46,569	47,893	46,162	46,087
71,893	83,427	82,835	87,402	104,692
51	47	n/a	n/a	n/a
15,135	14,382	n/a	n/a	n/a
519	532	489	641	591
4,026	4,816	5,319	4,936	7,963
n/a	n/a	n/a	n/a	n/a
4,095	4,263	3,644	8,715	8,748
3,866	4,000	3,475	2,726	1,200
309,585	319,370	338,903	307,114	271,581
not available	not available	not available	not available	36,071
268,876	265,712	263,018	254,592	195,445
31,702	31,791	31,821	31,753	31,558
869,466	783,026	843,541	870,482	864,625
27.43	24.63	26.51	27.41	27.40
12.3	11.7	11.8	12.9	12.0

City of East Lansing, Michigan

Function/Program	2006	2007	2008	2009	2010
Police:					
Stations	1	1	1	1	1
Patrol units	13	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	8	8	8	9	9
Public works:					
Streets (miles):					
Major streets	24.4	24.4	24.6	24.6	24.6
Local streets	61.5	61.5	61.5	61.6	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	490	494
Developed parks/playgrounds	25	25	25	26	26
Developed sporting fields	27	27	27	27	27
Libraries:					
Branches	1	1	1	1	1
Book collections	144,500	141,064	144,206	153,641	154,858
Digital collections	-	-	-	-	561
Water:					
Mains (miles)	118.77	120.58	121.01	121.26	121.70
Fire hydrants	875	895	1,019	1,019	1,023
Storage capacity	1.95	1.95	1.95	1.95	1.95
Sewer:					
Miles of sanitary sewers	151.07	152.17	152.27	152.41	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

2011	2012	2013	2014	2015
1	1	1	1	1
13	13	13	16	16
16	16	17	15	16
2	2	2	2	2
2	2	2	3	4
3	3	3	4	4
9	9	6	5	8
24.6	24.6	24.6	24.6	24.6
61.6	61.6	61.6	61.5	61.5
8.2	8.2	8.2	8.2	8.2
46	46	46	48	48
5	5	5	5	5
3	3	3	3	3
494	514	514	514	514
26	27	27	27	27
27	27	27	27	27
1	1	1	1	1
139,084	128,383	125,162	112,538	110,160
1,687	6,199	8,654	24,945	36,855
121.70	121.70	121.70	121.77	122.25
1,023	1,023	1,023	1,024	1,025
1.95	1.95	1.95	1.95	1.95
152.41	152.41	152.68	153.39	153.39
18.50	18.50	18.50	18.50	18.50

City of East Lansing, Michigan

**Federal Awards
Supplemental Information
June 30, 2015**

City of East Lansing, Michigan

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Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
City of East Lansing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Lansing, Michigan as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 2, 2015, which contained unmodified opinions on the 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. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 2, 2015.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

December 2, 2015

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management, the Honorable Mayor,
and Members of the City Council
City of East Lansing, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of East Lansing, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management, the Honorable Mayor,
and Members of the City Council
City of East Lansing, Michigan

Compliance and Other Matters

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

Purpose of this Report

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

Plante & Moran, PLLC

December 2, 2015

Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
City of East Lansing, Michigan

Report on Compliance for Each Major Federal Program

We have audited City of East Lansing, Michigan's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. City of East Lansing, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of East Lansing, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of East Lansing, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Honorable Mayor
and Members of the City Council
City of East Lansing, Michigan

Opinion on Each Major Federal Program

In our opinion, the City of East Lansing, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as finding 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The City of East Lansing, Michigan's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The City of East Lansing, Michigan's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion it.

Report on Internal Control Over Compliance

Management of the City of East Lansing, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of East Lansing, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

To the Honorable Mayor
and Members of the City Council
City of East Lansing, Michigan

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention of those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2015-001 to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

December 2, 2015

City of East Lansing, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development				
Community Development Block Grants - Entitlement Grant:				
Program Income	14.218	N/A	\$ -	\$ 85,648
FY13 38th Entitlement	14.218	B-12-MC-26-0024	454,749	42,621
FY14 39th Entitlement	14.218	B-13-MC-26-0024	440,512	84,007
FY15 40th Entitlement	14.218	B-14-MC-26-0024	424,231	214,841
Total Community Development Block Grants			1,319,492	427,117
Section 108 Loan	14.248	N/A	1,500,000	900,000
Total U.S. Department of Housing and Urban Development			2,819,492	1,327,117
U.S. Department of Justice				
Passed through City of Lansing -				
2014 Justice Assistance Grant Program	16.738	2014-H2756-MI-DJ	10,274	1,960
Passed through Michigan State Police:				
Bulletproof Vest Partnership Program	16.607	2013 Regular Fund	4,500	2,941
Bulletproof Vest Partnership Program	16.607	2014 Regular Fund	4,875	909
Total Bulletproof Vest Partnership Program			9,375	3,850
Total U.S. Department of Justice			19,649	5,810
U.S. Department of Transportation				
Highway Safety Cluster -				
Passed through State of Michigan -				
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.601	AL-15-05	100,000	45,034
Passed through Meridian Township:				
State and Community Highway Safety 2014-2015	20.600	PT-14-09	60,998	7,288
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	AL-14-09	15,000	3,786
National Priority Safety Programs	20.616	PT-15-32	25,995	1,045
National Priority Safety Programs	20.616	PT-15-33	37,998	1,953
Total Passed through Meridian Township:			139,991	14,072
Total Highway Safety Cluster and U.S. Department of Transportation			239,991	59,106
U.S. Environmental Protection Agency				
Clean Water State Revolving Fund Cluster -				
Passed through the State of Michigan Department of Environmental Quality -				
State Clean Water Revolving Fund	66.458	5545-01	643,907	102,282
National Endowment for the Arts				
Passed through Michigan Council for Arts and Cultural Affairs -				
Program for Operational and Project Support	45.025	15OP0099PS	1,550	1,550
Total federal awards			<u>\$ 3,724,589</u>	<u>\$ 1,495,865</u>

City of East Lansing, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of City of East Lansing, Michigan under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Because the Schedule presents only a selected portion of the operations of the City of East Lansing, Michigan, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of the City of East Lansing, Michigan. Pass-through entity identifying numbers are presented where available.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Loans Outstanding

The U.S. Department of Housing and Urban Development (HUD) awarded Section 108 guaranteed loans to the City of East Lansing, Michigan in the aggregate amount of \$1,500,000 in fiscal year 2007. The loans are for the purpose of housing and economic redevelopment.

Repayment of the Section 108 guaranteed loans under CFDA 14.248 commenced in 2008. Collateral repayments of the funds include, in the following order, a pledge of the City of East Lansing, Michigan's Community Development Block Grant (CDBG) program income, proceeds from the sale of property acquired with HUD Section 108 loan proceeds, and proceeds from the Grove Street Parking Ramp. As of June 30, 2015, the principal amount outstanding on the Section 108 loan is \$900,000, which is included in the schedule of expenditures of federal awards.

City of East Lansing, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Note 4 - Subrecipient Awards

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants - Entitlement Grant	14.218	\$ 63,503

City of East Lansing, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☒ Yes ☐ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grants - Entitlement Grant
14.248	Section 108 Loan

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

City of East Lansing, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference

Number	Finding
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2015-001	Program Name - Community Development Block Grants - Entitlement Grant - CFDA# 14.218
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Pass-through Entity - N/A

Finding Type - Material Weakness and Material Noncompliance with Laws and Regulations

Criteria - On December 19, 2014, within 79 FR 76078 (the "Joint Interim Final Rule"), HUD amended Title 24, Subtitle A, Part 84, §84.1 that deals with the applicability of 2 CFR Part 200. Subparagraph (b) of this section says, "Federal awards made prior to December 26, 2014 will continue to be governed by the regulations in effect and codified in 24 CFR part 84 (2013 edition) or as provided under the terms of the federal award. Where the terms of a federal award made prior to December 26, 2014 state that the award will be subject to regulations as may be amended, the federal award shall be subject to 2 CFR Part 200."

In accordance with Notice SD-2015-01 issued on February 26, 2015 by HUD, which provides transition guidance to 2 CFR Part 200, the grant agreements for some HUD programs (e.g., Community Development Block Grant, HOME Investment Partnerships, Emergency Solutions Grants, Indian Housing Block Grants, Native Hawaiian Block Grants, Indian Community Development Block Grants) incorporate the regulations "as now in effect and as may be amended from time to time" and, therefore, 2 CFR part 200 will be applicable to these grants on December 26, 2014.

City of East Lansing, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-001 (Cont'd)	<p>Condition - The City received Community Development Block Grant Award #B-14-MC-26-0024 on July 1, 2014 and included in the award document was reference to regulations "as now in effect and as may be amended from time to time."</p> <p>The City administered the award under Circular A-87, <i>Cost Principles for State, Local, and Indian Tribal Governments</i>, and Circular A-102, <i>Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments</i>, rather than applying the provisions of 2 CFR Part 200 subsequent to December 26, 2014.</p> <p>The City was unaware of HUD's intent per both 79 FR 76078 and HUD's Notice SD-2015-01 related to applicability of 2 CFR Part 200 to this grant as of December 26, 2014.</p> <p>Questioned Costs - Unknown</p> <p>Context - The City expended \$112,298 related to CDBG after December 26, 2014, which represents 26 percent of the total CDBG expenditures reported for fiscal year 2015. This amount should have been subject to 2 CFR Part 200.</p> <p>Subsequent to December 26, 2014, although these dollars were to be administered under 2 CFR Part 200, the City continued to administer these award dollars under A-87 and A-102; as a result, the City did not materially comply with the requirements specified under 2 CFR Part 200 for the following compliance requirements as described below:</p> <ol style="list-style-type: none">1) Activities allowed and allowable costs - Lack of written policies surrounding how allowable costs are determined2) Cash management - Lack of written policies surrounding cash management procedures and the lack of certification language required by 2 CFR 200.4153) Subrecipient monitoring - Subrecipient agreements excluded certain elements required by 2 CFR 200.331 and lack of a written risk assessment policy for subrecipient monitoring and documentation of how monitoring performed was in accordance with the policy <p>This noncompliance is not pervasive to the entire entity but limited to this particular HUD award given the unique nature of the transition guidance provided by HUD.</p>

City of East Lansing, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-001 (Cont'd)	<p>Cause and Effect - HUD's intent regarding the applicability of 2 CFR Part 200 was not clear. As a result, related to this grant, the City did not comply with 2 CFR 200 subsequent to December 26, 2014 as required by the Joint Interim Final Rule and by HUD's Notice SD-2015-01.</p> <p>Recommendation - We recommend the City seek HUD's advice on how to handle this noncompliance condition given that the implementation of 2 CFR Part 200 did not occur as required.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City of East Lansing will implement all requirements noted in 2 CFR Part 200 subsequent to December 26, 2014. In addition, the City of East Lansing will continue to adhere to all administrative requirements referenced in the <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (known to many as the "Super Circular") as part of the Community Development Block Grant Program.</p>

City of East Lansing, Michigan

Summary Schedule of Prior Audit Findings Year Ended June 30, 2015

<u>Prior Year Finding Number</u>	<u>Federal Program</u>	<u>Original Finding Description</u>	<u>Status</u>	<u>Planned Corrective Action</u>
2014-002	Community Development Block Grants - CFDA # 14.218	The expenditures reported on the Comprehensive Annual Performance and Evaluation Report (CAPER) were not consistent with the expenditures included in the Schedule of Expenditures of Federal Awards (SEFA) for the year ended June 30, 2014.	Fully corrected	n/a
2014-003	Community Development Block Grants - CFDA # 14.218	Program income received was not always applied toward program expenditures prior to requesting additional federal cash draws from the U.S. Department of Housing and Urban Development (HUD).	Fully corrected	n/a

City of East Lansing, Michigan

Report to the City Council

June 30, 2015

December 2, 2015

To the City Council
City of East Lansing, Michigan
410 Abbott Road
East Lansing, MI 48823

We have audited the financial statements of the City of East Lansing, Michigan (the "City") as of and for the year ended June 30, 2015 and have issued our report thereon dated December 2, 2015. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Other Informational Items

Section I includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the City Council of the City of East Lansing, Michigan.

Section II presents other informational items. These comments are offered in the interest of helping the City in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

We would like to take this opportunity to thank City's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC



Joseph C. Heffernan, CPA

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 24, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of City's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the City, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated December 2, 2015 regarding our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 25, 2015.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note I to the financial statements.

As described in Note 2, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of this new pronouncement, the City reports the cost of pension benefits in the government-wide statements as the employees are providing employment services, rather than as it is funded. This rule change does not impact the General Fund or other governmental funds individually. The 2015 financial report reflects the implementation of this standard.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

- Self-insured liability for general claims, workers' compensation claims, and high deductible medical claims and dental claims as disclosed in Note 10. Management's estimate of the self-insured liability is based on the City's calculation of future expenditures for these expenses. Management's estimate of the valuation of the actuarial accrued liability for pension benefits is actuarially calculated. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.
- Valuation of actuarial accrued liability for pension and other postemployment benefits as disclosed in Notes 11 and 13. The audit included an examination of the data provided to the actuary and an evaluation of the reasonableness of the assumptions and methodologies used in the valuation in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement with management each year prior to our retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 2, 2015.

Management Consultations with Other Independent Accountants

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

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the entity's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such other information is properly stated. However, we read the introductory and statistical section and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

Section II - Other Informational Items

Impact of Change in Accounting for Pension Benefits

Pension and retiree healthcare benefits (OPEB) has been a continuing challenge for local units of government to fund as the employment services are rendered. The new accounting rules (GASB Statement No. 68) that were adopted this year will measure the cost of pension benefits for the government-wide statements as the employees are providing employment services, rather than as it is funded. As a result, the City is reporting a net pension liability of \$71.8 million as of June 30, 2015. This rule change does not impact the General Fund or other governmental funds individually.

The new footnote information that accompanies GASB Statement No. 68 provides additional insights to understanding the costs associated with the pension benefits. For instance, Note 11 discloses that the required employer contribution (\$5,714,320) was only 74 percent of the full accrual pension expense (\$7,688,797). This \$5.7 million represents the full amount that the actuarial valuation determined was necessary to fund the pension plan. However, to the extent that the City pays less than this full accrual pension expense, the unfunded pension liability will continue to grow each year.

It is our understanding that MERS of Michigan has recently sent out notices to its member communities indicating that it intends to modify several actuarial assumptions for its 2015 actuarial valuations. The good news is that these changes should fund the pension obligation over a shorter time period. The challenge is that it will impact the General Fund operating budget because it will require larger pension contributions for the next several years, most likely beginning on July 1, 2017.

Upcoming Change in Accounting for Retiree Health Care Obligations

Relative to retiree health care, there is another rule change (GASB Statement No. 75) that will take effect for the year ending June 30, 2018. Like the pension rule, this will require the City to measure its OPEB costs for the government-wide statements and in the proprietary funds as the employees are providing employment services, rather than as it is funded. The amount of this liability has not been measured since December 31, 2012. However, our estimate is that the liability is likely to be in the range of \$35-\$40 million in total, of which about 90 percent relates to governmental activities. If this estimate holds, it will cause governmental activities to report a net position of negative \$41 million. This figure indicates that the costs of providing governmental services exceeds the resources that have been provided by taxpayers to date. While this is not a current claim on present resources, we are confident that this will cause budgetary pressure several years into the future, and should be worked into long-term future spending plans.

Pension/OPEB Bonds

Originally, the public act allowing for the issuance of pension/OPEB borrowings was set to sunset effective December 31, 2014 but was extended for one year. Public Act 46 of 2015 was passed which allows for an additional three-year extension. Therefore, communities meeting certain criteria can issue bonds up until December 31, 2018.

PA 298 of 2012 - Act 51 Performance Audits

Public Act 298 of 2012 allows the Michigan Department of Transportation (MDOT) to conduct performance audits and make investigations of the disposition of all Act 51 state funds received by county road commissions, cities, and villages. The act states that these audits will be conducted by either an independent CPA or an employee of MDOT; however, recent communications sent to all cities, villages, and road commissions from MDOT indicate that you will need to have your CPA conduct the performance audit.

Based on this communication, the City will need a performance audit for its fiscal year ending June 30, 2017 (the year that begins after October 1, 2015). These procedures will be focused on evaluating the procedures the City puts in place to ensure it complies with the requirements of Public Act 51, and we will issue a separate report for this engagement. We are currently in the process of writing programs to address the key compliance areas. It is not clear to us whether this will be an annual requirement, but we will keep you apprised as additional information is provided by the State.



CITY OF EAST LANSING

The Home of Michigan State University

12/1/2015

Federal Audit Clearinghouse

RE: City of East Lansing

Corrective Action Plan

Fiscal Year Ended: 6.30.2015

Finding Number: 2015-001

Condition: The City received Community Development Block Grant Award #B-14-MC-26-0024 on July 1, 2014 and included in the award document was reference to regulations "as now in effect and as may be amended from time to time".

The City administered the award under Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments and Circular A-102, Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments rather than applying the provisions of 2 CFR Part 200 subsequent to 12/26/2014.

The City was unaware of HUD's intent per both 79 FR 76078 and HUD's Notice SD-2015-01 related to applicability of 2 CFR Part 200 to this grant as of 12/26/2014.

Corrective Action Plan: The City of East Lansing will implement all requirements noted in 2 CFR Part 200 subsequent to 12/26/2014. In addition, the City of East Lansing will continue to adhere to all administrative requirements referenced in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (known to many as the "Super Circular") as part of the Community Development Block Grant Program.

Responsible Individual: Community Development Staff

Date by which the Corrective Action Will Be Implemented: The City of East Lansing has begun immediate implementation of all administrative requirements noted in the Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards. As sub recipient grant agreements must be amended, the City of East Lansing will have all administrative practices in place no later than January 30, 2016.

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