

NEW ISSUE**RATINGS†*:**

Capital Appreciation Bonds
Standard & Poor's Corp: AAA
Moody's: Aaa
Bonds Qualified for Michigan
School Bond Loan Fund*
AMBAC Insured*

Current Interest Bonds

Standard & Poor's Corp: AA-
Moody's: Aa
Bonds Qualified for Michigan
School Bond Loan Fund*

In the opinion of Thrun, Maatsch and Nordberg, P.C., Bond Counsel, under existing law (i) the Bonds and the interest thereon are exempt from all taxation in the State of Michigan, except inheritance taxes and taxes on gains realized from the sale, payment or other disposition thereof, (ii) the interest on the Bonds is excluded from gross income for federal income tax purposes to the extent and subject to the conditions described herein, and (iii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein.

**\$23,619,783.75**

SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COUNTIES OF INGHAM AND CLINTON
STATE OF MICHIGAN
1991 SCHOOL BUILDING AND SITE BONDS
(General Obligation — Unlimited Tax)

Dated: Date of Delivery — Current Interest Bonds**Date of Delivery — Capital Appreciation Bonds (collectively, the "Bonds")****Due: May 1 as shown below**

The Bonds were authorized at an election held June 10, 1991 for school building and site purposes. The Bonds will pledge the full faith and credit of the School District of the City of East Lansing, Counties of Ingham and Clinton, State of Michigan (the "School District") for payment of the principal and interest thereon or that portion of the appreciated amount treated as interest, and will be payable from ad valorem taxes, which may be levied on all taxable property in the School District without limitation as to rate or amount.

The Bonds will be fully qualified for the Michigan School Bond Loan Fund Program pursuant to Act 108, Public Acts of Michigan, 1961, as amended, enacted pursuant to Section 16, Article 9 of the Michigan Constitution of 1963.* Under the terms of said constitutional and statutory provisions, if for any reason the School District will be or is unable to pay the principal and interest on the Bonds when due, then the School District shall borrow and the State shall lend to it an amount sufficient to enable the School District to make the payment. See "QUALIFICATION BY STATE OF MICHIGAN" herein.

Interest on the Current Interest Bonds is payable on May 1, 1992 and semiannually thereafter on November 1 and May 1. The Current Interest Bonds are issuable only in fully registered form in denominations of \$5,000 or any integral multiple thereof for any maturity. The Current Interest Bonds will be payable at the corporate trust office of Old Kent Bank and Trust Company, Grand Rapids, Michigan (the "Bond Registrar"), and interest on the Current Interest Bonds will be payable by check or draft mailed to the person who is the registered owner as of the record date. See "THE BONDS — Registration and Transfer of Bonds".

\$2,690,000 Current Interest (Serial) Bonds

Maturity	Amount	Interest Rate	Price	Maturity	Amount	Interest Rate	Price
1992	\$ 50,000	4.60%	100%	1997	\$355,000	5.70%	100%
1993	50,000	5.00	100	1998	440,000	5.85	100
1994	120,000	5.20	100	1999	520,000	5.95	100
1995	225,000	5.35	100	2000	620,000	6.05	100
1996	310,000	5.55	100				

\$13,790,000 6.625% Current Interest (Term) Bonds due May 1, 2014 — Price 96.309%

The Current Interest (Term) Bonds are subject to mandatory redemption on the redemption dates and in the principal amounts set forth herein at redemption prices equal to the principal amount thereof, without premium. See "THE BONDS — Mandatory Redemption."

Payment of the Appreciated Amount at Maturity of the Capital Appreciation Bonds will be insured by a municipal bond insurance policy (see Appendix C) to be issued simultaneously with the delivery of the Capital Appreciation Bonds by



The Capital Appreciation Bonds will be issued in fully registered form in the denomination shown below per \$5,000 appreciated amount at maturity or any integral multiple of that sum. The appreciated amount of the Capital Appreciation Bonds is payable at the corporate trust office of the Bond Registrar. See "THE BONDS — Registration and Transfer of Bonds".

\$7,139,783.75 Capital Appreciation Bonds

Maturity	Amount	Amount at Maturity	Amount per \$5,000 at Maturity	Approx. Yield	Initial Price to Public per \$5,000 at Maturity	Approx. Initial Offering Yield	Maturity	Amount	Amount at Maturity	Amount per \$5,000 at Maturity	Approx. Yield	Initial Price to Public per \$5,000 at Maturity	Approx. Initial Offering Yield
2001	\$ 660,572.15	\$2,155,000.00	\$1,532.65	12.670%	\$2,714.00	6.450%	2005	\$924,703.60	\$2,315,000.00	\$1,997.20	6.850%	\$1,997.20	6.850%
2002	1,152,074.15	2,285,000.00	2,520.95	6.550%	2,520.95	6.550%	2006	836,131.45	2,255,000.00	1,853.95	6.900%	1,853.95	6.900%
2003	1,124,169.15	2,405,000.00	2,337.15	6.650%	2,337.15	6.650%	2007	749,614.80	2,180,000.00	1,719.30	6.950%	1,719.30	6.950%
2004	1,025,072.40	2,370,000.00	2,162.60	6.750%	2,162.60	6.750%	2008	667,446.05	2,095,000.00	1,592.95	7.000%	1,592.95	7.000%

THE CURRENT INTEREST BONDS MATURING ON OR AFTER MAY 1, 2002 ARE SUBJECT TO OPTIONAL REDEMPTION BEGINNING MAY 1, 2001, IN THE MANNER AND AT TIMES DESCRIBED HEREIN. See "THE BONDS — Optional Redemption of Current Interest Bonds." THE CAPITAL APPRECIATION BONDS MATURING ON OR AFTER MAY 1, 2007 ARE SUBJECT TO OPTIONAL REDEMPTION BEGINNING MAY 1, 2006 IN THE MANNER AND AT THE TIMES DESCRIBED HEREIN. See "THE BONDS — Optional Redemption of Capital Appreciation Bonds."

The Bonds will be offered when, as and if issued by the School District and accepted by the Underwriters subject to the approving legal opinion of Thrun, Maatsch and Nordberg, P.C., Lansing, Michigan, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Miller, Canfield, Paddock and Stone, Detroit, Michigan. It is expected that the Bonds will be available for delivery in New York, New York on or about September 16, 1991.

A.G. Edwards & Sons, Inc.

Kemper Securities Group, Inc.**First of Michigan Corporation****Roney & Co.**

The date of this Official Statement is August 22, 1991.

†For an explanation of ratings, see "RATINGS".

*As of date of delivery.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement in connection with the offer made hereby and, if given or made, such other information or representation must not be relied upon as having been authorized by the School District or the Underwriters. This Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Information herein has been obtained from the School District and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a representation by, the Underwriters.

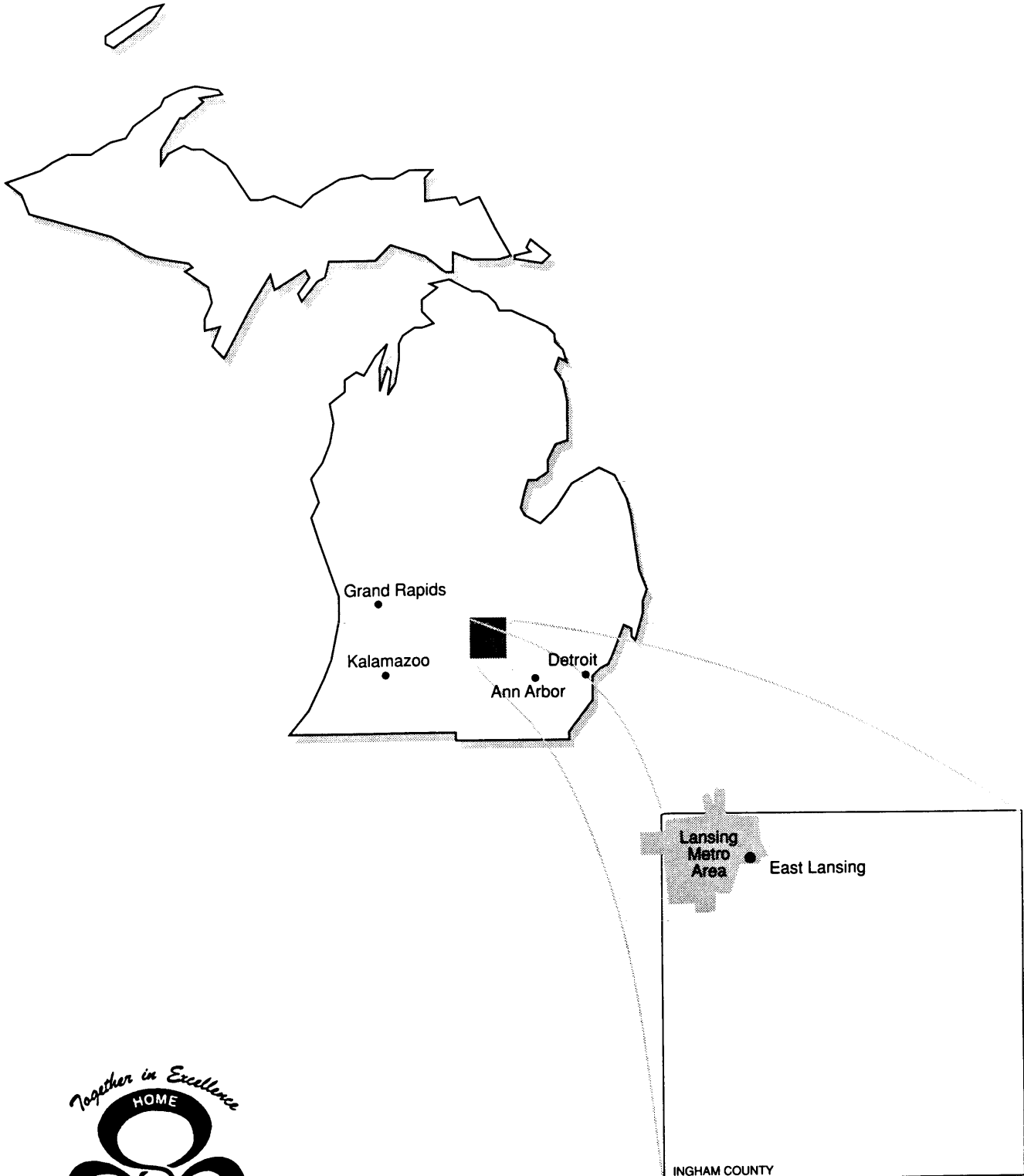
Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency will have passed upon the adequacy of this Official Statement, or, except for the School District and the State Treasurer of the State of Michigan, approved the Bonds for sale.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

FOR NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a license has been filed nor the fact that a security is effectively registered or a person is licensed constitutes a finding by the director of the office of securities regulation that any document filed under the New Hampshire Uniform Securities Act is true, complete and not misleading. Neither any such fact that an exemption or exception is available for a New Hampshire security or a transaction means that the director of the the office of securities regulation has passed in any way the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of this section.

School District of the City of East Lansing
509 Burcham Drive
East Lansing, Michigan 48823
(517) 337-1781



SCHOOL DISTRICT OF THE CITY OF EAST LANSING
509 Burcham Drive
East Lansing, Michigan 48823
(517) 337-1781

BOARD OF EDUCATION

Richard Ball, President
Sally Pratt, Vice President
Margaret-Ann Griffith, Treasurer
Nancy Danhof, Secretary
Ethelyn Hoffmeyer, Trustee
Lawrence McGinnis, Trustee
Gerald Park, Trustee

ADMINISTRATIVE STAFF

Dr. William A. Mitchell, Superintendent
Joseph P. Durkin, Deputy Superintendent

BOND COUNSEL

Thrun, Maatsch & Nordberg, P.C.
Lansing, Michigan

FINANCIAL ADVISOR

Stauder, BARCH & ASSOCIATES, Inc.
Ann Arbor, Michigan

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
ESTIMATED SOURCES AND USES OF FUNDS	2
THE BONDS	2
Description of the Bonds.....	2
Appreciation in Value of Capital Appreciation Bonds.....	3
Optional Redemption of Current Interest (Term) Bonds	3
Optional Redemption of Capital Appreciation Bonds.....	4
Mandatory Redemption of Current Interest (Term) Bonds.....	4
Notice of Redemption and Manner of Selection.....	4
Registration and Transfer of Bonds	5
QUALIFICATION BY THE STATE OF MICHIGAN	5
TAX PROCEDURES.....	6
LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDERS' REMEDIES.....	7
PROPERTY TAX AND SCHOOL FINANCE REFORM PROPOSALS IN MICHIGAN	8
LITIGATION.....	9
TAX MATTERS	9
Federal.....	9
State.....	10
Apportionment of Interest	10
APPROVAL OF LEGAL PROCEEDINGS.....	11
MICHIGAN DEPARTMENT OF TREASURY.....	11
BOND INSURANCE.....	11
RATINGS	14
UNDERWRITING.....	15
FINANCIAL ADVISOR'S OBLIGATION	15
OTHER MATTERS	16

APPENDIX A: Schedule of Appreciated Amount Initially Offered to the Public per \$5,000
at Maturity of Capital Appreciation Bonds

APPENDIX B: State Qualification

APPENDIX C: Municipal Bond Insurance Specimen Policy

APPENDIX D: School District Data

APPENDIX E: 1991-92 Budget and Audited Financial Statements of School District for
year ended June 30, 1990

APPENDIX F: Legal Opinion of Bond Counsel

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

relating to

\$23,619,783.75

SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COUNTIES OF INGHAM AND CLINTON
STATE OF MICHIGAN
1991 School Building and Site Bonds
(General Obligation-Unlimited Tax)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices, is to furnish information in connection with the issuance and sale by the School District of the City of East Lansing, Counties of Ingham and Clinton, State of Michigan (the "School District") of its 1991 School Building and Site Bonds (General Obligation-Unlimited Tax) (the "Bonds"). On June 10, 1991, the qualified electors of the School District approved a proposal authorizing the School District to issue general obligation unlimited tax bonds in an aggregate sum of not to exceed Twenty-three Million Six Hundred Twenty Thousand Dollars (\$23,620,000.00), the proceeds to be used for the purpose of erecting, furnishing and equipping an addition or additions to, partially remodeling and partially re-equipping existing School District facilities; purchasing a school bus; improving existing playgrounds and athletic fields; and developing and improving the sites.

The Bonds are a full faith and credit unlimited tax general obligation of the School District, and the principal thereof and interest on or appreciated amount at maturity and any premium thereon are payable from the proceeds of ad valorem taxes levied on all taxable property in the School District without limitation as to rate or amount. The School District has applied for Municipal Bond Insurance for the Capital Appreciation Bonds and has received a commitment therefor which will be issued simultaneously with the delivery of the Bonds. The policy will insure the timely payment of the principal of and that portion of the appreciated amount treated as interest on the Capital Appreciation Bonds when due. See Appendix C, "Municipal Bond Insurance and Specimen Policy".

As of the date of delivery, the Bonds will be fully qualified for participation in the State of Michigan School Bond Loan Fund. See "QUALIFICATION BY THE STATE OF MICHIGAN" and Appendix B, "State Qualification" herein.

ESTIMATED SOURCES AND USES OF FUNDS

ESTIMATED SOURCES

Par Amount of Bonds	\$23,619,783.75
Less Original Issue Discount	508,988.90
Plus Premium on CABs	<u>509,161.85</u>
Total Sources	\$23,619,956.70

ESTIMATED USES

Construction Fund	\$23,224,738.65
Underwriters' Discount	266,624.85
Costs of Issuance*	<u>128,593.20</u>
Total Uses	\$23,619,956.70

THE BONDS

Description of the Bonds

The Bonds will be issued in the original aggregate principal amount shown on the cover of this Official Statement. The Bonds designated on the cover of this Official Statement as "Current Interest Bonds" (the "Current Interest Bonds") will be dated the date of delivery and bear interest from the dated date. Interest on the Current Interest Bonds shall be payable on May 1, 1992 and semiannually each November 1 and May 1 thereafter prior to maturity. Interest on the Current Interest Bonds shall be computed using a 360-day year with twelve 30-day months, and the Current Interest Bonds will mature on the dates and in the principal amounts and will bear interest at the rates as set forth on the cover of this Official Statement.

The Current Interest Bonds will be issued in fully registered form in the denomination of \$5,000, or integral multiples of that sum not exceeding the aggregate principal amount of the Current Interest Bonds maturing at any one time. The principal of the Current Interest Bonds is payable at maturity upon presentation at the corporate trust office of Old Kent Bank and Trust Company, Grand Rapids, Michigan, or its successor (the "Bond Registrar"). Interest on the Current Interest Bonds shall be payable when due by check or draft mailed by the Bond Registrar to the person or entity who is, as of the fifteenth (15th) day of the month preceding each interest payment date, the registered owner of record, at the owner's registered address.

*Includes municipal bond insurance costs for the Bonds.

The Bonds designated on the cover of this Official Statement as "Capital Appreciation Bonds" (the "Capital Appreciation Bonds") will be dated as of the date of delivery and will be issued in fully registered form in the denomination of the respective original principal amounts per \$5,000 appreciated amount at maturity, or any integral multiple of that sum not in excess of the aggregate appreciated amount maturing at any one time, and will mature as shown on the cover of this Official Statement. No interest payments will be made on the Capital Appreciation Bonds, but the value of the Capital Appreciation Bonds will appreciate over time to maturity as described below. The appreciated amount of the Capital Appreciation Bonds due at maturity is payable at maturity upon presentation at the corporate trust office of the Bond Registrar.

Appreciation in Value of Capital Appreciation Bonds

The Capital Appreciation Bonds will appreciate in value based on semiannual compounding of the original principal amount at the approximate initial public offering yield for each maturity shown on the cover of this Official Statement, resulting in each Capital Appreciation Bond appreciating to \$5,000 (or integral multiples of that sum) on the date of maturity. The "Appreciated Amount" initially offered per \$5,000 at maturity of the Capital Appreciation Bonds of each maturity on each May 1 and November 1 (until scheduled maturity) is set forth in the table shown in Appendix A. The Appreciated Amount with respect to any date other than May 1 and November 1 is the Appreciated Amount on the immediately preceding May 1 or November 1, as the case may be, plus an amount equal to the fraction of the difference between the Appreciated Amount on such immediately preceding May 1 or November 1 and the next succeeding May 1 or November 1 that equals the ratio of the number of days from such immediately preceding May 1, or November 1 to the date of determination, to the total number of days from such immediately preceding May 1 or November 1 to the next succeeding May 1 or November 1, computed using a 360-day year with twelve 30-day months.

Optional Redemption of Current Interest Term Bonds

The Current Interest Term Bonds or portions of Current Interest Term Bonds in multiples of \$5,000 maturing on May 1, 2014 are subject to redemption at the option of the School District in such order as the School District may determine and by lot within any maturity, on any interest payment date occurring on or after May 1, 2001, at par and accrued interest to the date fixed for redemption, at the redemption prices set forth in the following table:

<u>Redemption Period</u>	<u>Redemption Price</u>
May 1, 2001 through April 30, 2002	102 %
May 1, 2002 through April 30, 2003	101
May 1, 2003 and thereafter	100

Optional Redemption of Capital Appreciation Bonds

The Capital Appreciation Bonds or portions of Capital Appreciation Bonds in multiples of \$5,000 appreciated amount at maturity maturing on or after May 1, 2007 are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine and by lot within any maturity, on any May 1 and November 1 occurring on or after May 1, 2006 at the redemption prices (expressed as percentages of the Appreciated Amount on the date of redemption) set forth in the following table:

<u>Redemption Period</u>	<u>Redemption Price</u>
May 1, 2006 through April 30, 2007	102%
May 1, 2007 and thereafter	101

Mandatory Redemption of Current Interest (Term) Bonds

The Current Interest (Term) Bonds or \$5,000 units of Current Interest (Term) Bonds are subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth below and at a redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date:

Current Interest (Term) Bonds due May 1, 2014

<u>Redemption Dates</u>	<u>Principal Amount</u>
May 1, 2009	\$2,055,000
May 1, 2010	2,145,000
May 1, 2011	2,345,000
May 1, 2012	2,495,000
May 1, 2013	2,780,000
May 1, 2014 (maturity)	1,970,000

Notice of Redemption and Manner of Selection

Notice of redemption of any Bond shall be given not more than sixty (60) days and not less than thirty (30) days prior to the date fixed for redemption by mail to the registered owner or owners' registered address shown on the registration books kept by the Bond Registrar. The Bonds shall be called for redemption in multiples of \$5,000 face amount at maturity and Bonds of denominations of more than \$5,000 face amount at maturity shall be treated as representing the number of Bonds obtained by dividing the face amount at maturity of the bond by \$5,000 and such Bonds may be redeemed in part. The notice of redemption for Bonds redeemed in part shall state that upon surrender of the

Bond to be redeemed a new Bond or Bonds in an aggregate face amount at maturity equal to the unredeemed portion of the Bond surrendered shall be issued to the registered owner thereof.

If less than all of the Bonds of any maturity shall be called for redemption prior to maturity, unless otherwise provided, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Bond Registrar, in such manner as the Bond Registrar in its discretion may deem proper, in the principal or appreciated amounts designated by the School District. Any Bonds selected for redemption which are deemed to be paid in accordance with the provisions of the bond sales resolution adopted August 22, 1991 will cease to bear interest or cease to appreciate in value on the date fixed for redemption. Upon presentation and surrender of such Bonds at the corporate trust office of the Bond Registrar, such Bonds shall be paid and redeemed.

Registration and Transfer of Bonds

The Bonds are registered as to principal and interest or appreciated amount and are transferable as provided in the resolution authorizing the Bonds only upon the books of the School District kept for that purpose by the Bond Registrar, by the registered owner thereof in person or by an agent of the owner duly authorized in writing, upon the surrender of the Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or agent thereof and thereupon a new Bond or Bonds in the same aggregate principal or appreciated amount at maturity and of the same maturity shall be issued to the transferee in exchange therefor as provided in the resolution authorizing the Bonds, and upon payment of taxes or other governmental charges, if any, therein provided.

QUALIFICATION BY THE STATE OF MICHIGAN

The Bonds are fully qualified as of the date of delivery pursuant to Act 108, Public Acts of Michigan, 1961, as amended, enacted pursuant to Section 16, Article IX of the Michigan Constitution of 1963. Under the terms of said constitutional and statutory provisions, if for any reason the School District will be or is unable to pay the principal and interest on the Bonds when due, then the School District shall borrow and the State of Michigan (the "State") shall lend to the School District from the School Bond Loan Fund (the "School Bond Loan Fund") established by the State an amount sufficient to enable the School District to make the payment. Article IX, Section 16 of the State Constitution as implemented by Act 112, Public Acts of Michigan, 1961, as amended, authorizes the State, without approval of its electors, to borrow from time to time such amounts as shall be required, pledge the State's full faith and credit and issue its notes or bonds therefor, for the purpose of making loans to school districts as provided under such section. Loans to school districts for such purposes are made from the proceeds of such State borrowing. See also Appendix B, "State Qualification."

Complete financial statements of all of the State's funds as included in the State's Comprehensive Annual Financial Report prepared by the State's Department of Management and Budget for fiscal year 1989-90 and prior are available upon request from the Department of Management and Budget, Office of Accounting, Lansing, Michigan 48922, Telephone (517) 373-1011.

TAX PROCEDURES

The Constitution of the State provides that the proportion of true cash value at which property shall be uniformly assessed shall not exceed 50% of true cash value. By statute, the State legislature has provided that property shall be assessed at 50% of its true cash value. The State legislature or the electorate may at some future time reduce the proportion below the present 50% of true cash value.

Responsibility for assessing local taxable property rests with the assessing officers of townships and cities. Any property owner may appeal his or her assessment to a local Board of Review and to the State Tax Tribunal. The School District does not anticipate any material effect on its financial condition as a result of any appeals currently pending. Unless otherwise ordered by the Tax Tribunal before the Tax Tribunal renders a decision of an assessment appeal, the taxpayer must have paid the tax bill.

The State Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county are responsible for actually assessing at 50% of true cash value, the final State equalized assessment against which local property tax rates are applied is derived through several steps. County equalization represents adjustments of the various local unit assessment ratios to the 50% level; thereafter, the State equalizes the various counties in relation to each other. State equalized values ("SEV") are important, beyond their use for local property tax levy purposes, in the spreading of taxes for overlapping jurisdictions, in distributing various State aid programs, State revenue sharing and in calculating debt limits.

In November, 1978, the State electorate passed an amendment to the State Constitution which places certain limitations on increases of taxes by the State and political subdivisions from currently authorized levels of taxation. The amendment and the enabling legislation, Act 35, Public Acts of Michigan, 1979, may have the effect of reducing the maximum authorized tax rate which may be levied by a local taxing unit. Under the amendment's millage reduction provisions, should the value of taxable property (exclusive of new construction) increase at a percentage greater than the percentage increase in the Consumer Price Index, then the maximum authorized tax rate would be reduced by a factor which would result in the same maximum potential tax revenues to the local taxing unit as if the valuation of taxable property (less new construction) had grown only at the Consumer Price Index instead of the higher actual growth rate. Thus, should taxable values rise faster than consumer prices, the maximum authorized tax rate would be reduced accordingly. Should consumer prices subsequently rise faster than taxable property values,

the maximum authorized tax rate would be increased accordingly, but never higher than the applicable constitutional, statutory or charter tax rate limitation. The amendment does not limit taxes for the payment of principal of and interest on bonds or other evidences of indebtedness outstanding at the time the amendment became effective or which have been approved by the School District electors. The amendment will not reduce the millage levied for payment of the Bonds.

Since fiscal 1976, the enactment of other laws has had an effect on the total SEV. The Single Business Tax Act of 1975 exempted inventories from ad valorem property taxation. Inventories are defined as goods held for resale in a retail or wholesale business, finished goods, goods in process and raw materials of a manufacturing business and materials and supplies, including repair parts and fuel. The Single Business Tax Act has had no material effect on the SEV of the School District.

Other laws also have been enacted since 1976, which provide incentives for rehabilitation of existing or new industrial, commercial and certain housing facilities. Generally, the law provides that the original valuation of rehabilitation facilities will be frozen for a period of up to 12 years and that new facilities will be taxed at one-half of the existing tax rate for a period of up to 12 years. For specific information concerning the tax effect, if any, to the School District, see Appendix D.

The School District taxes are due on July 1 and December 1 of the fiscal year. The July 1 taxes are payable without penalty or interest on or before August 31, if collected by the Cities of East Lansing or Lansing; September 14 if collected by Meridian Township, Lansing Township or DeWitt Township. The December 1 taxes are payable without penalty or interest on or before February 14, irrespective of the collecting municipality.

LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDERS' REMEDIES

The Resolution authorizing issuance of the Bonds and State law obligate the School District to levy a tax in an amount sufficient so that the estimated collections therefrom together with amounts, if any, to be borrowed from the School Bond Loan Fund, will be sufficient to pay promptly when due the principal of and interest on the Bonds becoming due prior to the time of the next tax levy. The tax levy shall not be subject to limitation as to rate or amount. Taxes for the payment of the principal of or interest on the Bonds are certified for collection each year with the school tax levies. In the event of the failure of the proper officials to certify taxes for the payment of the principal and interest requirements, a timely action in the nature of mandamus could compel certification and collection of adequate taxes for the next year or could compel the School District to make application to borrow the necessary funds from the School Bond Loan Fund and thus prevent a default. However, in the event that the principal or interest on any qualified Bond is not paid when due upon proper presentation of the Bond or interest coupon to the

agent or officer charged with making payment thereof (irrespective of whether an application for a loan to pay such principal or interest has been made or approved), the state treasurer shall forthwith pay such principal or interest upon presentation of the Bond or coupon to him. Any amount so paid by the state treasurer shall be deemed a loan made to the School District pursuant to the requirements of Article IX, Section 16 of the State Constitution. Registered owners of the Bonds may attempt to obtain a money judgment against the School District for the principal amount of the Bonds or interest not paid when due and may periodically attempt to enforce the collection of the money judgment by requiring the tax assessing officers for the School District to place the amount of such judgment on the next tax rolls of the School District. The rights of the owners of the Bonds and the enforceability thereof are subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement also may be subject to the exercise of judicial discretion in appropriate cases.

PROPERTY TAX AND SCHOOL FINANCE REFORM PROPOSALS IN MICHIGAN

On May 1, 1991, the Governor signed into law Act 15 of the Public Acts of 1991 (the "Act"), which in part amends Section 10 of the General Property Tax Act. The Act provides that the real property assessment as equalized for the 1991 tax year shall be used on the assessment rolls in 1992 and shall be adjusted only to reflect additions and losses, as those terms are defined in Section 34(b) of the General Property Tax Act, and splits and combinations that have occurred. Additions and losses and splits and combinations shall be valued at 1991 levels. This freeze of the 1992 assessment rolls does not apply to the assessment of personal property.

In April, 1991, the State Legislature adopted House Joint Resolution H, proposing an amendment to the State Constitution. The proposed amendment would require the legislature, beginning December 31, 1992, to provide that the state equalized valuation of homestead property, as defined by law, adjusted for additions and losses, shall not increase each year by more than the lesser of the increase in the U.S. Consumer Price Index in the prior year or five percent (5%), unless the homestead property is sold. The amendment also would mandate that the method presently used by local units of government to calculate the maximum authorized rate for purposes of State Constitution Article IX, Section 31, be changed beginning with ad valorem property taxes levied in 1993 by requiring that one calculation be made for and applied to property classified as residential and agricultural, and one calculation be made for and applied to the remaining classifications of property. The proposed constitutional amendment will be placed before the electorate in November, 1992.

In addition to the foregoing, several proposals for property tax reform and tax base sharing in the State have been suggested and may be considered by the State Legislature in the coming months. Some of these proposals would redistribute tax proceeds or reduce the assessed value of property for purposes of ad valorem real and personal property taxation,

or the amount of taxes which could be collected, or any. Some of the proposals, if adopted, could adversely affect either the amount of ad valorem tax revenues to be received by local units of government or the timing of such receipt. To date, all enacted tax reform measures have modified operational millage not debt retirement millage. While the ultimate nature, extent and impact of any property tax reform measures cannot currently be predicted, purchasers of the Bonds offered herein should be alert to the potential effect of the movement for property tax reform in the State upon the Bonds and the security therefor.

LITIGATION

There is neither pending, nor, to the knowledge of the School District, threatened, any litigation restraining or enjoining the issuance or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Bonds are to be issued or affecting the validity of the Bonds.

TAX MATTERS

Federal

In the opinion of Thrun, Maatsch and Nordberg, P.C., as Bond Counsel, based upon its examination of the documents described in its opinion, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that certain corporations must take into account interest on the Bonds in determining adjusted net current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. Bond Counsel will express no opinion regarding other federal tax consequences with respect to the Bonds.

There are additional federal tax consequences relative to the Bonds and the interest thereon. The following is a general description of some of these consequences but is not intended to be complete or exhaustive and investors should consult with their tax advisors with respect to these matters. Prospective purchasers of the Bonds should be aware that (i) for taxable years beginning after December 31, 1986 and before January 1, 1992, in the case of a corporation, interest on the Bonds is subject to an environmental tax imposed by

Section 59A of the Code, (ii) for taxable years beginning after December 31, 1986, interest on the Bonds is included in the effectively connected earnings and profits of certain foreign corporations for purposes of calculating the branch profits tax imposed by Section 884 of the Code, (iii) interest on the Bonds may be subject to a tax on excess net passive income of certain S Corporations imposed by Section 1375 of the Code, (iv) interest on the Bonds is included in the calculation of modified adjusted gross income for purposes of determining the taxability of social security or railroad retirement benefits, (v) the receipt of interest on the Bonds by life insurance companies may effect the federal tax liability of such companies, and (vi) in the case of property and casualty insurance companies, the amount of certain loss deductions otherwise allowed is reduced by a specific percentage of, among other things, interest on the Bonds for taxable years beginning after December 31, 1986.

State

In addition, in the opinion of Bond Counsel, based on its examination of the documents described in its opinion, under existing State of Michigan statutes, regulations and court decisions, the Bonds and the interest thereon are exempt from all taxation in the State of Michigan except inheritance taxes and taxes on gains realized from the sale, payment or other disposition thereof.

Apportionment of Interest

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, for United States federal income tax purposes, each Capital Appreciation Bond will be considered to have an "original issue discount" equal to the difference between its original issue price and the amount payable upon its maturity. The original issue price of each Capital Appreciation Bond will be the initial offering price to the public at which a substantial amount of such Bonds are sold, and the issue date will be the date on which a Capital Appreciation Bond is first issued to the public.

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the original issue discount on a Capital Appreciation Bond accrued in the hands of a registered owner is treated for federal income tax purposes as tax-exempt interest. The registered owner's basis for determining gain or loss on a sale, maturity or other disposition of a Capital Appreciation Bond generally will equal the registered owner's cost, increased by any original issue discount that accrued while the owner held the Capital Appreciation Bond. Generally, any gain or loss incurred by a U.S. registered owner on the sale, exchange or payment at maturity of a Capital Appreciation Bond (based on the registered owner's basis) would be long-term or short-term depending on whether the Capital Appreciation Bond was held for the applicable period for treatment of long-term gains.

No assurance can be given that any future legislation or clarifications or amendments to the Internal Revenue Code of 1986, as amended, if enacted into law, will not contain proposals which could cause the interest on the Bonds to be subject directly or indirectly to federal or state income taxation, adversely affect the market price or marketability of the Bonds, or otherwise prevent bondholders from realizing the full current benefit of the status of the interest thereon.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the School District of the Bonds and with regard to the tax-exempt status thereof are subject to the unqualified approving opinion of Thrun, Maatsch and Nordberg, P.C., Bond Counsel. Copies of such opinion will be printed on the Bonds. Except to the extent necessary to issue its approving opinion as to the validity of the Bonds, Bond Counsel has made no inquiry as to any financial information, statements or materials contained in any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds, and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial information, statements or materials.

Certain legal matters will be passed upon for the Underwriters by their counsel, Miller, Canfield, Paddock and Stone, Detroit, Michigan.

MICHIGAN DEPARTMENT OF TREASURY

Issuance of the Bonds has been authorized by the Michigan Department of Treasury (the "Department"), by Order Providing Exception From Prior Approval of the Department in accordance with the provisions of Act 202, Public Acts of Michigan, 1943, as amended.

BOND INSURANCE

AMBAC Indemnity has made a commitment to issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Municipal Bond Insurance Policy, AMBAC Indemnity will pay to the United States Trust Company of New York, in New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy). AMBAC Indemnity will make such payments to the Insurance Trustee on the

later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which AMBAC Indemnity shall have received notice of Nonpayment from the Trustee/Paying Agent. The insurance will extend for the term of the Bonds and, once issued, cannot be cancelled by AMBAC Indemnity.

The Municipal Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, AMBAC Indemnity will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal amount dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the payments insured will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee/Paying Agent has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from AMBAC Indemnity to the extent of such recovery if sufficient funds are not otherwise available.

The Municipal Bond Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Municipal Bond Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of AMBAC Indemnity to the extent of the payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to AMBAC Indemnity.

Upon payment of the insurance benefits, AMBAC Indemnity will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

AMBAC Indemnity Corporation

AMBAC Indemnity Corporation ("AMBAC Indemnity") is a Wisconsin-domiciled stock insurance corporation regulated by the Insurance Department of the State of Wisconsin and licensed to do business in 50 states and the District of Columbia, with admitted assets of approximately \$1,280,400,000 (unaudited) and statutory capital of approximately \$771,000,000 (unaudited) as of June 30, 1991. Statutory capital consists of AMBAC Indemnity's policyholders' surplus and statutory contingency reserve. AMBAC Indemnity was formerly a wholly-owned subsidiary of Citicorp Financial Guaranty Holdings, Inc. ("Holdings") (formerly known as AMBAC Inc.), a financial holding company and itself a wholly-owned subsidiary of Citibank, N.A. ("Citibank").

On May 1, 1991, AMBAC Inc. ("AMBAC Inc."), a financial holding company recently formed by Holdings, registered for sale with the Securities and Exchange Commission 17,600,000 shares of its common stock. The registration statement with respect to such sale was declared effective on July 11, 1991. As a result of the sale, Citibank, through its affiliate Holdings, owns approximately 49% of the total equity of AMBAC Inc., with a right to cast 20% of the total number of votes of all shares of outstanding common stock of AMBAC Inc. until such time as Citibank, including its affiliates, reduces its equity ownership to less than 25% of AMBAC Inc. (at which time the shares owned by it become non-voting). As of the date of the consummation of the sale of common stock, AMBAC Indemnity became a direct wholly-owned subsidiary of AMBAC Inc. The Wisconsin Insurance Department has stated that the sale of common stock described herein does not require its prior approval. Both Moody's Investors Service, Inc. and Standard & Poor's Corporation have reaffirmed that the sale of the common stock of AMBAC Inc. does not affect AMBAC Indemnity's triple-A claims - paying ability ratings.

Copies of AMBAC Indemnity's financial statements prepared in accordance with statutory accounting standards are available from AMBAC Indemnity. The address of AMBAC Indemnity's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York 10004 and (212) 668-0340.

AMBAC Indemnity has entered into pro rata reinsurance agreements under which a percentage of the insurance underwritten pursuant to certain municipal bond insurance programs of AMBAC Indemnity has been and will be assumed by a number of foreign and domestic unaffiliated reinsurers.

AMBAC Indemnity has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by AMBAC Indemnity will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by AMBAC Indemnity under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Bonds.

AMBAC Indemnity makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by AMBAC Indemnity and presented under the heading "Bond Insurance".

RATINGS

Standard & Poor's Corporation has assigned their municipal bond ratings of "AA" to the Current Interest Bonds. Debt rated "AA" has a very strong capacity to pay interest and repay principal, differing in small degree from the highest rated issues.

Moody's Investors Service, Inc. has assigned their municipal bond ratings of "Aa" to the Current Interest Bonds. Bonds which are rated "Aa" are judged to be of high quality by all standards. Together with the "Aaa" group they compose what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in "Aaa" securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in "Aaa" securities.

Standard and Poor's Corporation and Moody's Investors Service, Inc. have assigned their municipal bond ratings of "AAA" and "Aaa", respectively, to the Capital Appreciation Bonds with the understanding that upon delivery of the Capital Appreciation Bonds, a policy insuring the payment of the principal of and that portion of the appreciated amount of the Capital Appreciation Bonds treated as interest when due will be issued by AMBAC Indemnity Corporation. (See Appendix C for further information.)

Moody's Investors Service rates all bond issues insured by AMBAC Indemnity Corporation "Aaa", designated to be of the highest quality.

Standard & Poor's Corporation rates all new issues insured by AMBAC Indemnity Corporation "AAA" Prime Grade.

No application has been made to any other ratings service for a rating on the Bonds. The School District furnished to Standard & Poor's Corporation and Moody's Investors Service certain materials and information in addition to that provided here. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions by the rating agencies. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by Standard & Poor's Corporation or Moody's Investors Service if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse affect on the market price of the Bonds.

UNDERWRITING

A. G. Edwards & Sons, Inc., Kemper Securities Group, Inc., First of Michigan Corporation and Roney & Co. (the "Underwriters") have agreed, subject to the terms of the Bond Purchase Agreement, to purchase the Bonds from the School District. The Bond Purchase Agreement provides, in part, that the Underwriters, subject to certain conditions, will purchase from the School District the aggregate principal amount of Bonds for a purchase price as set forth therein. The Underwriters have further agreed to offer the Bonds to the public at the approximate initial offering yields as set forth on the cover hereto. The aggregate underwriting fee equals approximately 1.105 percent of the original principal amount of the Bonds and the premium on the Capital Appreciation Bonds as shown on the cover hereof. The offering prices may be changed from time to time by the Underwriters.

The Bond Purchase Agreement provides that the obligations of the Underwriters are subject to certain conditions, including, among other things, that (i) no event has occurred which impairs or threatens to impair the status of the Bonds or interest thereon as exempt from taxation in the State (except inheritance taxes and taxes on gains realized from the sale, payment or other disposition thereof) and the interest on the Bonds as excluded from gross income for federal income tax purposes and (ii) proceedings relating to the Bonds are not pending or threatened by the Securities and Exchange Commission. The Bond Purchase Agreement further provides that the School District will provide to the Underwriters within seven business days of the date of the Bond Purchase Agreement sufficient copies of the Official Statement to enable the Underwriters to comply with the requirements of Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934, as amended.

To the extent permitted by law, the School District has agreed to indemnify the Underwriters against certain civil liabilities as provided by law, including certain liabilities under the federal securities laws.

FINANCIAL ADVISOR'S OBLIGATION

Stauder, BARCH & ASSOCIATES, Inc. is serving as independent financial advisors on this issue and has no underwriting, secondary market obligations or other responsibility to the School District of the City of East Lansing. Stauder, BARCH & ASSOCIATES, Inc.'s duties, responsibilities and fees are derived solely from their role as financial advisors to the School District.

Further information concerning the Bonds may be secured from Stauder, BARCH & ASSOCIATES, Inc., 3989 Research Park Drive, Ann Arbor, Michigan, 48108, (313) 668-6688, Financial Advisor to the School District, or from the Finance Office of the School District of the City of East Lansing, 509 Burcham Drive, East Lansing, Michigan, 48823, (517) 337-1781.

OTHER MATTERS

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of such information. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

This Official Statement has been duly approved, executed and delivered by the School District.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COUNTIES OF INGHAM AND CLINTON
STATE OF MICHIGAN

BY: Richard Ball

ITS: President

APPENDIX A

Schedule of Appreciated Amount Initially Offered to Public per \$5,000 at Maturity for Capital Appreciation Bonds

<u>Calendar Date</u>	<u>May 1, 2001</u>	<u>May 1, 2002</u>	<u>May 1, 2003</u>	<u>May 1, 2004</u>	<u>May 1, 2005</u>	<u>May 1, 2006</u>	<u>May 1, 2007</u>	<u>May 1, 2008</u>
September 16, 1991	2,714.00	2,520.95	2,337.15	2,162.60	1,997.20	1,853.95	1,719.30	1,592.95
May 1, 1992	2,823.85	2,624.58	2,434.70	2,254.22	2,083.07	1,934.25	1,794.31	1,662.95
November 1, 1992	2,914.92	2,710.54	2,515.65	2,330.30	2,154.42	2,000.98	1,856.66	1,721.15
May 1, 1993	3,008.93	2,799.31	2,599.30	2,408.95	2,228.21	2,070.02	1,921.18	1,781.39
November 1, 1993	3,105.96	2,890.99	2,685.73	2,490.25	2,304.53	2,141.43	1,987.95	1,843.74
May 1, 1994	3,206.13	2,985.67	2,775.03	2,574.30	2,383.46	2,215.31	2,057.03	1,908.27
November 1, 1994	3,309.53	3,083.45	2,867.30	2,661.18	2,465.09	2,291.74	2,128.51	1,975.06
May 1, 1995	3,416.26	3,184.44	2,962.64	2,751.00	2,549.52	2,370.81	2,202.48	2,044.19
November 1, 1995	3,526.44	3,288.73	3,061.15	2,843.84	2,636.84	2,452.60	2,279.02	2,115.74
May 1, 1996	3,640.17	3,396.44	3,162.94	2,939.82	2,727.15	2,537.22	2,358.22	2,189.79
November 1, 1996	3,757.56	3,507.68	3,268.11	3,039.04	2,820.56	2,624.75	2,440.17	2,266.43
May 1, 1997	3,878.74	3,622.55	3,376.77	3,141.61	2,917.16	2,715.31	2,524.96	2,345.75
November 1, 1997	4,003.83	3,741.20	3,489.05	3,247.64	3,017.08	2,808.99	2,612.71	2,427.86
May 1, 1998	4,132.96	3,863.72	3,605.07	3,357.25	3,120.41	2,905.90	2,703.50	2,512.83
November 1, 1998	4,266.25	3,990.26	3,724.94	3,470.56	3,227.29	3,006.15	2,797.45	2,600.78
May 1, 1999	4,403.83	4,120.95	3,848.79	3,587.69	3,337.82	3,109.86	2,894.66	2,691.81
November 1, 1999	4,545.86	4,255.91	3,976.77	3,708.77	3,452.14	3,217.16	2,995.26	2,786.02
May 1, 2000	4,692.46	4,395.30	4,109.00	3,833.94	3,570.38	3,328.15	3,099.34	2,883.53
November 1, 2000	4,843.79	4,539.25	4,245.63	3,963.34	3,692.67	3,442.97	3,207.05	2,984.45
May 1, 2001	5,000.00	4,687.91	4,386.80	4,097.10	3,819.14	3,561.75	3,318.50	3,088.91
November 1, 2001		4,841.44	4,532.66	4,235.38	3,949.95	3,684.64	3,433.82	3,197.02
May 1, 2002		5,000.00	4,683.38	4,378.33	4,085.23	3,811.76	3,553.14	3,308.92
November 1, 2002			4,839.10	4,526.10	4,225.15	3,943.26	3,676.62	3,424.73
May 1, 2003			5,000.00	4,678.85	4,369.86	4,079.31	3,804.38	3,544.60
November 1, 2003				4,836.76	4,519.53	4,220.05	3,936.59	3,668.66
May 1, 2004				5,000.00	4,674.33	4,365.64	4,073.39	3,797.06
November 1, 2004					4,834.42	4,516.26	4,214.94	3,929.96
May 1, 2005					5,000.00	4,672.07	4,361.41	4,067.51
November 1, 2005						4,833.26	4,512.98	4,209.87
May 1, 2006						5,000.00	4,669.81	4,357.21
November 1, 2006							4,832.09	4,509.72
May 1, 2007							5,000.00	4,667.56
November 1, 2007								4,830.92
May 1, 2008								5,000.00

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX B
STATE QUALIFICATION**

**ARTICLE IX, SECTION 16 OF THE
1963 STATE OF MICHIGAN CONSTITUTION**

State loans to school districts.

Sec. 16. The state, in addition to any other borrowing power, may borrow from time to time such amounts as shall be required, pledge its faith and credit and issue its notes or bonds therefor, for the purpose of making loans to school districts as provided in this section.

Amount of loans.

If the minimum amount which would otherwise be necessary for a school district to levy in any year to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies, exceeds 13 mills on each dollar of its assessed valuation as finally equalized, or such lower millage as the legislature may prescribe, then the school district may elect to borrow all or any part of the excess from the state. In that event the state shall lend the excess amount to the school district for the payment of principal and interest. If for any reason any school district will be or is unable to pay the principal and interest on its qualified bonds when due, then the school district shall borrow and the state shall lend to it an amount sufficient to enable the school district to make the payment.

Qualified bonds.

The term "qualified bonds" means general obligation bonds of school districts issued for capital expenditures, including refunding bonds, issued prior to May 4, 1955, or issued thereafter and qualified as provided by law pursuant to Section 27 or Section 26 of Article X of the Constitution of 1908 or pursuant to this section.

Repayment of loans, tax levy by school district.

After a school district has received loans from the state, each year thereafter it shall levy for debt service, exclusive of levies for nonqualified bonds, not less than 13 mill or such lower millage as the legislature may prescribe, until the amount loaned has been repaid, and any tax collections therefrom in any year over and above the minimum requirements for principal and interest on qualified bonds shall be used toward the repayment of state loans. In any year when such levy would produce an amount in excess of the requirements and the amount due to the state, the levy may be reduced by the amount of the excess.

Bonds, state loans, repayment.

Subject to the foregoing provisions, the legislature shall have the power to prescribe and to limit the procedure, terms and conditions for the qualification of bonds, for obtaining and making state loans, and for the repayment of loans.

Power to tax unlimited.

The power to tax for the payment of principal and interest on bonds hereafter issued which are the general obligations of any school district, including refunding bonds, and for repayment of any state loans made to school districts, shall be without limitation as to rate or amount.

Rights and obligations to remain unimpaired.

All rights acquired under Sections 27 and 28 of Article X of the Constitution of 1908, by holders of bonds heretofore issued, and all obligations assumed by the state or any school district under these sections, shall remain unimpaired.

ACT 108, PUBLIC ACTS OF MICHIGAN, 1961, AS AMENDED

**Loans for Payment of School Bonds
Act 108, 1961, as amended**

AN ACT to provide for loans by the state of Michigan to school districts for the payment of principal and interest upon school bonds; to prescribe the terms and conditions of the loans, and the conditions upon which levies for bond principal and interest shall be included in computing the amount to be so loaned by the state; to prescribe the powers and duties of the superintendent of public instruction and the state treasurer in relation to such loans; to provide for the repayment of such loans; to provide incentives for repayment of such loans; and to provide for other matters in respect to such loans; and to make an appropriation.

The People of the State of Michigan enact:

Sec. 1. The purpose of this act is to implement section 16 of article 9 of the 1963 Michigan constitution, hereinafter referred to as section 16.

Sec. 2. (1) If the minimum amount which it would otherwise be necessary for a school district to levy in any year to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies, exceeds 13 mills or the computed millage under subsection (2), whichever is less, on each dollar of its assessed valuation as last equalized by the state, then the school district may elect to borrow all or any part of the excess from the state. In that event the state shall loan the excess amount to the school district for the payment of principal and interest. For bond issues sold before October 1, 1991, schools shall be allowed to borrow at least the percentage over 7 mills allowed them in the 1990-91 fiscal year. The school district shall levy not less than 12 mills or its equivalent for operating purposes.

(2) The computed millage referred to in subsection (1) is the number of mills as computed by the state treasurer that the school district would have to levy in the year the computation is made and each succeeding year to be able to pay the principal and interest on all of its qualified bonds and loans made to the school district under this act, taking into account loans made to the school district under this act for debt service, by not later than 60 months after the final maturity date of all of its qualified bonds outstanding as of the date of the computation, but shall be not less than 7 mills. The state treasurer shall make the computation based on the following assumptions:

(a) An assumed interest rate on loans made under this act equal to the average interest rate on school bond loan fund notes and bonds over the immediately preceding 5-year period.

(b) A projected total state equalized valuation for the school district that assumes a state equalized valuation growth rate or decline rate equal to the school district's average yearly state equalized valuation growth rate or decline rate over the immediately preceding 5-year period.

(3) Upon request made by a school district before June 1 of any year, the superintendent of public instruction and the state treasurer annually may jointly issue an order waiving all or a portion of the millage required to be levied by a school district to pay principal and interest on its qualified bonds pursuant to subsection (1) if they find all of the following:

(a) The school board of the school district has applied to the department of education for permission to levy less than the millage required to be levied to pay the principal and interest on its qualified bonds pursuant to subsection (1).

(b) The application specifies the number of mills the school district requests permission to levy.

(c) The waiver will be financially beneficial to the state or to the school district, or both.

(d) The waiver will not reduce the millage levied by the school district to pay principal and interest on qualified bonds under subsection (1) to less than 7 mills.

(e) The school board, by resolution, has agreed to comply with all conditions that the superintendent of public instruction and the state treasurer consider are necessary.

Sec. 3.(1) As used in this act, "qualified bonds" means general obligation bonds of school districts issued for capital expenditures, including refunding bonds, issued as follows:

(a) Before May 4, 1955.

(b) On or after May 4, 1955 but before January 1, 1964, only if, and to the extent that, the bonds have been qualified pursuant to section 27 and 28 of Article X of the state constitution of 1908 and implementing acts.

(c) On or after January 1, 1964, if the bonds are qualified pursuant to section 16 of Article IX of the state constitution of 1963 and this act.

(2) All actions heretofore taken by the superintendent of public instruction in qualifying bonds pursuant to sections 27 and 28 of Article X of the state constitution of 1908 and implementing acts, are validated and all certificates of qualification herefore or hereafter issued by the superintendent are conclusive as to the existence of facts entitling the bonds to be qualified as provided in the certificates and as to the qualification and shall not be subject to attack in any proceeding. Any certificate of qualification issued before January 1, 1964, qualifying bonds pursuant to section 28 of Article X of the state constitution of 1908, and the act implementing that section, shall constitute qualification pursuant to section 16 of Article IX of the state constitution of 1963 and this act, for any bonds sold or delivered to the purchaser of the bonds on or after January 1, 1964. Any bonds issued between May 4, 1955 and before January 1, 1964, that were partially qualified shall be considered to be 100% qualified bonds if they would be 100% qualifiable under this act.

(3) Bonds issued for a purpose described in section 1274a of the school code of 1976, Act No. 451 of the Public Acts of 1976, being section 380.1274a of the Michigan Compiled Laws, shall be considered general obligation bonds of school districts issued for capital expenditures.

Sec. 4. (1) The superintendent of public instruction shall issue his or her certificate qualifying an issue of bonds, upon application for a certificate being duly made by the school district, if the superintendent finds the following:

(a) That the last maturity date of the issue of bonds is not less than 10 years from the issuance date appearing on the bonds subject to the following qualifications and exceptions:

(i) Except for bonds issued for a purpose described in section 1274a of the school code of 1976, Act No. 451 of the Public Acts of 1976, being section 370.1274a of the Michigan Compiled Laws, or as otherwise provided in this subparagraph, if the ratio of debt to valuation of the school district exceeds 4%, the last maturity date of the issue of bonds shall be not less than 15 years from the issuance date appearing on the bonds, if the ratio of debt to valuation of the school district exceeds 7%, the last maturity date of the issue of bonds shall be not less than 25 years from the issuance date appearing on the bonds, or if the ratio of debt to valuation of the school district exceeds 12%, the last maturity date of the issue of bonds shall be not less than 29 years from the issuance date appearing on the bonds: Regardless of the ratio of debt to valuation of a school district, the state treasurer may authorize the last maturity date of an issue of bonds of that school district to be not less than 10 years from the issuance date appearing on the bonds if the state treasurer determines it is financially beneficial to the state or to the school district. As used in this section, "ratio of debt to valuation" means that ratio arrived at by dividing the total tax supported bonded indebtedness of the school district outstanding as of the date of the filing of the application required by this act, including the bonds proposed to be qualified, by the assessed valuation of the school district as last equalized by the state, provided that the refunding part of any proposed issue of bonds shall not be included in the total indebtedness of the school district for the purposes of this section.

(ii) If the bonds are issued for a purpose described in section 1274a of Act No. 451 of the Public Acts of 1976, the last maturity of the issue of bonds may be less than 10 years from the issuance date appearing on the bonds but not less than the number of years approved by the superintendent of public instruction in the certificate of qualification. The certificate of qualification of the superintendent of public instruction shall contain a certification and approval that the bonds are issued for such a purpose which approval shall be final and conclusive and shall set forth the minimum number of years for the last maturity of the bonds.

(b) That the yearly principal maturity date is not less than 5 months after the major part of the taxes for the bonds becomes by law a lien upon the property assessed.

(c) Except as otherwise provided in this subdivision, that the amount of principal maturing in any calendar year is not less than the amount of principal maturing in any prior calendar year and, except for bonds issued for a purpose described in section 1274a of Act No. 451 of the Public Acts of 1976, if the ratio of debt to valuation of the school district, as defined in subdivision (a), exceeds 12%, that the first 10 principal maturities do not in the aggregate exceed 25% of the total principal amount of the bonds proposed to be qualified. Regardless of the amount of principal maturing in any calendar year and regardless of the ratio of debt to valuation of the school district, the state treasurer may authorize principal maturities in any amount if the state treasurer determines it is financially beneficial to the state or to the school district.

(d) That the cost of the project for which the bonds are to be issued is within reasonable standards of cost as established by the state board of education, which standards may vary as to different localities in accordance with any variance in construction costs between localities.

(e) Except for bonds issued for a purpose described in section 1274a of Act No. 451 of the Public Acts of 1976, that there exists a need for the project based upon current and probable future enrollment and that the project is designed to provide school facilities reasonably adequate to meet that need.

(f) If a bond issue requires an election, that a bond issue which a school district wishes to qualify has been given preliminary qualification prior to the official action of the board of education calling for the election on the bond issue.

(g) If the bonds are issued for a purpose described in section 1274a of Act No. 451 of the Public Acts of 1976, and if the bonds have not been approved by a majority of the school electors voting on the question, that the school district has demonstrated and the state treasurer has approved the method of payment for, and the ability to pay, the bonds and that the school district has received the prior approval of the department of treasury for the issuance of the bonds under the municipal finance act, Act No. 202 of the Public Acts of 1943, being section 131.1 to 139.3 of the Michigan Compiled Laws.

(2) For refunding bonds issued to refund bonds issued before May 4, 1955, the superintendent of public instruction shall issue the certificate of qualification if the superintendent finds that the refunding bonds comply with the requirements set forth in subsection (1)(c). For refunding bonds issued to refund bonds issued on or after May 4, 1955, or issued to refund loans from the state made under the authority of this act, the superintendent shall issue the certificate of qualification if the superintendent finds that the refunding bonds comply with the requirements set forth in subsection (1)(c) and also that the refunding bonds are being issued to refund loans from the state made under the authority of this act or that the bonds representing the original indebtedness either were qualified or satisfied the requirements for qualification in effect when issued or would have satisfied the requirements set forth in subsection (1)(d), (e), and (f) had those requirements been in effect when the bonds were issued. Refunding bonds issued to refund loans from the state made under the authority of this act shall be considered as refunding bonds for all purposes including section 16 of Article IX of the state constitution of 1963.

Sec. 4a. An unexpended balance of the proceeds of sale of any school district bonds heretofore or hereafter issued, remaining after completion of the project, to the extent of 15% of the amount of the issue, with the approval of the electors in the case of bonds issued before August 28, 1964, may be used for school construction, equipment and site acquisition and development if that use is approved by the superintendent of public instruction, and any remaining balance shall be paid immediately into the bond and interest redemption fund established for the bonds and shall be used either for the redemption of callable bonds or, before the first call date only, for purchasing the bonds on the open market at not more than the fair market value or used to reduce the amount required to be levied to meet current principal and interest on the bonds as they become due. Any unexpended balance of the proceeds of sale of any school district bonds heretofore or hereafter issued, remaining after payment in full of the principal of and interest on the bonds, may be used to increase or continue expenditures for any of the projects or purposes for which the bonds were initially authorized and issued, even though all projects for which the bonds were initially authorized and issued have not been completed. This section shall apply unless allocations of specified amounts for stated projects or purposes were contained in the ballot question by which the bonds were initially authorized, in which case the use must be approved by the superintendent of public instruction.

Sec. 4b. Bonds issued after May 4, 1955 and prior to August 1, 1969 that were not qualified based on reorganization of the school district may be qualified upon a renewal application to the superintendent of public instruction.

Sec. 5. All certificates of qualification shall be kept in a permanent file in the office of the superintendent of public instruction and copies thereof shall be delivered to the school district and to the office of the municipal finance commission or its successor agency. Applications for such certificates shall be made on forms prepared and supplied by the superintendent of public instruction and he or she shall prescribe reasonable rules and regulations in respect thereto. If prior to the issuance of bonds, the school district does not secure such certificate of qualification from the superintendent of public instruction, it shall be deemed to have waived the right to have such bonds so qualified.

Sec. 6. In any school district where the amount necessary to be levied in any year for principal and interest on qualified bonds, including any necessary allowance for estimated tax delinquencies but excluding any funds pledged to and available for the payment of such principal and interest, exceeds that amount stipulated in section 2, the school district, on or before 60 days prior to the time of the certification of its tax levy to the assessing officer, shall file with the superintendent of public instruction and the municipal finance commission or its successor agency a preliminary application for a loan from the state in the amount of any part of such excess over that amount stipulated in section 2 which it does not propose to levy in such year. If the excess over that amount stipulated in section 2 is reached or increased by reason of bonds authorized by resolution of the board of education of the school district within the 60-day period, an original or amended application shall be filed within that period. An application shall set forth the amount of the last state equalized valuation of the school district and, for each of the 5 years immediately preceding the application, the amount of principal and interest on qualified bonds necessary to be levied upon the tax roll of that year, the amount of any moneys on hand pledged to and available for the payment of such principal and interest, the probable delinquency in tax collections at the time the principal and interest will become due, the estimated amount of the loan which will be required from the state, and any other pertinent facts which may be required to be included in the application by the superintendent of public instruction. The superintendent of public instruction shall examine the application and shall request the state treasurer to compute the computed millage under section 2(2); if applicable, as soon as possible and notify the school district of any erroneous statements or assumptions in the application and within the 60-day period shall approve or deny the preliminary application in whole or in part and shall notify the school district of his or her action. The school district shall include in its tax levy any amount otherwise required to be levied for the payment of principal and interest on qualified bonds for which it does not secure approval for a state loan as aforesaid.

Sec. 7. If a loan from the state shall become necessary for the payment of principal and interest on qualified bonds in accordance with such approved preliminary application, or for any reason pursuant to said section 16 of Article IX of the 1963 constitution and this act, then the school district shall file with the superintendent of public instruction a supplemental application (or an original application, if no preliminary application has been filed), setting forth the amount of the tax collections to the date of said application, an estimate of probable collections prior to the time when such principal and interest will become due and the amount of the loan necessary from the state. Such supplemental or original application shall be made not less than 30 days prior to the time when the proceeds of the loan will be necessary in order to pay maturing principal or interest or both. Upon receipt of such supplemental or original application, it shall be the duty of the superintendent of public instruction, after auditing the same, to forward to the state treasurer a statement setting forth the amount to be loaned to the school district for the payment of principal and interest and the date on or before which such loan shall be made. He shall also prepare the proper voucher as a basis for the issuance of the necessary warrant in accordance with state accounting practices. Upon receipt of such statement and warrant, it shall be the duty of the state treasurer to loan to the school district from "the school bond loan fund" the amount set forth in the statement of the superintendent of public instruction on or before the date specified therein. The state treasurer upon the making of said loan shall obtain from the school district a receipt for the amount so loaned, which receipt shall specify the terms of repayment in accordance with the provisions of said section 16 of Article IX of the 1963 constitution and this act. Upon receipt by any school district of such loan, it shall be the duty of the treasurer thereof to cause the same to be deposited in the debt retirement fund and used solely for the payment of principal and interest on qualified bonds.

Sec. 8. If for any reason any school district will be or is unable to pay the principal and interest on its qualified bonds when due, then the school district shall borrow and the state shall loan to it an amount sufficient to enable the school district to make the payment. Any school district which finds that it will be or is unable to pay such principal or interest when due shall forthwith make application for the necessary loan and the state shall, in time to prevent default in such payment, make such loan and obtain a receipt therefor as provided in section 7 of this act. In the event that the principal or interest on any qualified bond is not paid when due upon proper presentation of the bond or interest coupon to the agent or officer charged with making payment thereof (irrespective of whether an application for a loan to pay such principal or interest has been made or approved), the state treasurer shall forthwith pay such

principal or interest upon presentation of the bond or coupon to him. Any amount so paid by the state treasurer shall be deemed a loan made to the school district pursuant to the requirements of said section 16 of Article IX of the 1963 constitution and this act and the school district shall give a receipt therefor and repay such loan in the same manner as hereinbefore provided with respect to other loans: Provided, That any funds of the school district which are or become available in its hands or in the hands of the paying agent or officer for payment of the principal or interest which has been paid by the state treasurer shall forthwith be remitted to the state treasurer and applied toward repayment of said loan.

Sec. 9 (1) Except as provided in this section and section 10a, any school district having received 1 or more loans from "the school bond loan funds" under sections 27 and 28 of Article X of the state constitution of 1908 or section 16 of Article IX of the state constitution of 1963 and implementing acts shall continue to levy on its tax rolls not less than 13 mills or the computed millage under section 2(2), whichever is less, on each dollar of its assessed valuation as last equalized by the state, exclusive of any levy for unqualified bonds or for school operating purposes, until all loans made to the school district by the state are repaid with interest at rates to be annually determined by the state treasurer. Except as provided in this section, these rates shall represent not more than the average interest rate paid by the state on obligations issued under sections 27 and 28 of article X of the state constitution of 1908 and section 16 of Article IX of the state constitution of 1963 and implementing acts, and, except to the extent required to maintain the tax-exempt status of bonds or notes issued by the state pursuant to this act and Act No. 112 of the Public Acts of 1961, being sections 388.981 to 388.985 of the Michigan Compiled Laws, not less than the average interest rate computed to the nearest 1/8 of 1%. The state treasurer shall annually certify to the several borrowing districts the rate of interest to be currently collected. The proceeds of each such levy shall be used first for the payment of the minimum principal and interest requirements on the qualified bonds that shall become due before the next tax collection, and any balance shall be paid to the state until the principal and interest due the state are paid.

(2) Before the adoption of a resolution approving annexation and transfer of a school district to be divided pursuant to part 10a of the school code of 1976, Act No. 451 of the Public Acts of 1976, being sections 380.941 to 380.949 of the Michigan Compiled Laws, the superintendent of public instruction and the state treasurer may issue a joint order determining that, upon division of a school district pursuant to part 10a of the school code of 1976, the divided district or any other school district affected by the division, or all, may cease levying on its tax rolls for all or a portion, as shall be determined in the joint order by the superintendent of public instruction and the state treasurer, of the amount required by subsection (1) for repayment of all or a portion of the principal of or interest on, or both, the loans received before the issuance of the joint order from the school bond loan fund for a number of years to be determined in the joint order by the superintendent of public instruction and the state treasurer, not to exceed 5 years, beginning with the first tax levy after the election approving the division or until the tax levy after the election approving the division or until the bonded indebtedness of the district for which loans have been received has been paid in full or provision for the payment has been made, whichever occurs first. During the period in which the levy is waived pursuant to this subsection, the school district payments due to the state pursuant to subsection (1) from the waived levy shall be waived. After expiration of the period of waiver, each school district shall levy each year for repayment of loans an amount designated in the order of the superintendent of public instruction and the state treasurer, which amount, when added to the amount required for debt service, shall not be more than the amount required by subsection (1) until all loans to the school district by the state are repaid with interest at rates to be determined annually by the state treasurer. A school district determining not to levy for loan repayment during the following year shall notify before December 15 of each year the state treasurer of its determination not to levy and shall supply the superintendent of public instruction or the state treasurer with any additional related information the superintendent of public instruction or the state treasurer shall require.

(3) During any year in which a school district levy is waived, an amount equal to the annual interest for that year on the amount owed by the school district to the school bond loan fund shall be added to the amount of loans to the school district by the state.

(4) Any repayment of principal or interest that was waived pursuant to subsection (2) shall be transferred to the general fund if general fund revenue supplements were required to pay obligations issued under sections 27 and 28 of Article X of the state constitution of 1908 or section 16 of Article IX of the state constitution of 1963 during the period of waiver.

Sec. 9a. (1) Notwithstanding any other section of this act, if a school district agrees to repay the outstanding balance on a loan made under this act not later than September 30, 1991 or, for a school district that has covenanted not to issue additional obligations during calendar year 1991, not later than March 31, 1992, and if the school district submits to the state treasurer not later than August 1, 1991 a board-adopted resolution indicating that the school district intends to repay an outstanding balance in accordance with this section, the state treasurer shall reduce the total loan amount due from the school district as provided in subsection (2) and shall calculate and pay to the school district a general fund incentive payment as provided in subsection (3). There are hereby appropriated sufficient funds to pay the general fund incentive payments under subsection (3).

(2) The amount of the loan repayment reduction to be made by the state treasurer for the purposes of subsection (1) shall be an amount equal to the sum of the amounts described in subdivisions (a) and (b) as follows, but shall not exceed 10% of the total outstanding balance on the loan as calculated without reduction on the settlement date:

- (a) The cost to the school district of obtaining the funds to use for the repayment of the outstanding balance of the loan.
- (b) The amount by which the school district's payments of principal and interest on the obligations issued by the school district to obtain the funds to use for the repayment of the outstanding balance of the loan exceed the projected payments of principal and interest the school district otherwise would have paid to repay the loan based on the following assumptions:

(i) An assumed interest rate equal to the average interest rate on school bond loan fund notes and bonds over the immediately preceding 5-year period.

(ii) A projected total state equalized valuation for the school district that assumes a state equalized valuation growth rate equal to the school district's average yearly state equalized valuation growth rate over the immediately preceding 5-year period.

(3) The amount of the general fund incentive payment to be made by the state treasurer for the purposes of subsection (1) shall equal the lesser of either 5% of the reduced loan amount after the reduction made under subsection (2) or an amount calculated by subtracting the amount of the reduction made under subsection (2) from an amount equal to 10% of the school district's total outstanding balance on the loan as calculated without reduction on the settlement date. The state treasurer shall pay the general fund incentive payment to the school district on the settlement date. To receive a general fund incentive payment, a school district shall agree to use the general fund incentive payment only for capital expenditures.

(4) A school district that issues its obligations to obtain the funds to use for the repayment under this section of the outstanding balance of a loan under this act shall sell those obligations only to the Michigan municipal bond authority created in the shared credit rating act, Act No. 227 of the Public Acts of 1985, being sections 141.1051 to 141.1078 of the Michigan Compiled Laws, unless the Michigan municipal bond authority notifies the school district and the state treasurer in writing that the authority is unwilling or unable to purchase those obligations.

(5) As used in this section, "settlement date" means the date on which a school district repays the outstanding balance of a loan made under this act, as reduced under this section.

Sec. 9b. To receive a loan under this act or a general fund incentive payment under Section 9a, a school district shall agree to take actions and to refrain from taking actions as necessary to maintain the tax-exempt status of bonds or notes issued by the state pursuant to this act and Act No. 112 of the Public Acts of 1961, being sections 388.981 to 388.985 of the Michigan Compiled Laws. The state treasurer shall take the actions permitted by law that are necessary to maintain the tax-exempt status of obligations issued by school districts to provide the funds to repay a loan made under this act.

Sec. 10. Except as provided in section 10a, if a school district that has 1 or more loans pursuant to either this Act or Act No. 151 of the Public Acts of 1955, as amended, being sections 388.931 to 388.938 of the Michigan Compiled Laws, or both, fails to levy at least the amount specified in section 2 or section 9, as applicable, upon its state equalized valuation for debt retirement purposes for qualified bonds and for repayment of a state loan made under this act while any part of the loan is unpaid, or defaults in its agreement to repay a loan or any installment of a loan, money shall not be distributed to the school district out of the state school aid fund until satisfactory arrangements have been made with the superintendent of public instruction for the payment of the amount in default.

Sec. 10a. Upon request made by a school district before June 1 of any year, the superintendent of public instruction and the state treasurer annually may jointly issue an order waiving all or a portion of the millage required to be levied by a school district pursuant to section 9(1) if he or she finds all of the following:

(a) The school board of the school district has applied to the department of education for permission to levy less than the millage required to be levied pursuant to section 9(1).

(b) The application specifies the number of mills the school district requests permission to levy.

(c) The school board, by resolution, has agreed to transfer from available identified funds of the school district to the school debt retirement fund an amount equal to the amount that would have been raised by the levy of the millage requested to be waived.

(d) The school board, by resolution, has agreed that the funds to be transferred to the school debt retirement fund shall be earmarked for the payment of state loans to the school district and for debt retirement purposes for qualified bonds before taxes are certified for the year the school board is requesting permission to levy less than the millage required to be levied pursuant to section 9(1).

(e) The school board, by resolution, has agreed to comply with all conditions that the superintendent of public instruction and the state treasurer consider are necessary.

Sec. 11. Any school district applying for qualification of bonds hereunder shall pay a fee for such qualification, which fee shall be used toward defraying the administrative expenses in connection with this act and Act No. 151 of the Public Acts of 1955, as amended. The fee shall be paid to the superintendent of public instruction within 30 days after the moneys obtained through the sale of bonds so qualified have been received by the treasurer of the board of education of the school district. The superintendent of public instruction shall prescribe necessary rules and regulations, in accordance with Act No. 88 of the Public Acts of 1943, as amended, being sections 24.71 to 24.82 of the Compiled Laws of 1948, and subject to Act No. 197 of the Public Acts of 1952, as amended, being sections 24.101 to 24.110 of the Compiled Laws of 1948. The amount of the fee to be charged to the school district shall be determined by the superintendent of public instruction. It shall vary according to the amount of the bond issue, except that in no case shall it be less than \$100.00, and the total amount to be charged to all school districts in any one fiscal year shall be approximately

equal to the estimated administrative expenses in connection with this act for the same fiscal year. Upon failure of any school district to pay such qualification fee within the time specified, the superintendent of public instruction is hereby authorized to withhold the amount of such fee from the payment of state school aid money next due the district.

Sec. 12. Any person who shall knowingly make any false statement or conceal any material information for the purpose of obtaining a loan under the provisions of this act, or use the proceeds of a loan or any portion thereof for any purpose not authorized by this act shall be guilty of a felony.

Sec. 13. This act does not repeal Act No. 151 of the Public Acts of 1955, as amended, but supersedes said act insofar as concerns that portion of a school district's principal and interest requirements on qualified bonds which may be borrowed from the state and insofar as concerns the tax levy which a school district is required to maintain until its state loans have been repaid.

**OPINION #4422 OF THE ATTORNEY GENERAL, STATE OF MICHIGAN
DATED MARCH 12, 1965**

Constitutional Law:
School Bonds:
Municipal Finance Commission:

Article 9, S 16, Michigan Constitution of 1963, requires school districts to borrow and State to lend sufficient sum to cover debt service payments on qualified bonds of school districts. Although this is not a pledge of full faith and credit of the State, the Municipal Finance Commission may and must enforce the duty of the district to borrow and the State to lend such sum.

No. 4422

March 12, 1965.

Hon. Sanford A. Brown
State Treasurer
Lansing, Michigan

You have asked in your letter of February 5, whether Article IX, S 16 of the Michigan Constitution of 1963 pledges the full faith and credit of the State to the payment of principal and interest of qualified school bonds.

Article IX, S 16 of the Michigan Constitution of 1963 provides in pertinent part as follows:

"The state * * * may borrow from time to time such amounts as shall be required, pledge its faith and credit and issue its notes or bonds therefor, for the purpose of making loans to school districts and provided in this section."

"If the minimum amount which would otherwise be necessary for a school district to levy in any year to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies, exceeds 13 mills on each dollar of its assessed valuation as finally equalized, or such lower millage as the legislature may prescribe, then the school district may elect to borrow all or any part of the excess from the state. In that event the state shall lend the excess amount to the school district for payment of principal and interest. If for any reason any school district will be or is unable to pay the principal and interest on its qualified bonds when due, then the school district shall borrow and the state shall lend to it an amount sufficient to enable the school district to make the payment."

"The term 'qualified bonds' means general obligation bonds of school districts issued for capital expenditures, including refunding bonds, issued prior to May 4, 1955, or issued thereafter and qualified as provided by law pursuant to Section 27 or Section 28 of Article X of the Constitution of 1908 or pursuant to this section."

Thus, the school district is required to borrow and the State to lend an amount sufficient to enable the school district to make payments of principal and interest due on qualified bonds, and the state is empowered to borrow and to issue its notes or bonds for the purpose of making such loans, and to pledge its full faith and credit for such state bonds or notes.

The constitutional provision quoted does not pledge the full faith and credit of the state to all qualified bonds. The state is not primarily liable on qualified bonds of a school district. Rather, the state is required to lend whatever the school district needs, from time to time, to meet debt service requirements on such bonds.

You ask what remedies are available to enforce the obligation of the state.

The quoted language makes it mandatory upon the school district to borrow and upon the state to lend "an amount necessary to enable the school district to make the payment." Under Chapter 11, Section 2(f) of the Municipal Finance Act [C.L. 1948 S 132.2;

M.S.A. 1958 Rev. Vol. S 5.3188(4)f], the Municipal Finance Commission has power to enforce compliance with any law by, inter alia, the "institution of appropriate proceedings in the courts of the state, including those for writs of mandamus and injunction."

The Commission could and indeed must enforce the duty of the district to borrow and the state to lend. The bondholders also would have an action to enforce the duty of the district to borrow and of the state to lend.

Thus the bondholders are assured of the availability of state funds where needed to meet debt service requirements on qualified bonds. This is not a pledge of full faith and credit, but gives the bondholders as much or more protection as would such a pledge.

FRANK J. KELLEY,
Attorney General

OPINION #4508 OF THE ATTORNEY GENERAL, STATE OF MICHIGAN
DATED AUGUST 29, 1966

Bonds: Qualified bonds of school districts.

Constitution of 1963: School Bond Loan fund.

Schools: Bond Loans.

State Treasurer: Payment of principal and interest on qualified school district bonds.

Authority of State Treasurer and procedures to be followed in paying from the School Bond Loan Fund principal and interest on qualified school bonds upon presentment by a bondholder.

No. 4508 Hon. Allison Green
 State Treasurer
 Capitol Building
 Lansing, Michigan

August 29, 1966.

You have requested my opinion on what procedures should be followed by the state treasurer preparatory to making loans to local school districts which are unable to make payments on principal and interest on qualified school district bonds.¹

Loans to bonded school districts are authorized by Article IX, Section 16, Constitution of 1963, which in part contains pertinent language:

"If the minimum amount which would otherwise be necessary for a school district to levy in any year to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies, exceeds 13 mills on each dollar of its assessed valuation as finally equalized, or such lower millage as the legislature may prescribe, then the school district may elect to borrow all or any part of the excess from the state. In that event the state shall lend the excess amount to the school district for the payment of principal and interest. If for any reason any school district will be or is unable to pay the principal and interest on its qualified bonds when due, then the school district shall borrow and the state shall lend to it an amount sufficient to enable the school district to make the payment.

"The term 'qualified bonds' means general obligation bonds of school districts issued for capital expenditures, including refunding bonds, issued prior to May 14, 1955, or issued thereafter and qualified as provided by law pursuant to Section 27 or Section 28 of Article X of the Constitution of 1908 or pursuant to this section."

Article IX, Section 16, Constitution of 1963, is a continuation with minor revisions of the provisions relating to school bond financing which appeared in Sections 27 and 28 of Article X, Constitution of 1908. Section 27, Article X, Constitution of 1908, was proposed by joint resolution of the legislature in 1955 and approved by the people at the regular election of April 4, 1955. The loan provisions

¹/In your letter of request you stated that you were familiar with Opinion No. 4422 issued by me on March 12, 1965, in which it was ruled that Article IX, Section 16, Constitution of 1963, requires school districts to borrow and the state to lend sufficient sums to cover debt service payments on qualified bonds of school districts but that this requirement is not a pledge of the full faith and credit of the state; the Municipal Finance Commission however may and must enforce the duty of the school district to borrow and have the state to lend the necessary amounts.

of Section 27 ceased to have effectiveness after July 1, 1962, and were replaced by the provisions of Section 28, Article X, Constitution of 1908, which was proposed by joint resolution of the legislature in 1960 and approved by the people at the general election of November 8, 1960. Section 28 by its own terms took effect on July 1, 1962.

Section 28, Article X, Constitution of 1908, was implemented by the legislature by the enactment of Act 108, P.A. 1961, which took effect September 8, 1961. The first section of Act 108, P.A. 1961, stated that the purpose of the act was to implement Section 28 of Article X of the Constitution of 1908. The Constitution of 1963 took effect on January 1, 1964. In anticipation of the effectiveness of that Constitution, the legislature passed Act 33, P.A. 1963, Second Extra Session, such act to take effect on January 1, 1964. Act 33, P.A. 1963, Second Extra Session, amended Sections 1, 3, 8 and 9 of Act 108, P.A. 1961, and further amended section 7 of Act 108, P.A. 1961, as amended by Act 131, P.A. 1962. The first section of amendatory Act 33 stated that the act's purpose was to implement Section 16 of Article IX of the Constitution of 1963. Subsequent amendment has been made to Sections 2, 4, 6, 9 and 10 of Act 108, P.A. 1961, by Act 169, P.A. 1964, which act also added a new Section 4a.²

Answer to your question is to be found in amended Sections 6, 7 and 8 of the act. These sections present two situations in which you may become involved as state treasurer. The first situation is where a loan is to be made to the school district to permit the district to meet the principal and interest requirements on its bonds without a default in payment; the second is where the principal or interest on the bonds has not been paid when due upon proper presentation because of inadequate funds resulting in a default in payment.

Under amended Section 6 of the act, in any school district where the amount necessary to be levied in any year for principal and interest on qualified bonds exceeds 7 mills on each dollar of the assessed valuation of the school district as last equalized by the state, such school district on or before 60 days prior to the time of certification of its tax levy to the assessing officer shall file with the superintendent of public instruction³ a preliminary application for a loan from the state in the amount of any part of such excess over 7 mills which the school district does not propose to levy in such year.⁴ Amended Section 6 specifies the information to be supplied in the application. The superintendent of public instruction if he finds the application in proper form shall approve or deny the application in whole or in part and notify the school district of his action. Amended Section 7 of the act provides that if a loan from the state shall become necessary for the payment of principal and interest on qualified bonds in accordance with an approved preliminary application to the superintendent of public instruction or by virtue of a supplemental application, it shall be the duty of the superintendent of public instruction after audit to forward to the state treasurer a statement setting forth the amount to be loaned to the school district for the payment of principal and interest and the date on or before which loan shall be made.⁵ The superintendent shall prepare a voucher as a basis for the issuance of a warrant and upon receipt of such statement and warrant, it shall be the duty of the state treasurer to loan to the school district from the school bond loan fund the amount set forth in the statement of the superintendent of public instruction on or before the date specified therein. The state treasurer upon making such loan shall obtain from the school district a receipt for the amount so loaned which receipt shall specify the terms of repayment in accordance with the provisions of Section 16 of Article IX, Constitution of 1963 and the act. The school district treasurer upon receipt of the loan is required to deposit the same in the debt retirement fund to be used solely for the payment of principal and interest on qualified bonds.

The foregoing summaries of the procedures prescribed by amended Section 6 and 7 relate to the first situation above-described where the loan to the school district is to be made before the school district has defaulted in the payment of the principal or interest on the bonds.

The second situation described above is covered by amended Section 8 of the act which prescribes that in the event the principal or interest on any qualified bond is not paid when due, upon proper presentation of the bond or interest coupon to the agent or officer charged with making payment thereof, the state treasurer shall forthwith pay such principal or interest upon presentation of the bond or coupon to him. Any amount so paid by the state treasurer shall be deemed a loan to the school district made pursuant to the requirements of Section 16, Article IX, Constitution of 1963, and the act and the school district shall give a receipt therefor and repay the loan in the manner provided in the act for the repayment of loans.

²/Act 108, P.A. 1961, in its present amended form appears in M.S.A. 1965 Cum Supp § 3.424(111) et seq.

³/Article VIII, Section 3, Constitution of 1963 requires the state board of education to appoint a superintendent of public instruction who shall be the principal executive officer of the department of education and who shall have powers and duties provided by law. Section 14 of Act 287, P.A. 1964 (M.S.A. 1965 Cum. Supp. § 15.1023(14)) specifies that after June 30, 1965, a reference in any law to the powers and duties of the superintendent of public instruction shall be deemed to be made to the state board of education, subject to exceptions not pertinent here, and that the state board of education may delegate any of its functions to the superintendent. Section 300 of Act 380, P.A. 1965, creates a department of education. Section 301 of that act provides that the head of the department of education is the state board of education. Section 303 of that act transfers by a Type III transfer all powers, duties and functions then vested by law in the superintendent of public instruction to the department of education. Section 305 of the act specifies that the principal executive officer of the department of education is the superintendent of public instruction. Act 380 appears in M.S.A. 1965 Cum. Supp. at § 3.29(1) et seq. Act 380, P.A. 1965, was amended without regard to the sections involved here by Act 407, P.A. 1965. Without doubt, under the foregoing provisions the state board of education could delegate to the superintendent of public instruction the performance of all of the functions and duties imposed on the board in connection with the School Bond Loan Fund.

⁴/Other details set forth in amended Section 6 have been omitted.

⁵/Other details set forth in amended Section 7 have been omitted.

The method of processing loans to school districts under amended Sections 6 and 7 before default in payment of principal or interest is adequately spelled out in those sections and no additional comment from me is necessary. Your real concern is in regard to the applicable procedures which you should follow in the situation where the school district has defaulted in the payment of principal or interest on its bonds and the bond or bonds and the interest coupons have not been paid when due by the paying agent because of lack of funds. In the event of such a happening it is assumed for the purposes of this opinion that the holder of the bond or of the interest coupon will make demand on you as state treasurer for the prompt payment of the obligation thereunder. Should such demand be made on you as state treasurer, you would be entitled to take the following action before making payment:

- a. Ascertaining from the superintendent of public instruction or from the records in your own office that the bonds involved are duly qualified bonds as defined and described in amended Section 3 of the act;
- b. Requiring proof reasonably satisfactory to you that the bond or bonds or the interest coupons have been properly presented for payment to the paying agent or officer charged with the responsibility for making payment thereof and that payment has been refused because sufficient monies had not been deposited by the school district for that purpose; such proof of nonpayment may be furnished you in the form of a certificate from the paying agent.
- c. Notification to the school district given by you or your designee of the action taken by paying agent in refusing payment of the bonds or interest coupons on presentment because of the failure of the school district to have deposited funds with the paying agent for that purpose and verification from the school district of the fact of such failure to supply the required funds; notification to the school district by you or your designee that payment of the required amounts were to be made from the school bond loan fund by you as state treasurer and that such payment would be in the form of a loan to the school district which the school district would be required to be repay to the school bond loan fund in the manner required by law; the school district will be required to furnish you as state treasurer with a receipt evidencing the loan and specifying the terms of repayment, as required by law.

Upon the fulfillment of the above conditions in a manner reasonably acceptable to you, you would be authorized to make payment of the amounts due on the bonds and interest coupons and thereupon to demand their surrender and delivery to you as state treasurer.

Because of the safeguards built into the Michigan Constitution and statutes there should be no default of Michigan qualified school bonds. The School Loan Fund program will have afforded the school district access to loan funds prior to the date of the principal and interest on such bonds. In order to advise of the procedures in the remote possibility of nonpayment, however, I have set forth the foregoing guidelines.

FRANK J. KELLEY,
Attorney General

APPENDIX C

**MUNICIPAL BOND INSURANCE
SPECIMEN POLICY**

[THIS PAGE INTENTIONALLY LEFT BLANK]



Municipal Bond Insurance Policy

AMBAC Indemnity Corporation
c/o CT Corporation Systems
222 W. Washington Ave., Madison, WI 53703
Administrative Office:
One State Street Plaza, New York, NY 10004

Issuer:

Policy Number:

Bonds:

Premium:

AMBAC Indemnity Corporation (AMBAC) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to the United States Trust Company of New York, as trustee; or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

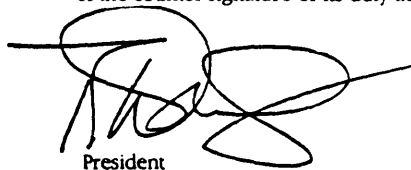
AMBAC will make such payments to the Insurance Trustee within 5 days following notification to AMBAC of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, AMBAC shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's rights to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of AMBAC or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to AMBAC all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. AMBAC shall be subrogated to all of the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any redemption, prepayment or acceleration premium which at any time may become due in respect of any Bond, nor against risk other than Nonpayment.

In witness whereof, AMBAC has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon AMBAC by virtue of the counter-signature of its duly authorized representative.



President



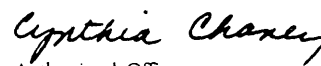
Secretary

Effective Date:

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form # S66-0003 (3/90)

Authorized Representative



Authorized Officer



AMBAC Indemnity Corporation
c/o CT Corporation Systems
222 West Washington Avenue
Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza
New York, New York 10004

Endorsement

Policy issued to:

Attached to and forming part of

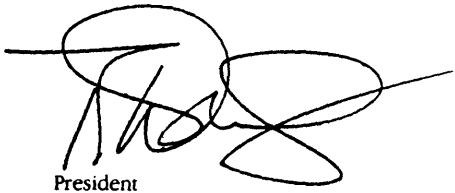
Effective Date of Endorsement:

The Policy to which this Endorsement is attached and of which it forms a part is hereby amended to provide that AMBAC will make payments of that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer within one (1) day following notification to AMBAC of Nonpayment.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, the Company has caused its Corporate Seal to be hereto affixed and these presents to be signed by its duly authorized officers to facsimile to become effective as its original seal and signatures and binding on the Company by virtue of countersignature by its duly authorized agent.

AMBAC Indemnity Corporation



President



Secretary

Authorized Representative

APPENDIX D

SCHOOL DISTRICT DATA

General

The School District of the City of East Lansing, Counties of Ingham and Clinton, State of Michigan (the "School District"), is located in south-central Michigan's lower peninsula, approximately 80 miles northwest of Detroit. The District is principally located in Ingham County and includes a portion of Clinton County. The School District services most of the City of East Lansing and portions of the City of Lansing, Lansing Township, Dewitt Township and Meridian Township.

The existing School District facilities include one high school, two middle schools, and seven elementary schools. Proceeds from this bond issue will provide for erecting, furnishing and equipping an addition or additions to; partially remodeling and partially re-equipping existing school district facilities; purchasing a school bus; improving existing playgrounds and athletic fields; and developing and improving the sites.

The School District currently serves a student population of 4,112 (as reported to the Michigan Department of Education, September, 1990) with a staff of 597 teachers and support personnel.

School Administration

Dr. William A. Mitchell, Superintendent. Dr. Mitchell has held the position of Superintendent of the School District of the City of East Lansing since 1986. Dr. Mitchell began his career in education in 1958 as teacher and coach in the Jefferson County Public Schools, Colorado. From 1961 to 1973 Dr. Mitchell worked at several positions within the Jefferson County Public Schools including Dean of Boys, Assistant Principal, Principal and Area Superintendent from 1971 to 1973. Dr. Mitchell was Superintendent of Greeley Public Schools, Colorado from 1973 to 1986 prior to joining East Lansing Schools.

Dr. Mitchell received a Bachelor of Science from the University of Colorado in 1954 and a M.A. in Educational Psychology and Guidance from Colorado State College (University of Northern Colorado) in 1961. In 1976 Dr. Mitchell attained an Educational Doctorate in School Administration at the University of Colorado. Dr. Mitchell is a member of numerous professional, education and civic organizations.

Joseph P. Durkin, Deputy Superintendent. Mr. Durkin has served the School District of the City of East Lansing since July 1969. Mr. Durkin's tenure began as Business Manager and then Director of Management Services. In these roles he has been responsible for budget and finances, operations, maintenance and transportation. Mr. Durkin also serves as the Board of Education's chief negotiator for School District master contracts with employees. Since 1979 he has served as Deputy Superintendent for

Administrative Services. Mr. Durkin has been certified as a Chief School Business Official by the Michigan Department of Education.

Mr. Durkin served as Assistant Business Manager and Secretary to the Ridgewood, New Jersey Board of Education from 1965 to 1969 prior to his employment with East Lansing Schools. Mr. Durkin has a Bachelor of Arts degree from Boston College.

Board of Education

The School District is governed by seven elected Board of Education members, who serve staggered four year terms as follows:

	Term <u>Expires June 30,</u>
Richard Ball, President	1992
Sally Pratt, Vice President	1993
Margaret-Ann Griffith, Treasurer	1994
Nancy Danhof, Secretary	1992
Ethelyn Hoffmeyer, Trustee	1994
Lawrence McGinnis, Trustee	1995
Gerald Park, Trustee	1993

Source: School District

Enrollments

The following tables show total enrollment at the School District as reported to the Michigan Department of Education in September of each year, for the past ten years, projections for the next five years and the present enrollment by grade.

Enrollment History and Projections

1981/82	4,452	1989/90	4,050
1982/83	4,301	1990/91	4,112
1983/84	4,303	1991/92*	4,106
1984/85	4,333	1992/93*	4,085
1985/86	4,330	1993/94*	4,097
1986/87	4,281	1994/95*	4,126
1987/88	4,160	1995/96*	4,140
1988/89	4,087		

*Projections

Source: School District

1990/91 Fourth Friday Counts

Kindergarten	359	8th	295
1st	364	9th	296
2nd	338	10th	302
3rd	339	11th	334
4th	298	12th	251
5th	275	Special Education	<u>65</u>
6th	297	Total	4,112
7th	299		

Source: School District

School District Facilities

As shown on the following table, School District facilities currently include a high school, two middle schools, and seven elementary schools.

<u>Schools</u>	<u>Year Constructed</u>	<u>Last Addition/ Renovation</u>	<u>Number of Classrooms</u>	<u>Functional Capacity</u>	<u>Total Enrolled</u>
Elementary Schools:					
Donley Elementary	1951	1982	12	200	282
Glencairn Elementary	1952	1987	10	175	225
Marble Elementary	1952	1982	16	225	372
Pinecrest Elementary	1960	1982	16	200	399
Red Cedar Elementary	1948	1987	10	200	228
Spartan Village Elementary	1962	1982	13	175	298
Whitehills Elementary	1963	1981	13	250	203
Middle Schools:					
Hannah Middle School	1927	1968	22	495	422
MacDonald Middle School	1968		31	698	487
High Schools:					
East Lansing High School	1956	1982	52	1,105	1,193

Source: School District

Teaching and Administrative Staff - Labor Relations

<u>Class</u>	<u>Number</u>	<u>Affiliation</u>	<u>Contract Expires</u>
Teachers	287	East Lansing Educ. Assoc.	In Negotiation
Administrators	24	Non-affiliated	---
Secretarial/Clerical	39	International Union of Operating Engineers	In Negotiation
Aides	56	Michigan Educational Support Personnel Association	6/30/92
Custodial/Maintenance	68	American Federation of State, County & Municipal Employees	6/30/93
Bus Drivers	12	Teamsters Local Union No. 580	6/30/93
Other	<u>111</u>	Non-affiliated	---
Total	597		

The School District feels its relationship with its employees is good. The School District has never experienced a strike by teachers and is confident the contracts which expired in June 1991 can be renegotiated without any work stoppage.

Source: School District

Retirement Plan

The School District pays 5% of its employees' wages to the Michigan Public School Employees Retirement System ("MPERS") which is administered by the State of Michigan. These contributions are required by law. The School District's contributions for the past five years and an estimate for 1990/91 are shown below. The School District does not have an unfunded accrued liability under MPERS.

1985/86	\$659,608	1988/89	\$781,529
1986/87	684,862	1989/90	820,978
1987/88	727,531	1990/91	898,433

Effective January 1, 1987, members of MPERS may irrevocably elect to contribute a percentage of their gross wages on a tax deferred basis to a "member investment plan" ("MIP") which qualifies them for additional benefits. The current contribution rate of 3.9% became effective January 1, 1990, representing a change from the previous contribution rate of 4%. This option to review and adjust the contribution rate is available to MPERS, if necessary, every three years. All employees hired after January 1, 1990 will contribute to the plan at a graduated rate of their gross wages. If a member leaves MPERS service before a retirement benefit has vested, the member's accumulated contributions to MIP, plus interest, if any, are refundable.

GENERAL FINANCIAL INFORMATION

Area and Population

The School District is located in south-central Michigan, approximately 80 miles northwest of Detroit. Adjacent to the City of Lansing, the seat of state government, the School District services most of the City of East Lansing and portions of the City of Lansing, Lansing Township, Dewitt Township and Meridian Township. A diverse economic base of manufacturing, state government, higher education and professional service industries provides stability to the greater Lansing area. Michigan State University makes its home in East Lansing.

The School District estimates the current population within its boundaries to be 56,761.

The table below shows the changes in population for the municipalities comprising the School District. The figures shown are for the complete community.

	<u>1970</u>	<u>1980</u>	<u>1990</u>
<u>Ingham County</u>			
City of East Lansing	47,540	51,392	50,677
City of Lansing	131,546	130,414	127,321
Lansing Township	11,127	10,097	8,919
Meridian Township	23,817	28,754	35,644
<u>Clinton County</u>			
Dewitt Township	9,909	10,038	10,448

Source: U.S. Department of Commerce, Bureau of the Census

Assessed Valuations/State Equalized Valuations (SEV)

Taxable property in the School District is assessed by the respective municipal assessors and is subject to review by the County Bureaus of Equalization. Tax levies on property in Michigan are applied against the assessed value of all property on the ad valorem tax roll as finally equalized by the State of Michigan. The assessed value of Commercial Facilities Tax (CFT) properties are maintained on a separate tax roll; taxes for these properties are levied as described on page D-7.

In accordance with Act 409, Public Act of 1965, and Article IX, Section 3, of the 1963 Michigan Constitution, the ad valorem SEV represents 50 percent of true cash value ("TCV"). The following tables show the ten-year history of ad valorem SEVs for the School District and an analysis of the 1990/91 valuation by use and by municipal unit.

History of Ad Valorem Assessed Valuations

1982/83	\$345,123,366	1987/88	\$410,702,684
1983/84	346,673,890	1988/89	443,710,820
1984/85	350,394,760	1989/90	484,337,260
1985/86	368,425,380	1990/91	522,425,650
1986/87	383,785,650	1991/92	557,944,190

Source: Ingham County Equalization Department

1991/92 SEV by Use

Agricultural	\$ 194,600	.04%
Commercial	162,813,370	29.18
Industrial	188,000	.03
Residential	364,345,650	65.30
Personal	<u>30,402,570</u>	<u>5.45</u>
Total	\$557,944,190	100.00%

Source: School District

1991/92 SEV by Municipal Unit

Ingham County

City of East Lansing	\$436,535,440	78.24%
City of Lansing	29,648,150	5.32
Lansing Township	137,400	.02
Meridian Township	90,916,600	16.29

Clinton County

Dewitt Township	<u>706,600</u>	<u>.13</u>
Total	\$557,944,190	100.00%

Source: Ingham County Equalization Department

Commercial Facilities Tax (CFT) Valuation

The Commercial Rehabilitation Act (Act 255, Public Acts of Michigan, 1978) provided significant tax incentives to businesses restoring commercial areas by allowing tax abatement. The statute, which expired as of December 31, 1985, permitted a municipality to grant up to 12 years of property tax relief to businesses that either located new facilities in a commercially blighted area or that reconstructed structures in commercially blighted area.

The Act allowed new commercial facilities to be charged 50 percent of its assessed tax burdens over the life of the relief grant. Rehabilitated commercial facilities were charged taxes based on their old valuations.

To have qualified, property must have been zoned for commercial use at least three years before the effective date of the Act. Because the statute has expired, no new commercial facilities exemptions may be granted.

After expiration of the abatement, the then current assessed valuation is returned to the ad valorem tax roll.

There are CFT abatements outstanding for property located within the geographic boundaries of the School District with an original valuation of \$4,437,050.

The following is a summary of the total 1991/92 valuations of CFT abatements in the School District.

	<u>Assessed Valuations</u>	<u>Certificate Expires</u>
Abbott Center	\$3,322,450	12/97
University Place Hotel	5,000,000	12/97*
University Place Retail	2,169,320	12/97*
Saper Galleries	88,200	12/97
Frandonson Properties	76,100	12/95
Frandonson Properties	779,700	12/94
Frandonson Properties	170,600	12/92

*Property tax proceeds subject to tax increment financing by Downtown Development Authority. At expiration of Certificate, tax proceeds will continue to accrue to the Authority.

Source: School District

Tax Levies and Collections

The School District's fiscal year begins July 1. School District property taxes are due July 1 and December 1 of the fiscal year. The July 1 taxes are payable without penalty or interest on or before August 31, if collected by either the City of East Lansing or the City of Lansing; September 14 if collected by Meridian Township, Lansing Township or DeWitt Township. The December 1 taxes are payable without penalty or interest on or before February 14, irrespective of the collecting municipality. On March 1 unpaid real property taxes are returned delinquent to the respective County Treasurers for collection with penalties and interest. On the first Tuesday in May in each year, a tax sale is held by the County at which lands delinquent for taxes assessed in the third year preceding the sale, or in a prior year, are sold for the total of the unpaid taxes of those years.

Both Ingham and Clinton Counties have, to date, paid from their Tax Payment Funds delinquent taxes on real property to all taxing units in the Counties. The decision to make such payments is determined on an annual basis by each county; there is no guarantee that the payments will continue in future years. If the delinquent taxes which are due and payable to the county are not received by the county for any reason, the county has full rights of recourse against the School District to recover the amount of uncollected delinquent taxes, together with interest thereon at the rate of 1 percent per month or fraction of a month until repaid to the county by the School District. Delinquent personal property taxes are negligible. The payments from the Tax Payment Funds have resulted in receipt by the School District of almost 100 percent of its tax levies.

The following table shows a five-year history of the School District's tax levies and collections, based on its ad valorem assessed valuation, to March 1 and June 30 of each year.

<u>Fiscal Year</u>	<u>Total Tax Levy After SEV Adjustments*</u>	<u>Current Collections to March 1 Each Year</u>	<u>Received by School District to June 30 Each Year</u>
1990/91	\$21,594,493	95.60%	In Process of Collection
1989/90	20,011,947	96.60	99.67%
1988/89	18,399,474	96.60	99.73
1987/88	17,011,305	96.33	99.87
1986/87	16,030,727	96.86	99.71
1985/86	15,389,128	96.03	99.84

*After settlement of property owner appeals to the local Board of Review and the State Tax Tribunal, see "TAX PROCEDURES" herein.

Source: School District

Tax Rates (Per \$1,000 of Valuation)

The following table shows the total tax rates for the past five years for residents of the School District.

	<u>1991/92</u>	<u>1990/91</u>	<u>1989/90</u>	<u>1988/89</u>	<u>1987/88</u>
School District					
Allocated	9.00	9.00	9.00	9.00	9.00
Extra Voted	30.60	30.60	30.60	30.60	30.60
Debt	<u>1.89</u>	<u>1.89</u>	<u>1.89</u>	<u>1.94</u>	<u>1.82</u>
Total S/D	41.49	41.49	41.49	41.54	41.42
City of East Lansing	17.2900	17.4100	17.5900	16.5500	16.5500
City of Lansing	15.9400	15.4000	15.4000	15.4000	12.9000
Lansing Township	6.0000	6.0000	6.0000	6.0000	6.0000
Meridian Township	6.7107	7.3137	6.5398	6.8749	6.9283
Ingham County	9.3724	9.4548	9.6100	8.6300	8.9100
Intermediate S/D	6.3018	6.3191	6.3416	5.3500	5.3500
Community College	2.9817	3.0000	3.3000	3.3000	3.3000
Dewitt Township	6.0000	5.9384	5.9325	7.0000	7.0000
Clinton County	5.6633	5.8000	5.7999	5.8000	5.8000
TOTAL TAX RATES					
City of East Lansing	77.4359	77.6739	78.3316	75.3700	75.5300
City of Lansing	76.0859	75.6639	76.1416	74.2200	71.8800
Lansing Township	66.1459	66.2639	66.7416	64.8200	64.9800
Meridian Township	66.8566	67.5776	67.2814	65.6949	65.9083
Dewitt Township	62.4368	62.5475	62.8640	62.9900	62.8700

Source: School District

Largest Taxpayers

Shown below are the largest identifiable taxpayers in the School District based on their 1991 Ad Valorem Assessed Valuations.

<u>Taxpayer</u>	<u>Type of Business</u>	1991 Ad Valorem SEV
Frandonson Properties	Retail Properties	\$9,819,600
National Operating, L.P.	Housing	5,779,100
Meijer, Inc.	Retail	5,375,360
Dunn Development Group	Real Estate Development	5,303,060
Michigan Education Special Services Association	Insurance	4,919,630
Burcham Hills Retirement Center	Housing	4,824,600
Angeles Housing Concepts	Housing	4,464,900
Michigan State Medical Society	Professional Association	3,882,840
Cedar Village Apartments	Housing	3,504,510
Hall Real Estate Group	Property Management	3,276,000

Source: School District

Debt History and Future Borrowing

The School District has no record of default on its obligations.

Legal Debt Margin

1991/92 Ad Valorem Assessed Valuation	\$557,944,190.00
Debt Limit (15% of 1991/92 Ad Valorem Assessed Valuation)	83,691,628.50
Debt Outstanding, including Bonds described herein	\$31,664,783.75
Less Qualified Bonds ¹	<u>31,664,783.75</u>
AMOUNT SUBJECT TO DEBT LIMITATION	<u>-0-</u>
Additional Debt Which Could be Legally Incurred	\$83,691,628.50

¹ Act 451, Public Acts of Michigan, 1976 provides debt limits as follows:

Section 1351(3) - The bonded indebtedness of a school district shall not exceed 15% of all assessed valuation of the district. Bonds not included in the computation of the legal debt margin, according to Section 1351(3) are: (1) refunding bonds, (2) any bond qualified under Article IX, Section 16, of the 1963 Michigan Constitution, and (3) deficit budget bonds as authorized by Section 1356.

Debt Statement as of Date of Sale**DIRECT DEBT**

1966 UTQ Building Bonds	\$ 1,595,000.00
1967 UTQ Building and Site Bonds	625,000.00
1988 UTQ Building and Site Bonds	5,825,000.00
The Bonds	<u>23,619,783.75</u>

NET DIRECT DEBT \$31,664,783.75

SHORT TERM NOTES¹

\$145,959 Classrooms of Tomorrow Program - Computer Equipment Purchase
EPA Notes - See Appendix E, Notes To Financial Statements

OVERLAPPING DEBT (as of 07/02/91)

<u>Municipality</u>	<u>Net Tax Supported Debt</u>		<u>School District Share</u>
City			
East Lansing	\$17,917,057	98.30%	\$17,612,467
Lansing	45,060,107	2.04	919,226
Township			
DeWitt (Clinton)	3,919,641	.54	21,166
Lansing (Ingham)	2,139,169	.07	1,497
Meridian (Ingham)	6,989,798	12.03	840,873
County			
Clinton	6,141,351	.09	5,527
Ingham	27,028,646	14.93	4,035,407
Community College			
Lansing Community College	4,125,000	11.27	<u>464,888</u>
NET OVERLAPPING DEBT			<u>\$23,901,051</u>
NET DIRECT AND OVERLAPPING DEBT			<u>\$55,565,834.75</u>

¹Not added to Direct and Overlapping Debt totals.

DEBT RATIOS

School District Population	56,761
1991 Ad Valorem Assessed Valuation	\$557,944,190
1991 True Cash Value	\$1,115,888,380
Per Capita 1991 Ad Valorem Assessed Valuation	\$9,829.71
Per Capita 1991 True Cash Value	\$19,659.42
Per Capita Net Direct Debt	\$557.86
Per Capita Net Direct and Overlapping Debt	\$978.94
Percent Net Direct Debt of Ad Valorem Assessed Valuation	5.68%
Percent Net Direct and Overlapping Debt of Ad Valorem Assessed Valuation	9.96%
Percent Net Direct Debt of True Cash Value	2.84%
Percent Net Direct and Overlapping Debt of TCV	4.98%

ECONOMIC PROFILE

Lansing/East Lansing Metropolitan Area

Ingham, Eaton and Clinton counties together form the Lansing/East Lansing Metropolitan Area (the "Lansing Region"), which encompasses 1,712 square miles and had a 1990 population of 432,674. The Cities of Lansing and East Lansing serve as the major business, industrial and cultural centers of the Lansing Region.

Ingham County

The School District is principally located in Ingham County (the "County"). The County encompasses an area of approximately 576 square miles, had a 1990 population of 281,912 and is located in the south-central portion of Michigan's lower peninsula, approximately 80 miles northwest of Detroit. The County accounts for approximately 99% of the District's tax base. The County's tax base is well diversified with residential property valuations in 1991 equaling approximately 62% of the tax base, commercial and industrial valuations accounting for 30% of the tax base, and agricultural and developmental valuations making up the balance.

City of East Lansing

The City of East Lansing comprises over 78% of the School District's tax base and is an unique combination of small-town atmosphere and cosmopolitan sophistication. Tree-lined avenues, a variety of beautiful homes, and walking proximity to a number of

shopping areas, including a full-service downtown business district, give East Lansing its small-town ambience. The presence of one of the nation's largest centers of learning, Michigan State University and the nearby state capitol in Lansing make East Lansing quite diverse and offer limitless opportunities.

Overall, improved economic conditions in the Lansing Region over the past four years have had a positive effect on the City of East Lansing. Housing and office markets have all remained consistently strong. Growth tapered off somewhat in 1990 as available space caught up with demand. However, local merchants remain optimistic that overall business conditions will remain positive.

In downtown East Lansing, the University Place project (hotel/convention center) was completed in the fall of 1989, promoting increased business activities in the East Lansing area. An expansion of City Hall was also completed in the fall of 1989. In 1990 a new municipal parking ramp was built as well as a CATA bus terminal. The additional parking spaces have helped spur new development in the downtown area.

Retail Sales

The Lansing Region hosts a broad array of large, medium-sized and small industries that provide jobs opportunities and a ready market for new products. The Lansing Region is over a three billion dollar retail market with many new expansion products underway.

Estimates of Buying Power in the Lansing Region

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Median Age	28.4	28.7	28.9	29.2
No. of Households	152,100	155,100	157,400	157,200
Median Buying Power	\$27,408	\$28,279	\$25,543	\$28,166
Total Buying Power (000s)	\$5,335,594	\$5,649,989	\$5,139,001	\$5,668,445

Breakdown of Retail Sales (000s)

Food & Drink	\$ 758,073	\$ 813,040	\$ 850,986	\$825,556
General Merchandise	438,498	416,863	438,737	656,664
Furniture/ Appliances	156,470	172,526	184,033	210,895
Automotive	691,845	711,717	745,209	699,378
Drugs	66,504	65,235	57,549	67,026
Other	<u>674,500</u>	<u>709,011</u>	<u>733,809</u>	<u>802,731</u>
Total Retail Sales	\$2,785,890	\$2,888,392	\$3,010,323	\$3,262,250

Source: Sales & Marketing Management - 1987, 1988, 1989 and 1990 Survey of Buying Power

Retailing is dispersed throughout the region, and every community has at least one shopping district. The major retailing centers are concentrated around Lansing: Meridian Township, anchored by Meridian Mall; Frandor Shopping Center; downtown East Lansing; and Delta Township, anchored by the Lansing Mall.

Industries and Employment

Most of the working population of the School District are employed in the industrial, commercial, governmental and educational centers in the Lansing Region. The following table shows the major employers within the School District and the approximate number of employees and also major employers in the surrounding Metropolitan area, the products manufactured or services performed and the approximate number of employees.

Major Employers within the School District

<u>Employer</u>	<u>Product or Service</u>	<u>Approximate Number of Employees</u>
Michigan State University	Educational	11,000
Michigan Education Association	Education Association	700
Meijer, Inc.	Retail	658
East Lansing School District	Educational	597
City of East Lansing	Municipal Government	520
Sears, Roebuck and Company	Retail	400
Jacobson's	Retail	230
Holiday Inn (University Place)	Hotel Convention Center	230
Bank One	Commercial Banking	141

Source: City of East Lansing

The Lansing Region is a major part of the midwest manufacturing belt, with the bulk of activity centered in transportation products. General Motors B-O-C Group is the region's largest employer, and the Lansing area leads the continent in auto production.

Major Employers in the Lansing Region

<u>Employer</u>	<u>Principal Product or Service</u>	<u>Approximate Number of Employees</u>
General Motors Corporation		
Buick, Oldsmobile		
Cadillac Divisions	Automobile Manufacture	20,200
State of Michigan and U.S. Govt.	State and Federal Governmental Offices	15,600
Michigan State University	Educational Institution	11,000
Meijer, Inc.	Retailing - Distribution Center	4,100
Edward W. Sparrow Hospital	Hospital	3,500
Lansing School District	Educational Institution	3,500
Lansing Community College	Educational Institution	2,100
U.S. Postal Service	Mail Delivery	1,550
Ingham Medical Center	Hospital	1,530
St. Lawrence Hospital	Hospital	1,500

Source: Tri-County Regional Planning Data Research, September, 1990

The Lansing Region labor market demonstrated considerable strength during the late 1980s. Much of the economic growth occurred in the services sector, where the number of firms increased by 50 percent.

The following table reflects the breakdown of employment by industry in the Lansing/East Lansing Metropolitan Area in April 1991.

<u>Lansing/East Lansing Metropolitan Area</u>		
Goods Producing		
Construction/Mining	5,700	
Manufacturing durable	26,100	
Manufacturing nondurable	<u>4,800</u>	
Subtotal		36,600
Service Producing		
Trans/Comm/Utilities	5,800	
Wholesale Trade	8,000	
Retail Trade	39,100	
Finance/Ins/Real Estate	13,200	
Services	44,500	
Government Employment	<u>71,200</u>	
Subtotal		<u>181,900</u>
Total Number of Workers		<u>218,500</u>

Source: Michigan Employment Security Commission

Agriculture

The Lansing Region is in the center of the state's agriculture belt and produces considerable farm output. Michigan is a national leader in many products, including navy beans, corn, milk, cherries, and other fruits. Among the leading local commodities are beef, dairy products, corn and wheat.

Construction Trends

Building Permits, 1985-1989 Selected Lansing Region Jurisdictions (\$000s)

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Lansing	\$32,657	\$79,434	\$38,731	\$40,632	\$43,154
East Lansing	12,505	16,798	31,555	19,006	19,414
Lansing Township	8,803	9,412	4,144	4,828	4,286
Meridian Township	45,627	55,891	53,891	50,220	57,561

Source: Lansing Regional Chamber of Commerce

Unemployment

The following table shows unemployment rates for the City of East Lansing, the Lansing/East Lansing Metropolitan Area and Michigan for the past five years and the most recent available monthly rates in 1991.

	<u>City of East Lansing</u>	<u>LansingEast/Lansing Metropolitan Area</u>	<u>Michigan</u>
1986	5.7%	7.0%	8.8%
1987	5.3	6.6	8.2
1988	4.9	6.0	7.6
1989	4.5	5.6	7.1
1990	4.7	6.1	7.5
1991-April	4.7	6.2	9.7

Source: Michigan Employment Security Commission

Cultural/Recreational

The Lansing Region offers a wide variety of cultural activities which include regularly scheduled Broadway productions and performing artists at the Michigan State University Wharton Center. Recreational opportunities are numerous. Michigan State University offers athletic teams that are nationally famous and provide local residents with opportunities to attend championship college events in many different sports. In addition to such state-of-the-art facilities as Munn Ice Arena and the Breslin Center, which seats 15,000 avid basketball fans, Michigan State University has a championship golf course and an 80,000-capacity football stadium. The Lansing Region also contains over 130 parks operated by various municipalities, and there are twenty-four golf courses in the area.

Medical Facilities

Michigan State University educates over 500 students through three medical schools: College of Human Medicine, College of Osteopathic Medicine and College of Veterinary Medicine. Major area hospitals carry on extensive research and have developed excellent reputations in diverse areas. These hospitals include Edward W. Sparrow Hospital, St. Lawrence Hospital, Ingham Medical Center and Lansing General Hospital.

Higher Education

Michigan State University, located in East Lansing, is known throughout the world for excellence in education and research. Michigan State University has a student population of approximately 42,000. The nation's first land-grant institution, Michigan State University continues to give top priority to serving the local community and the State. It is the only U.S. university with three medical colleges: veterinary, osteopathic and human medicine. These and eleven other colleges offer curricula ranging from the fine arts to business, engineering, agriculture and high-energy physics. World-class research is conducted in diverse disciplines related to communications, packaging, food science, environmental engineering and more. Michigan State University is home, for example, to the National Superconducting Cyclotron, the Composite Materials and Structures Center, the Crop Bioprocessing Center and the Center for Microbial Ecology.

Lansing Community College, located in downtown Lansing, is a fully accredited institution with excellent vocational and technical education facilities. The college enrolls over 20,000 students, and offers varied two-year degree programs including mechanical, electrical and civil technologies, as well as programs to transfer to a four-year college. Within the Lansing Community College service area, approximately 45 percent of the high school graduates who continue their education attend Lansing Community College. The eighth largest single-campus community college in the nation, Lansing Community College offers more than 2,500 courses in over 300 areas of study. The Lansing Community College works closely with local school districts, Michigan State University, economic development professionals and the private sector to provide appropriate career paths for area students.

Cooley Law School, located a block from the State Capitol, has an enrollment of approximately 1,500 students. Cooley Law School, offering degrees in Juris Law, caters to the working professional, allowing students to pursue their education while working in the many law-related positions available in the area.

APPENDIX E

1991-92 Budget and Audited Financial Statements of School District for year ended June 30, 1990

EAST LANSING PUBLIC SCHOOLS
GENERAL OPERATING FUND BALANCE PROJECTION
1991-92 Initial Budget

	Budgeted		% Increase (Decrease)
	1991-92	1990-91	
Beginning Fund Balance			
	\$2,084,823	\$2,377,345	-12.3%
Revenues:			
Local	23,774,242	22,354,700	6.4%
Intermediate	1,015,000	1,206,400	-15.9%
State	(155,000)	133,052	-100.0%
Other	705,000	1,552,491	-54.6%
Total Available for Appropriations	27,424,065	27,623,988	-0.7%
Expenditures:			
Salaries	18,250,940	17,246,650	5.8%
Supplies	910,784	866,734	5.1%
Purchased Services	1,311,735	1,355,908	-3.3%
Fringes	3,010,000	2,694,737	11.7%
Capital Outlay	325,564	408,077	-20.2%
Grants	741,000	1,341,546	-44.8%
Other	1,299,682	1,625,513	-20.0%
Total Expenditures	25,849,705	25,539,165	1.2%
Ending Fund Balance	\$1,574,360	\$2,084,823	-24.5%

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

REPORT ON FINANCIAL STATEMENTS
(with additional information)

YEAR ENDED JUNE 30, 1990

C O N T E N T S

	<u>Page</u>
Independent auditors' report	1
General purpose financial statements	
Combined balance sheet - all fund types and account group	2
Combined statement of revenues, expenditures and changes in fund balances - all governmental fund types	3 - 4
Combined statement of revenues, expenditures and changes in fund balances - budget and actual - general, special revenue, debt service and capital projects funds	5 - 6
Notes to financial statements	7 - 21
Independent auditors' report on additional information	22
General fund	
Detail of revenue and other financing sources	23 - 24
Detail of expenditures and other financing sources	25 - 26
Special revenue funds	
Combining statement of revenues and expenditures	27
Debt service funds	
Combining balance sheet	28
Combining statement of revenues, expenditures and changes in fund balances	29
Capital projects fund	
Detail of expenditures	30
Investments - general, debt service and capital projects (building and site) funds	31
Delinquent property taxes	32
1989 property taxes	33
Combined bonded debt service requirements	34
Bonded debt service requirements	
1966 debt	35
1967 debt	36
1988 debt	37



MANER, COSTERISAN & ELLIS, P.C.
Certified Public Accountants

Floyd L. Costerisan
Jack E. Powers
Lawrence C. Kowalk
Gary W. Brya
Daniel L. Popoff
Lamonte T. Lator
Russell G. Hicks
Bruce J. Dunn

INDEPENDENT AUDITORS' REPORT

Walter P. Maner, Jr.
Leon A. Ellis (1933-1988)

August 22, 1990

Board of Education
School District of the City of East Lansing
East Lansing, Michigan

We have audited the accompanying general purpose financial statements of the School District of the City of East Lansing, as of and for the year ended June 30, 1990, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District of the City of East Lansing, as of June 30, 1990, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Maner, Costerisan & Ellis, P.C.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUP
 JUNE 30, 1990

ASSETS	Governmental fund types		
	General	Debt service	Capital projects (building and site)
Operating cash - time and demand deposits	\$ 39 398	\$105 285	\$ 2 750
Investments	3 490 520	25 426	1 180 329
Due from other governmental units	847 098		
Accrued interest receivable	12 127		
Accounts receivable	66 014		
Delinquent personal property taxes receivable	155 750	7 977	
Inventories	165 086		
Prepaid expenses	151 630		
Due from other funds	2 334		
Amount available in debt service funds			
Amount to be provided for retirement of general long-term debt			
	<u>\$4 929 957</u>	<u>\$138 688</u>	<u>\$1 183 079</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Bonds payable	\$	\$	\$
Accounts payable	298 404		43 926
Due to other governmental units	197 872		
Due to student groups			
Employee compensation	1 824 006		
Deferred revenue	186 380	7 977	
Due to other funds	45 950	14	
Total liabilities	<u>2 552 612</u>	<u>7 991</u>	<u>43 926</u>
Fund balances:			
Reserved for inventories	165 086		
Reserved for prepaid expenses	151 630		
Reserved for debt service		130 697	
Reserved for arbitrage rebate			93 745
Unreserved:			
Designated for subsequent years' expenditures	524 461		1 045 408
Undesignated	1 536 168		
Total fund balances	<u>2 377 345</u>	<u>130 697</u>	<u>1 139 153</u>
	<u>\$4 929 957</u>	<u>\$138 688</u>	<u>\$1 183 079</u>

See notes to financial statements.

Fiduciary fund type ----- Agency	Account group ----- Long-term debt	Total (Memorandum only)
\$ 61 427	\$	\$ 208 860
		4 696 275
		847 098
		12 127
		66 014
		163 727
		165 086
		151 630
45 950		48 284
	130 697	130 697
	8 955 594	8 955 594
<u>\$107 377</u>	<u>\$9 086 291</u>	<u>\$15 445 392</u>
\$	\$8 550 000	\$ 8 550 000
		342 330
	426 291	624 163
105 057		105 057
	110 000	1 934 006
		194 357
2 320		48 284
<u>107 377</u>	<u>9 086 291</u>	<u>11 798 197</u>
		165 086
		151 630
		130 697
		93 745
		1 569 869
		1 536 168
		<u>3 647 195</u>
<u>\$107 377</u>	<u>\$9 086 291</u>	<u>\$15 445 392</u>

SCHOOL DISTRICT OF THE CITY OF EAST LANSING
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED JUNE 30, 1990

	Governmental fund types				
	General	Special revenue	Debt service	Capital projects (building and site)	Total (Memorandum only)
REVENUES:					
Local sources	\$20 998 755	\$401 111	\$950 804	\$ 156 756	\$22 507 426
Intermediate sources	841 019				841 019
State sources	516 863	6 477			523 340
Federal sources	516 515	159 366			675 881
Total revenues	22 873 152	566 954	950 804	156 756	24 547 666
OTHER FINANCING SOURCES:					
Sale of school property	9 292				9 292
Transfers from other funds		392 196			392 196
EPA asbestos loan	113 541				113 541
Total revenues and other financing sources	22 995 985	959 150	950 804	156 756	25 062 695
EXPENDITURES:					
Current:					
Instruction:					
Basic programs	9 353 015				9 353 015
Added needs	909 275				909 275
Employee benefits	1 750 162				1 750 162
Supporting services:					
Pupil	1 234 420				1 234 420
Instructional staff	824 146				824 146
General administration	507 443				507 443
School administration	1 627 862				1 627 862
Business	4 471 650				4 471 650
Central	178 106				178 106
Employee benefits	980 896	48 334			1 029 230
School service funds		910 816			910 816
Community services	353 660				353 660

See notes to financial statements.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 1990

(Concluded)

	Governmental fund types				
	General	Special revenue	Debt service	Capital projects (building and site)	Total (Memorandum only)
EXPENDITURES (Concluded):					
Capital outlay	\$ 253 893	\$	\$	\$2 175 900	\$ 2 429 793
Debt service:					
Principal repayment			450 000		450 000
Interest and other charges			501 510		501 510
Total expenditures	22 444 528	959 150	951 510	2 175 900	26 531 088
OTHER FINANCING USE					
Transfers to other funds	392 196				392 196
Total expenditures and other financing use	22 836 724	959 150	951 510	2 175 900	26 923 284
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USE	159 261		(706)	(2 019 144)	(1 860 589)
FUND BALANCES, beginning of year	2 218 084		131 403	3 158 297	5 507 784
FUND BALANCES, end of year	\$ 2 377 345	\$	\$130 697	\$1 139 153	\$ 3 647 195

See notes to financial statements.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - BUDGET AND ACTUAL - GENERAL, SPECIAL REVENUE,

DEBT SERVICE AND CAPITAL PROJECTS FUNDS

YEAR ENDED JUNE 30, 1990

	General fund			Special revenue funds		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
REVENUES:						
Local sources	\$21 059 574	\$20 998 755	(\$ 60 819)	\$392 430	\$401 111	\$ 8 681
Intermediate sources	840 000	841 019	1 019		6 477	6 477
State sources	544 057	516 863	(27 194)			
Federal sources	602 151	516 515	(85 636)	125 000	159 366	34 366
Total revenues	23 045 782	22 873 152	(172 630)	517 430	566 954	49 524
OTHER FINANCING SOURCES:						
Sale of school property	6 800	9 292	2 492			
Transfers from other funds				367 646	392 196	24 550
EPA asbestos loan	292 773	113 541	(179 232)			
Total revenues and other financing sources	23 345 355	22 995 985	(349 370)	885 076	959 150	74 074
EXPENDITURES:						
Current:						
Instruction:						
Basic programs	9 309 461	9 353 015	(43 554)			
Added needs	938 864	909 275	29 589			
Employee benefits	1 790 027	1 750 162	39 865			
Supporting services:						
Pupil	1 275 781	1 234 420	41 361			
Instructional staff	825 970	824 146	1 824			
General administration	542 440	507 443	34 997			
School administration	1 631 725	1 627 862	3 863			
Business	4 913 855	4 471 650	442 205			
Central	181 437	178 106	3 331			
Employee benefits	1 017 207	980 896	36 311	45 730	48 334	(2 604)
School service funds				839 346	910 816	(71 470)

See notes to financial statements.

Debt service funds			Capital projects fund (building and site)			Total (Memorandum only)		
Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
\$951 397	\$950 804	(\$ 593)	\$ 82 063	\$ 156 756	\$ 74 693	\$22 485 464	\$22 507 426	\$ 21 962
						840 000	841 019	1 019
						544 057	523 340	(20 717)
						727 151	675 881	(51 270)
951 397	950 804	(593)	82 063	156 756	74 693	24 596 672	24 547 666	(49 006)
						6 800	9 292	2 492
						367 646	392 196	24 550
						292 773	113 541	(179 232)
951 397	950 804	(593)	82 063	156 756	74 693	25 263 891	25 062 695	(201 196)
						9 309 461	9 353 015	(43 554)
						938 864	909 275	29 589
						1 790 027	1 750 162	39 865
						1 275 781	1 234 420	41 361
						825 970	824 146	1 824
						542 440	507 443	34 997
						1 631 725	1 627 862	3 863
						4 913 855	4 471 650	442 205
						181 437	178 106	3 331
						1 062 937	1 029 230	33 707
						839 346	910 816	(71 470)

SCHOOL DISTRICT OF THE CITY OF EAST LANSING
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - GENERAL, SPECIAL REVENUE,
 DEBT SERVICE AND CAPITAL PROJECTS FUNDS

YEAR ENDED JUNE 30, 1990
 (Concluded)

	General fund			Special revenue funds		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
EXPENDITURES (Concluded):						
Community services	\$ 375 526	\$ 353 660	\$ 21 866	\$	\$	\$
Capital outlay	275 943	253 893	22 050			
Debt service:						
Principal repayment						
Interest and other charges						
Total expenditures	23 078 236	22 444 528	633 708	885 076	959 150	(74 074)
OTHER FINANCING USE						
Transfer to other funds	367 646	392 196	(24 550)			
Total expenditures and other financing use	23 445 882	22 836 724	609 158	885 076	959 150	(74 074)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USE	(\$ 100 527)	159 261	\$259 788	\$		\$
FUND BALANCES, beginning of year		2 218 084				
FUND BALANCES, end of year		\$ 2 377 345			\$	

See notes to financial statements.

Debt service funds			Capital projects fund (building and site)			Total (Memorandum only)		
Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
\$	\$	\$	\$	\$	\$	\$ 375 526	\$ 353 660	\$ 21 866
			3 203 822	2 175 900	1 027 922	3 479 765	2 429 793	1 049 972
450 000	450 000					450 000	450 000	
501 525	501 510	15				501 525	501 510	15
951 525	951 510	15	3 203 822	2 175 900	1 027 922	28 118 659	26 531 088	1 587 571
						367 646	392 196	(24 550)
951 525	951 510	15	3 203 822	2 175 900	1 027 922	28 486 305	26 923 284	1 563 021
(\$ 128)	(706)	(\$ 578)	(\$3 121 759)	(2 019 144)	\$1 102 615	(\$ 3 222 414)	(1 860 589)	\$1 361 825
	131 403			3 158 297			5 507 784	
	\$130 697			\$1 139 153			\$ 3 647 195	

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District of the City of East Lansing have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units, except as discussed in Note 1, Section I. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

Based upon the application of these criteria, the general purpose financial statements of the School District of the City of East Lansing contain all the funds and account groups controlled by the District's Board of Education.

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Concluded)

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into two categories; governmental and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a District's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds - building and site), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the District not accounted for in some other fund.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "expendable" and "nonexpendable" refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Concluded)

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are property taxes, state and federal aid, interest revenue and charges for services. Fines, penalties and contributions are not susceptible to accrual because generally they are not measurable until received in cash.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year-end.

The District maintains a formalized encumbrance accounting system. Encumbrances represent commitments related to unperformed contracts for goods or services. Under the encumbrance accounting system purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation. All encumbrances lapse at fiscal year-end.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting (Concluded)

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - general, special revenue, debt service and capital projects funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Superintendent is authorized to transfer budgeted amounts between expense categories within major expenditure functions within any fund; however, these transfers and any revisions that alter the major expenditure functions within any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds and capital projects funds.
6. The budget, as presented, has been amended twice, with the last amendment approved April, 1990.

E. Cash and Investments

Cash includes amounts in demand deposits, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively.

Investments are carried at cost or amortized cost.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments (Concluded)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rates at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

F. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

G. Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

H. Prepaid Expenses

Prepaid expenses, such as insurance premiums, which are expected to be written off within the next fiscal year are included in net current assets. Reported prepaid expenses are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

I. General Fixed Assets

The District does not maintain a general fixed asset account group. General fixed assets purchased are recorded as expenditures in the various funds at time of purchase. In the case of long-term contracts, expenditures are recorded when payments are due.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

Accumulated vacation, early retirement and sick pay amounts which are payable within one year are recorded in the general fund while the remainder of the liability is recorded in the general long-term debt group of accounts.

At June 30, 1990 the current portion recorded in the general fund liabilities was \$181,060. The remainder of \$110,000 is recorded in the long-term debt group of accounts.

K. Unemployment Insurance

The District reimburses the Michigan Employment Security Commission (MESC) for the actual amount of unemployment benefits disbursed by the MESC on behalf of the District. Billings received for amounts paid by the MESC through June 30 are accrued.

L. Deferred Revenues

The unexpended balance of various federal and/or state categorical grants is carried forward as deferred revenue until the period in which eligible expenditures are incurred. Other money collected in advance, such as summer school, is also deferred. Revenues deferred relating to property taxes receivable are also deferred.

M. Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

N. Retirement Plan

Substantially all of the District's employees participate in the Michigan Public School Employees' Retirement System. The District contributes 5% of the gross wages of participants to the retirement fund. See Note 7.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of net current assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

P. Bond Discount/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period.

Q. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

As a group, the District, Intermediate District and County are permitted by the Constitution of the State of Michigan of 1963 to levy taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of debt service fund expenses. Currently, the millage levied and/or allocated by all three governmental units total 47.7 mills, leaving 2.3 mills left to be levied by the group.

For the year ended June 30, 1990, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General fund	39.6
Debt service	1.89

R. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

S. Termination Benefits

1. Early retirement incentive

The District has a program whereby eligible administrators, support staff and teachers are offered incentive payments to retire in advance of their normal retirement date. The incentives are available to eligible employees who meet certain qualifications under the Michigan Retirement System and have worked in the School District for the City of East Lansing for at least 15 years. The incentive payments range from 30% to 50% of salary at retirement, based upon years of service.

The liability for early retirement incentive payments is accrued in the general fund. Amounts are expensed in the applicable funds as each year's payments become known. Expenditures for early retirement incentives were approximately \$91,949 for the year ended June 30, 1990.

2. Special termination payments

The District's bargaining agreements with the teachers, administrators, secretaries and custodial and cafeteria workers provide for certain payments upon retirement. To be eligible the employee must meet the requirements for retirement included in the "Michigan Public School Employees Retirement Act" and have served the School District of the City of East Lansing for 6 to 10 years. Payments ranging from maximums of \$3,000 to \$4,000 are based upon accumulated sick time on the individual's daily wage rate or depending upon the group involved.

The liability for termination benefits earned is not recorded by the District as the amount is not considered to be reasonably estimable. Termination benefits are recorded in the applicable funds when paid.

T. Memorandum Only - Total Columns

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - CASH AND INVESTMENTS

Cash and investments are held separately by each of the District's funds.

Deposits

At year end, the carrying amount of the District's deposits was \$208,860 and the bank balance was \$240,873 of which \$100,000 was covered by federal depository insurance and \$140,873 was uninsured and uncollateralized. The difference in the bank balance and the District's carrying amount consisted of \$33,823 of outstanding checks, net of deposits in transit. The District had \$1,810 of petty cash on hand.

Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name.

	Category			Carrying amount	Market value
	1	2	3		
Classified investments					
Commercial paper	\$2 917 813	\$	\$	\$2 917 813	\$2 917 813
Unclassified investments					
Investments in pooled investment funds				1 778 462	1 778 462
Total investments	<u>\$2 917 813</u>	<u>\$</u>	<u>\$</u>	<u>\$4 696 275</u>	<u>\$4 696 275</u>

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units include amounts due from federal, state, and local sources for various projects and programs and consist of the following:

Grant programs reimbursements:	
ECIA Chapter I	\$ 11 351
Education of the Handicapped Act	65 681
E.P.A. Grant	127 944
Other grants	109 871
Ingham Intermediate School District	250 207
Michigan State University	38 889
City of East Lansing	182 191
State of Michigan	53 655
Other	7 309
	<u>\$847 098</u>

NOTE 4 - DEFERRED REVENUE

Deferred revenue consists of:

	General fund	Debt service fund
Deferred delinquent personal property taxes receivable	\$155 750	\$7 977
Deferred summer school fee revenue	30 630	
	<u>\$186 380</u>	<u>\$7 977</u>

NOTE 5 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation debts currently outstanding are as follows:

1966 general obligation bonds due in annual installments of \$275,000 to \$400,000 through 1995, with interest at 1/20 of 1% to 4.4%	\$1 925 000
1967 general obligation bonds due in annual installments of \$75,000 to \$150,000 through 1996, with interest at 4.25% to 4.5%	725 000

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 - LONG-TERM DEBT (Continued)

1988 general obligation bonds due in annual installments of \$75,000 to \$1,300,000 through 2000, with interest at 6.4% to 8%	\$5 900 000
Promissory note with the United States Environmental Protection Agency payable in semi-annual installments of \$4,940, commencing on June 30, 1988 and continuing until July 31, 2006. The promissory note is provided under a federal program and is interest free	143 263
Promissory note with the United States Environmental Protection Agency payable in semi-annual installments of \$9,156, commencing June 30, 1989 and continuing until July 31, 2007. The promissory note is provided under a federal program and is interest free	89 480
Promissory note with the United States Environmental Protection Agency payable in semi-annual installments of \$12,838, commencing May 30, 1991 and continuing until November 30, 2000. The promissory note is provided under a federal program and is interest free	99 803
Accumulated sick pay	110 000
Estimated arbitrage rebate	93 745
	<u>\$9 086 291</u>

The annual requirements to amortize long-term debt, excluding accumulated sick pay and estimated arbitrage rebate at June 30, 1990, including interest of \$3,267,562 are as follows:

Year ending June 30,	Promissory notes	Bonded debt	Total
1991	\$ 41 030	\$ 1 008 050	\$ 1 049 080
1992	53 868	1 035 312	1 089 180
1993	53 868	1 084 500	1 138 368
1994	53 868	1 129 675	1 183 543
1995	53 868	1 143 850	1 197 718
1996 - 2008	76 044	6 416 175	6 492 219
	<u>\$332 546</u>	<u>\$11 817 562</u>	<u>\$12 150 108</u>

\$130,697 is available in the debt service funds to service the general obligation debt.

Interest expense for all funds for the year ended June 30, 1990 totaled \$502,124.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 - LONG-TERM DEBT (Concluded)

The following is a summary of long-term debt transactions of the District for the year ended June 30, 1990:

	<u>General obligation</u>
Long-term debt at July 1, 1989	\$9 370 035
Additions	
Increase in EPA notes	113 541
Deductions:	
Serial bonds retired	450 000
EPA note payments	28 192
Increase in current portion of EPA notes	<u>12 838</u>
	<u>\$8 992 546</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES/OPERATING TRANSFERS

Individual fund due to and from other funds at June 30, 1990 are as follows:

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
General fund	\$ 2 334	\$45 950
Trust and agency	45 950	2 320
Debt retirement		<u>14</u>
	<u>\$48 284</u>	<u>\$48 284</u>

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM

All of the District's employees, except students, are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP. The payroll for employees covered by the MPSERS for the year ended June 30, 1990 was \$16,419,561 of which \$8,791,870 was for members who have elected the MIP option; the District's total payroll was \$16,632,132.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM (Continued)

Members in MIP may retire at any age after attaining thirty years of creditable services or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by a total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death and disability benefits and health, medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

Employees who selected MIP on or before December 31, 1989, are required to contribute 4% of their salary to the Plan through December 31, 1989. For wages earned after January 1, 1990 and later, the rate will be 3.9%.

Employees first hired on or after January 1, 1990, are required to contribute based on a graduated rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Pending approval by the United States Internal Revenue Service, these new MIP members may, after three years, elect to continue in the MIP or request a refund and continue in the noncontributory basic plan.

The District is required by state statute to contribute 5% of covered compensation to the Plan. The total amount contributed to the Plan for the year ended June 30, 1990 was \$1,167,353; which consisted of \$820,978 from the District and \$346,375 from employees electing the MIP option. These represent approximately 5% and 4% of covered payroll, respectively.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM (Concluded)

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among PERS and employers. The MPSERS does not make separate measurements of assets and pension benefit obligations for individual districts. The pension benefit obligation at September 30, 1989 for the MPSERS as a whole, determined through an actuarial valuation performed as of that date, was \$16,769,216,143. The MPSERS' net assets available for benefits on that date (valued at market) were \$13,494,841,786, leaving an unfunded pension benefit obligation of \$3,274,374,357. Employer contributions are based upon level-percent-of-payroll principles so that the contribution rates do not have to increase over decades of time.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the MPSERS' September 30, 1989 annual report.

The District is not responsible for the payment of retirement benefits; it is the responsibility of the State of Michigan.

NOTE 8 - FUND BALANCES

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Reserve for inventories - This reserve was created to represent the portion of the fund balance that is not available for expenditures because inventory does not represent a current financial resource.

Reserve for prepaid expenses - This reserve was created to represent the portion of the fund balance that was expended in a prior period but will have benefit within the next fiscal year.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

NOTES TO FINANCIAL STATEMENTS
(Concluded)

NOTE 8 - FUND BALANCES (Concluded)

Reserve for debt service - This reserve was created to segregate a portion of the fund balance account for debt service, including both principal payments and interest payments. The reservation was established to satisfy legal restrictions imposed by various bond agreements.

Reserve for arbitrage rebate - This reserve was created to represent that portion of building and site fund investment earnings which are identified as arbitrage earnings pursuant to arbitrage regulations which require that investment earnings in excess of average bond yield be rebated to the Federal Treasury.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The District has committed to partially remodeling, equipping, and re-equipping existing school facilities and playgrounds; purchasing buses; constructing improvements to outdoor physical education and athletic facilities; and developing and improving sites with a total cost of approximately \$6,188,000. \$5,900,000 of this cost has or will be financed by the 1988 School Building and Site Bond. To date approximately \$5,299,827 has been spent on the project.

The 1986 Tax Reform Act requires the District to rebate investment income earned at a rate which exceeds bond financing costs. The estimated arbitrage rebate, based on current interpretations of the arbitrage regulations, is \$93,745.

APPENDIX F

LEGAL OPINION OF BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

D R A F T

School District of the City of East Lansing
Counties of Ingham and Clinton
State of Michigan

We have acted as legal counsel in connection with the issuance by School District of the City of East Lansing, Counties of Ingham and Clinton, State of Michigan (the "Issuer") of bonds in the aggregate principal sum of \$23,619,783.75 designated 1991 School Building and Site Bonds (General Obligation-Unlimited Tax) consisting of: Current Interest Bonds in the aggregate principal sum of \$16,480,000 and Capital Appreciation Bonds in the original principal amount of \$7,139,783.75 collectively, the "Bonds").

The Bonds are in fully registered form and issued without coupons.

The Current Interest Bonds are dated (date of delivery), are subject to redemption prior to maturity at the option of the Issuer in the manner, at the times and at the prices as set forth in the Bonds, are of \$5,000 denomination or any integral multiple thereof, mature serially on May 1 of each year, bearing interest payable on May 1, 1992, and semiannually thereafter on November 1 and May 1 of each year in the amounts and rates as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>
1992	\$ 50,000	4.60%
1993	50,000	5.00
1994	120,000	5.20
1995	225,000	5.35
1996	310,000	5.55
1997	355,000	5.70
1998	440,000	5.85
1999	520,000	5.95
2000	620,000	6.05
2014	13,790,000	6.25

The Current Interest Bonds due May 1, 2014 are term bonds subject to mandatory redemption in part, by lot, on the redemption dates and at a redemption price equal to the principal amount thereof, without premium, as set forth in the Current Interest Bonds.

The Capital Appreciation Bonds are dated (date of delivery), are subject to redemption prior to maturity at the option of the Issuer in the manner, at the times and at the prices set forth in the Capital Appreciation Bonds and are issued in the amounts and approximate yields as follows:

<u>Year</u>	<u>Amount</u>	<u>Approximate Yield</u>
2001	\$ 660,572.15	12.67%
2002	1,152,074.15	6.55
2003	1,124,169.15	6.65
2004	1,025,072.40	6.75
2005	924,703.60	6.85
2006	836,131.45	6.90
2007	749,614.80	6.95
2008	667,446.05	7.00

We have examined the documents which we deem authentic and pertinent to the validity of the Bonds, including the certified record evidencing the authorization of the Bonds by the board of education of the Issuer, a copy of the Order of the Department of Treasury of the State of Michigan granting an exception from prior approval to issue the Bonds, a certified copy of the certificate of the Superintendent of Public Instruction of the State of Michigan qualifying the Bonds for purposes of Article 9, § 16 of the Michigan Constitution of 1963, and a specimen of the bond certificates.

Based upon the foregoing, we are of the opinion that under existing law:

(1) the Bonds have been lawfully authorized and issued and are enforceable obligations of the Issuer in accordance with their terms;

(2) the Bonds are the general obligations of the Issuer for which its full faith, credit and resources have been irrevocably pledged;

(3) the Issuer has the power, and is obligated, to levy taxes on all taxable property now situated within the corporate boundaries of the Issuer, without limitation as to rate or amount, sufficient to pay the principal of and interest on the Bonds;

(4) the Bonds have been fully qualified pursuant to Act 108, Public Acts of Michigan 1961, enacted pursuant to Article 9, § 16 of the Michigan Constitution of 1963. Under the terms of said constitutional and statutory provisions, if for any reason the Issuer will be or is unable to pay the principal and interest on the Bonds when due, then the Issuer shall borrow and

the State of Michigan shall lend to it, an amount sufficient to enable the Issuer to make the payment;

(5) the Bonds and the interest thereon are exempt from all taxation in the State of Michigan, except inheritance taxes and taxes on gains realized from the sale, payment or other disposition thereof;

(6) the interest on the Bonds or that portion of the appreciated amount treated as interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that certain corporations must take into account interest on the Bonds or that portion of the appreciated amount treated as interest on the Bonds in determining adjusted net current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest or that portion of the appreciated amount treated as interest on the Bonds thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest or that portion of the appreciated amount treated as interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

THRUN, MAATSCH AND NORDBERG, P.C.

RMT/jan

[THIS PAGE INTENTIONALLY LEFT BLANK]

