

NEW ISSUE—Book-Entry-Only

RATINGS[†]: Moody's Investors Service: **Aaa**
Standard & Poor's Ratings Services: **AAA**

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 and estate 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 therein, 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.

\$66,080,000

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COUNTIES OF INGHAM AND CLINTON
STATE OF MICHIGAN
2000 SCHOOL BUILDING AND SITE BONDS
(General Obligation-Unlimited Tax)**

Dated: Date of Delivery

Due: May 1 as shown below

On September 26, 2000, the qualified electors of the School District of the City of East Lansing, Counties of Ingham and Clinton, State of Michigan (the "School District") approved the issuance of bonds of the School District in the sum of not to exceed \$66,080,000. Proceeds of the 2000 School Building and Site Bonds (General Obligation-Unlimited Tax) (the "Bonds") will be used for school building and site purposes. The Bonds were authorized by the Board of Education of the School District by resolutions adopted on October 9, 2000 and November 17, 2000 (the "Resolutions"). The Bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon 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 as of the date of delivery for the Michigan School Bond Loan Fund Program pursuant to Act 108, Public Acts of Michigan, 1961, as amended, enacted pursuant to Article IX, Section 16 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 of and interest on the Bonds when due, the School District shall borrow and the State of Michigan shall lend to it an amount sufficient to enable the School District to make the payment. See "QUALIFICATION BY THE STATE OF MICHIGAN" and APPENDIX B, "State Qualification," herein.

The Bonds are issuable only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry-only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial interest in Bonds purchased. So long as Cede & Co. is the Bondholder, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See "THE BONDS -- Book-Entry-Only System" herein.

Principal of and interest on the Bonds will be paid by Old Kent Bank, Grand Rapids, Michigan (the "Paying Agent"). So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein. Interest will be payable semiannually on May 1 and November 1 commencing May 1, 2001, to the Bondholders of record as of the applicable record dates herein described.

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>
2001	\$ 730,000	4.30%	100.000%	2012	\$1,750,000	5.00%	99.565%
2002	1,000,000	4.40	100.000	2013	1,750,000	5.75	104.809
2003	1,000,000	4.45	100.000	2014	2,150,000	5.75	104.277
2004	1,075,000	4.50	100.000	2015	2,600,000	5.75	103.748
2005	1,150,000	4.55	100.000	2016	2,650,000	5.35	99.476
2006	1,175,000	4.60	100.000	2017	2,700,000	5.40	99.457
2007	1,175,000	4.60	99.721	2018	2,750,000	5.40	98.883
2008	1,200,000	4.65	99.686	2019	2,800,000	5.45	98.850
2009	1,750,000	4.70	99.652	2020	2,850,000	5.50	99.170
2010	1,750,000	4.80	99.621	2021	2,900,000	5.50	98.787
2011	1,750,000	4.90	99.592				

\$27,425,000 5.625% Term Bonds due May 1, 2030 -- Price 99.638%

The Bonds maturing May 1, 2030 (the "Term Bonds") are subject to mandatory redemption on the redemption dates and in the principal amounts set forth herein at a redemption price equal to the principal amount thereof without premium. See "THE BONDS -- Mandatory Redemption of Term Bonds" herein.

THE BONDS MATURING ON OR AFTER MAY 1, 2011 ARE SUBJECT TO OPTIONAL REDEMPTION BEGINNING MAY 1, 2010, IN THE MANNER AND AT THE TIMES DESCRIBED HEREIN. See "THE BONDS -- Optional Redemption" herein.

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, P.L.C., Lansing, Michigan. It is expected that the Bonds will be available for delivery in New York, New York on or about November 30, 2000.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

A.G. Edwards & Sons, Inc.

NatCity Investments, Inc.

PaineWebber Incorporated

Standard Capital Markets

a Division of ABN AMRO Financial Services, Inc.

The date of this Official Statement is November 17, 2000.

[†] For an explanation of ratings, see "RATINGS" herein.

* As of date of delivery.

No dealer, broker, salesperson 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 these securities 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, The Depository Trust Company and other sources believed to be reliable. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information (except for information under the section captioned "UNDERWRITING" which was obtained from 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.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE SCHOOL DISTRICT'S FINANCIAL RECORDS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING

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BOARD OF EDUCATION

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ADMINISTRATIVE STAFF

Thomas R. Giblin, Ph.D., Superintendent
Brenda L. Palmer, Director, Finance/Support Services

BOND COUNSEL

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Lansing, Michigan

FINANCIAL ADVISOR

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

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OFFICIAL STATEMENT
relating to

\$66,080,000
SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COUNTIES OF INGHAM AND CLINTON
STATE OF MICHIGAN
2000 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 2000 School Building and Site Bonds (General Obligation - Unlimited Tax) (the "Bonds") in the amount of \$66,080,000.

PURPOSE AND SECURITY

On September 26, 2000, the qualified electors of the School District approved a proposal authorizing the issuance of bonds in an aggregate amount of not to exceed Sixty-Six Million Eighty Thousand Dollars (\$66,080,000). The purpose of the Bonds is to pay the costs of erecting, furnishing and equipping additions to, and partially remodeling, furnishing and re-furnishing, equipping and re-equipping East Lansing High School and developing and improving its outdoor physical education/athletic facilities; acquiring and installing educational technology; partially remodeling, furnishing and re-furnishing, equipping and re-equipping existing buildings, in part, for relocating the alternative high school program and to relocate the central office and support services; acquiring, developing and improving sites; erecting, furnishing and equipping additions to, and partially remodeling, furnishing and re-furnishing, equipping and re-equipping MacDonald Middle School; acquiring, installing and equipping technology therefor; developing and improving its outdoor physical education/athletic facilities and the site; erecting, furnishing and equipping a swimming pool addition to the East Lansing High School and developing and improving the site; and to pay the costs of issuing the Bonds.

The Bonds, as authorized for issuance by resolutions of the Board of Education adopted on October 9, 2000 and November 17, 2000 (the "Resolutions"), are a full faith and credit unlimited tax general obligation of the School District. The principal of and interest on the Bonds are payable from the proceeds of ad valorem taxes levied on all taxable property in the School District which may be levied without limitation as to rate or amount. 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," in this Official Statement.

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES

Par Amount of Bonds	\$66,080,000.00
Original Issue Discount	(284,096.25)
Original Issue Premium	<u>273,561.00</u>
Total Sources	\$66,069,464.75

USES

Capital Projects Fund	\$65,574,368.75
Underwriters' Discount	327,096.00
Estimated Costs of Issuance	<u>168,000.00</u>
Total Uses	\$66,069,464.75

THE BONDS

Description and Form of the Bonds

The Bonds will be issued in book-entry-only form as one fully registered Bond per maturity, without coupons, in the aggregate principal amount for each maturity set forth on the cover page hereof and may be purchased in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated as of and bear interest from the date of issuance. Interest on the Bonds shall be payable semiannually each May 1 and November 1 thereafter to maturity or early redemption, commencing May 1, 2001. Interest on the Bonds shall be computed using a 360-day year with twelve 30-day months, and the 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.

Old Kent Bank, Grand Rapids, Michigan or its successor will serve as the Paying Agent (the "Paying Agent") and also as bond registrar and transfer agent if the Bonds cease to be held in book-entry-only form. For a description of payment of principal and interest, transfers and exchanges and notice of redemption on the Bonds, which are held in the book-entry-only system, see "Book-Entry-Only System" below. In the event the Bonds cease to be held in the book-entry-only system, then interest on the Bonds shall be payable when due by check or draft to the person or entity who or which is, as of the fifteenth (15th) day of the month preceding each interest payment date ("Record Date"), the registered owner of record, at the owner's registered address. See "Transfer Outside Book-Entry-Only System" below.

Book-Entry-Only System

The information in this section has been furnished by The Depository Trust Company, New York, New York ("DTC"). No representation is made by the School District, the Paying Agent or the Underwriter as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. No attempt has been made by the School District, the Paying Agent or the Underwriter to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the School District nor the Paying Agent will have any responsibility or obligation to DTC Participants, Indirect Participants (both as defined below) or the persons for which they act as nominees with respect to the Bonds, or for any principal, premium, if any, or interest payment thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange LLC, the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the School District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Paying Agent or the School District on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the Paying Agent or the School District, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the School District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered to the Beneficial Owners.

The School District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to the Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the School District believes to be reliable, but the School District takes no responsibility for the accuracy thereof.

Transfer Outside Book-Entry-Only System

In the event that the book-entry-only system is discontinued, the following provisions would apply to the Bonds. The Paying Agent shall keep the registration books for the Bonds (the "Bond Register") at its principal corporate trust office. Subject to the further conditions contained in the Resolutions, the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the corporate trust office of the Paying Agent by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Paying Agent shall record the transfer or exchange in the Bond Register and shall authenticate replacement bonds in authorized denominations; during the fifteen (15) days immediately preceding the date of mailing of any notice of redemption or any time following the mailing of any notice of redemption, the Paying Agent shall not be required to effect or register any transfer or exchange of any Bond which has been selected for such redemption, except the Bonds properly surrendered for partial redemption may be exchanged for new Bonds in authorized denominations equal in the aggregate to the unredeemed portion; the School District and Paying Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in the Bond Register as of the appropriate dates, as the owners of such Bonds for all purposes under the Resolutions. No transfer or exchange made other than as described above and in the Resolutions shall be valid or effective for any purposes under the Resolutions.

Optional Redemption

The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2011, 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, 2010, at par plus accrued interest to the date fixed for redemption.

Mandatory Redemption of Term Bonds

The Bonds maturing on May 1, 2030 are term bonds (the "Term Bonds") 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. When Term Bonds are purchased by the School District and delivered to the Paying Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the Term Bonds affected shall be reduced by the principal amount of the Bonds so redeemed or purchased in the order determined by the School District.

Term Bonds due May 1, 2030

<u>Redemption Dates</u>	<u>Principal Amounts</u>
May 1, 2022	\$2,950,000
May 1, 2023	3,000,000
May 1, 2024	3,025,000
May 1, 2025	3,050,000
May 1, 2026	3,050,000
May 1, 2027	3,050,000
May 1, 2028	3,100,000
May 1, 2029	3,100,000
May 1, 2030 (maturity)	3,100,000

Notice of Redemption and Manner of Selection

Notice of redemption of any Bond shall be given not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption by mail to the registered owner at the registered address shown on the registration books kept by the Paying Agent. The Bonds shall be called for redemption in multiples of \$5,000 and Bonds of denominations of more than \$5,000 shall be treated as representing the number of Bonds obtained by dividing the face amount 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 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 lot by the Paying Agent, in the principal amounts designated by the School District. Any Bonds selected for redemption will cease to bear interest on the date fixed for redemption, whether presented for redemption or not, provided funds are on hand to redeem said Bonds. Upon presentation and surrender of such Bonds at the principal corporate trust office of the Paying Agent, such Bonds shall be paid and redeemed.

So long as the book-entry-only system remains in effect, in the event of a partial redemption the Paying Agent will give notice to Cede & Co., as nominee of DTC, only, and only Cede & Co. will be deemed to be a holder of the Bonds. DTC is expected to reduce the credit balances of the applicable DTC Participants in respect of the Bonds and in turn the DTC Participants are expected to select those Beneficial Owners whose ownership interests are to be extinguished or reduced by such partial

redemption, each by such method as DTC or such DTC Participants, as the case may be, deems fair and appropriate in its sole discretion.

QUALIFICATION BY THE STATE OF MICHIGAN

The Bonds will be fully qualified as of the date of delivery pursuant to Act 108 of the Public Acts of Michigan, 1961, as amended ("Act 108") enacted pursuant to Article IX, Section 16, 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, the School District shall borrow and the State of Michigan (the "State") shall lend to it 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 of the 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," in this Official Statement.

Complete financial statements of all of the State's funds as included in the State's Comprehensive Annual Financial Report ("CAFR") prepared by the State's Department of Management and Budget are available upon request from the Department of Management and Budget, Office of Financial Management, P.O. Box 30026, Lansing, Michigan 48909, Telephone (517) 373-1011. The State has agreed to file its CAFR with the Nationally Recognized Municipal Securities Information Repositories and the State Information Depository (as described in Rule 15c2-12(b)(5) of the Securities and Exchange Commission) annually, so long as any bonds qualified for participation in the School Bond Loan Fund remain outstanding.

TAX PROCEDURES

Article IX, Section 3, of the Michigan Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true cash value. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value, except as described below. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Beginning in 1995, taxable property has two valuations -- State equalized valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses and additions, and increased or reduced by the lesser of the net percentage change in the property's SEV, or the inflation rate, or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV.

This constitutional amendment and the implementing legislation base the Taxable Value of existing property for the year 1995 on the SEV of that property in 1994 and for the years 1996 and thereafter on the Taxable Value of the property in the preceding year. Beginning with the taxes levied in 1995, an increase, if any, in Taxable Value of existing property is limited to the lesser of the percentage net change in SEV from the preceding year to the current year, 5% or the inflation rate. When property

is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

Responsibility for assessing taxable property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local assessor, to the local board of review and ultimately to the Michigan Tax Tribunal.

Two bills have been introduced in the Michigan Legislature, which, if enacted in their present forms, would reduce the taxable valuation of property subject to ad valorem taxation either to 45% of true cash value in one bill or to 40% of true cash value in the other bill. The effect of this legislation, if enacted, on the School District's operating finances cannot be determined at this time. This legislation, if enacted, will not affect the obligation or authority of the School District to levy any taxes necessary for payment of debt service on general obligation unlimited tax bonds of the School District, including the Bonds offered herein.

The Michigan 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, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the county's department of equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, because its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

Property that is exempt from property taxes, e.g., churches, government property, and public schools, is not included in the SEV and Taxable Value data in the Official Statement. Property granted tax abatements under Act 198, Public Acts of Michigan, 1974, amended, is recorded on a separate tax roll while subject to tax abatement. The valuation of tax-abated property is based upon SEV but is not included in either the SEV or Taxable Value data in the Official Statement except as noted.

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

The Resolutions 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 for the Bonds, 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, for the Bonds, 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 of or interest on any Bond is not paid when due or upon proper presentation of the Bond or interest coupon to the agent or officer charged with making payment thereof (irrespective of whether an application by the School District to the State 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. If sufficient funds for full payment of debt service on the Bonds do not reach the Paying Agent five business days prior to the debt service payment due date, the Paying Agent will notify the School District of the amount of insufficient funds four business days prior

to the due date. In the event that the School District does not immediately resolve the insufficient funds situation, the Paying Agent will notify the Michigan Department of Treasury of the deficiency three business days before the payment due date and the State Treasurer shall make the payment. 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.

SOURCES OF SCHOOL OPERATING REVENUE

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the State sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to reduce the per pupil finance resource disparities among school districts. The State aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation guarantee beginning in fiscal year 1994/95. The Legislature has appropriated funds to establish a foundation guarantee in 2000/01 ranging from \$6,000 to \$7,500 per pupil, depending upon the district's 1993/94 revenue. In following years the foundation guarantee is required by the State Constitution to be adjusted by an index based upon the change in revenues to the State school aid fund and change in the total number of pupils statewide and the disparity between the high and low per pupil guarantee is reduced. The foundation guarantee is funded by locally raised property taxes plus State aid. The source of revenues for the State's contribution to the foundation allowance is derived from a mix of taxing sources, including but not limited to, a statewide property tax of 6 mills on all property (homestead and non-homestead), a State sales and use tax, a real estate transfer tax and a cigarette tax.

School districts are required to levy a local property tax of not more than 18 mills or the number of mills levied in 1993 for school operating purposes, whichever is less, on non-homestead properties in order for the district to receive its per pupil foundation grant. An intermediate school district may seek voter approval for three enhancement mills for distribution to local constituent school districts on a per pupil basis. The enhancement mills are not counted toward the foundation allowance. Furthermore, districts whose per pupil foundation allowance in 2000/01 calculates to an amount in excess of \$7,500 are authorized to levy additional millage to obtain the foundation allowance, first by levying such amount of the 18 mills against homestead property as is necessary to hold themselves harmless and, if the 18 mills is insufficient, to then levy such additional mills against all property uniformly as is necessary to obtain the foundation allowance. The School District's per pupil foundation allowance exceeds \$7,500 for 2000/01 and the School District levies additional millage to partially hold itself harmless as described in Appendix A. The School District's voted operating millage levied in 1998/99 and in 1999/00 was less than the amount otherwise permitted under the Revised School Code for hold harmless purposes, and was further reduced as a result of Article IX, Section 31 of the State Constitution. See "CONSTITUTIONAL MILLAGE ROLLBACK" herein and "TAX RATES (Per \$1,000 of Valuation)" in Appendix A of this Official Statement. An intermediate school district may seek voter approval for three enhancement mills for distribution to local constituent school districts on a per pupil basis. The enhancement mills are not counted toward the foundation allowance.

The School District's voted millage will expire in the amount and on the date shown in APPENDIX A in this Official Statement.

THE SOURCES OF THE SCHOOL DISTRICT'S OPERATING REVENUE DO NOT IMPACT THE TAXING AUTHORITY OF THE SCHOOL DISTRICT FOR PAYMENT OF GENERAL OBLIGATION UNLIMITED TAX SCHOOL BONDS AND DO NOT AFFECT THE OBLIGATION OF THE SCHOOL DISTRICT TO LEVY TAXES FOR PAYMENT OF DEBT SERVICE ON GENERAL OBLIGATION UNLIMITED TAX BONDS OF THE SCHOOL DISTRICT, INCLUDING THE BONDS OFFERED HEREIN.

CONSTITUTIONAL MILLAGE ROLLBACK

Article IX, Section 31 of the Michigan Constitution requires that if the total value of existing taxable property in a local taxing unit, exclusive of new construction and improvements, increases faster than the U.S. Consumer Price Index from one year to the next, the maximum authorized tax rate for that local taxing unit must be permanently reduced through a Millage Reduction Fraction unless the levy of new millage is authorized by a vote of the electorate of the local taxing unit.

LITIGATION

To the knowledge of the appropriate officials of the School District, no litigation, administrative action or proceeding is pending or threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, or questioning or contesting the validity of the Bonds or the proceedings or authorities under which they are authorized to be issued, sold, executed and delivered. A certificate to such effect will be delivered to the Underwriter at the time of the original delivery of the Bonds.

TAX MATTERS

State

In the opinion of Thrun, Maatsch and Nordberg, P.C., Lansing, Michigan ("Bond Counsel"), based on its examination of the documents described in its opinion, under existing State of Michigan statutes, regulations, rulings and court decisions, the Bonds and the interest thereon are exempt from all taxation in the State of Michigan, except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

Federal

In the opinion of 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 purposes 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. The School District has covenanted to comply with such requirements. 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) 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, (ii) 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, (iii) 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, (iv) the receipt of interest on the Bonds by life insurance companies may affect the federal tax liability of such companies, (v) 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, (vi) holders of the Bonds may not deduct interest on indebtedness incurred or continued to purchase or carry the Bonds, (vii) interest received or accrued on the Bonds may result in disallowance of the earned income tax credit under Section 32 of the Code, and (viii) commercial banks, thrift institutions and other financial institutions may not deduct their costs of carrying certain obligations such as the Bonds.

Original Issue Premium

For federal income tax purposes, the initial offering prices to the public (excluding bond houses and brokers) of certain Bonds, as set forth on the cover of this Official Statement, may be greater than the stated redemption prices at maturity (the "Premium Bonds"), and constitutes for the original purchasers of the Premium Bonds an amortizable bond premium. Such amortizable bond premium is not deductible from gross income but is taken into account by certain corporations in determining adjusted current earnings for the purpose of computing the alternative minimum tax, which may also affect liability for the branch profits tax imposed by Section 884 of the Code. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of a taxpayer's yield to maturity determined by using the taxpayer's basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the taxpayer's adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Premium Bonds.

Original Issue Discount

The initial public offering prices of certain Bonds, as set forth on the cover page of this Official Statement, may be less than the stated redemption prices at maturity (hereinafter referred to as the "OID Bonds"), and, to the extent properly allocable to each owner of such OID Bond, the original issue discount is excludable from gross income for federal income tax purposes with respect to such owner. Original issue discount is the excess of the stated redemption price at maturity of an OID Bond over the initial offering price to the public (excluding bond houses and brokers) at which price a substantial amount of the OID Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. For an owner who acquires an OID Bond in this offering, the amount of original issue discount that accrues during any accrual period generally equals (i) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity on such OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such OID Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual

period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such OID Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of an OID Bond would be treated as gain from the sale or exchange of such OID Bond. Owners of OID Bonds should consult with their individual tax advisors to determine whether the application of the original issue discount federal regulations will require them to include, for state and local income tax purposes, an amount of interest on the OID Bonds as income even though no corresponding cash interest payment is actually received during the tax year.

Future Developments

No assurance can be given that any future legislation or clarifications or amendments to the Code, 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.

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.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS, INCLUDING THE TREATMENT OF ORIGINAL ISSUE PREMIUM AND ORIGINAL ISSUE DISCOUNT, IF ANY.

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 approving opinion of Thrun, Maatsch and Nordberg, P.C., Lansing, Michigan, Bond Counsel. 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, P.L.C., Lansing, Michigan.

APPROVAL OF THE MICHIGAN DEPARTMENT OF TREASURY

Issuance of the Bonds has been authorized by the Michigan Department of Treasury by exception from prior approval in accordance with the provisions of Act 202 of the Public Acts of Michigan, 1943, as amended.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P") will assign, as of the date of delivery of the Bonds, their municipal bond ratings of "Aaa" and "AAA", respectively, to the Bonds based upon the fact that each Bond will be fully qualified for participation in the School Bond Loan Fund as of its date of delivery. See "QUALIFICATION BY THE STATE OF

MICHIGAN," "LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDERS' REMEDIES" and APPENDIX B, "State Qualification" herein.

Moody's and S&P will also assign, as of the date of delivery of the Bonds, their underlying municipal bond ratings of "A1" and "AA-", respectively, to the Bonds without regard to qualification for the School Bond Loan Fund.

No application has been made to any other ratings service for a rating on the Bonds. The School District furnished to Moody's and S&P 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. 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 Moody's and S&P 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. Any ratings assigned represent only the views of Moody's and S&P. Further information is available upon request from:

Moody's Investors Service	Standard & Poor's Ratings Services
99 Church Street	55 Water Street
New York, NY 10007	New York, NY 10041
(212) 553-0315	(212) 208-1745

UNDERWRITING

A.G. Edwards & Sons, Inc., NatCity Investments, Inc., PaineWebber Inc. and Standard Capital Markets, a Division of ABN AMRO Financial Services, Inc. (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 prices as set forth on the cover hereto. The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the cover hereto. The offering prices may be changed from time to time by the Underwriters. The aggregate underwriting fee equals 0.495 percent of the original principal amount of the Bonds.

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 and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof) and the interest on the Bonds is 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 Underwriter to comply with the requirements of Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934, as amended.

FINANCIAL ADVISOR'S OBLIGATION

Stauder, BARCH & ASSOCIATES, Inc., Ann Arbor, Michigan (the "Financial Advisor") has been retained by the School District to provide certain financial advisory services. The information contained in the Official Statement was prepared in part by the Financial Advisor and is based on information supplied by various officials from records, statements and reports required by various local,

county or state agencies of the State of Michigan in accordance with constitutional or statutory requirements.

To the best of the Financial Advisor's knowledge, all of the information contained in the Official Statement, which it assisted in preparing, while it may be summarized is (i) complete and accurate; (ii) does not contain any untrue statement of a material fact; and (iii) does not omit any material fact, or make any untrue statement which would be misleading in light of the circumstances under which these statements are being made. However, the Financial Advisor has not or will not independently verify the completeness and accuracy of the information contained in the Official Statement.

The Financial Advisor's duties, responsibilities and fees arise solely as financial advisor to the School District and it has no underwriting, secondary market obligations or other responsibility to the School District. The Financial Advisor's fees are expected to be paid from Bond proceeds.

Further information concerning the Bonds may be secured from Stauder, BARCH & ASSOCIATES, Inc., 3989 Research Park Drive, Ann Arbor, Michigan 48108, (734) 668-6688, Financial Advisor to the School District or from The School District of the City of East Lansing, 509 Burcham Drive, Lansing, Michigan 48823, (517) 333-7420.

CONTINUING DISCLOSURE

Prior to delivery of the Bonds, the School District will execute a Continuing Disclosure Agreement (the "Agreement") for the benefit of the holders of the Bonds and the Beneficial Owners (as hereinafter defined under this caption only) to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. "Beneficial Owner" means, under this caption only, any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including any person holding Bonds through nominees, depositories or any other intermediaries). The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and the other terms of the Agreement, are set forth in Appendix F - "Form of Continuing Disclosure Agreement." Additionally, the School District shall provide certain annual financial information and operating data generally consistent with the information contained within the tables under the headings "PROPERTY VALUATIONS - Historical Valuation," "MAJOR TAXPAYERS," "TAX RATES (Per \$1,000 of Valuation) – East Lansing Public Schools," "STATE AID PAYMENTS," "TAX LEVIES AND COLLECTIONS," "PENSION FUND," "DEBT STATEMENT - DIRECT DEBT," and "SCHOOL ENROLLMENT," in Appendix A and General Fund Budget Summary in Appendix C.

A failure by the School District to comply with the Agreement will not constitute an event of default under the Resolutions and holders of the Bonds or Beneficial Owners are limited to the remedies described in the Agreement. A failure by the School District to comply with the Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Further, the School District has not, in the previous five years, failed to comply, in all material respects, with any previous continuing disclosure agreements executed by the School District pursuant to the Rule.

OTHER MATTERS

All information contained in this Official Statement, in all respects, is subject to the complete body of information contained in the original sources thereof. 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.

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

By: /s/ Rod Murphy

Its: President, Board of Education

APPENDIX A ¹

SCHOOL DISTRICT OF THE CITY OF EAST LANSING GENERAL FINANCIAL INFORMATION

AREA

The area encompassed by the School District, and by the City of East Lansing is as follows:

	<u>School District</u>	<u>City of East Lansing</u>
Area in square miles	14.4	9.5

POPULATION

The estimated population for the School District and the U.S. Census reported for the City of East Lansing is as follows:

	<u>School District</u>	<u>City of East Lansing</u>
2000	56,200	50,677*
1990	56,118	50,677
1980	55,474	51,392
1970	52,284	47,540

* Census Bureau 1990 report

PROPERTY VALUATIONS

In accordance with Act No. 539, Public Acts of Michigan, 1982, and Article IX, Section 3 of the Michigan Constitution, the ad valorem State Equalized Valuation (SEV) represents 50% of true cash value. SEV does not include any value of tax exempt property (e.g. churches, governmental property) or property granted tax abatements under either Act No. 198, Public Acts of Michigan, 1974, as amended, or Act No. 255, Public Acts of Michigan, 1978, as amended. **As a result of Proposal A, ad valorem property taxes are assessed on the basis of taxable value, which is subject to assessment caps. SEV is used in the calculation of debt margin and true cash value. See "TAX PROCEDURES" herein.**

Taxable property in the School District is assessed by the local municipal assessor, and is subject to review by the County Equalization Department.

Historical Valuation

<u>Year</u>	<u>Homestead</u>	<u>Non- Homestead</u>	<u>Total Taxable Valuation</u>
2000	\$404,236,704	\$343,845,689	\$748,082,393*
1999	390,982,938	323,551,264	714,534,202
1998	377,909,401	317,610,531	695,519,932
1997	361,897,826	301,852,830	663,750,656
1996	351,340,816	301,487,648	652,828,464

* The 2000 State Equalized Valuation is \$802,641,409.

2000 Taxable Valuation	\$748,082,393
Less: 2000 DDA Captured Value	<u>6,976,880</u>
Total 2000 Valuation	<u>\$741,105,513</u>

Source: Ingham and Clinton Counties

¹ Unless otherwise noted, information in Appendix A of this Official Statement was provided by the School District.

Per Capita Valuation

2000 Per Capita Taxable Valuation	\$13,311.07
2000 Per Capita State Equalized Valuation	\$14,281.87
2000 Per Capita Estimated True Cash Valuation	\$28,563.75

Downtown Development Authority (DDA)

The Downtown Development Authority enabling legislation, Act No. 197, Public Acts of Michigan, 1975, as amended, enables downtown development authorities to undertake a broad range of downtown improvement activities which will contribute to the economic growth and the halting of deterioration of property values in a designated downtown district.

In order to provide an authority with the means of financing the planning and implementation of development proposals, the statute affords the opportunity to undertake tax increment financing of development programs. These programs must be identified in a tax increment financing plan which has been approved by the governing body of a municipality.

Simply stated, tax increment financing permits an authority to capture tax revenues attributable to increases in value of real and personal property located within an approved development area. The increases in property value may be attributable to new construction, rehabilitation, remodeling, alterations, additions or to such other factors as the assessor may deem appropriate.

The abatement district does not capture School District debt millage. See "PROPERTY VALUATIONS" and "Historical Valuation" herein for further information regarding abatements.

TAX BASE COMPOSITION

A breakdown of the School District's 2000 Taxable Valuation by municipality, class and use is as follows:

<u>By Municipality</u>	<u>Homestead¹</u> <u>Valuation</u>	<u>Non-Homestead¹</u> <u>Valuation</u>	<u>Total Taxable</u> <u>Valuation</u>	<u>Percent of</u> <u>Total</u>
<i>Ingham County</i>				
Lansing Township	\$ 93,300	\$ 81,600	\$174,900	0.02%
Meridian Township	83,389,200	35,043,282	118,432,482	15.83
City of East Lansing	313,990,274	278,156,736	592,147,010	79.15
City of Lansing	6,648,652	29,668,504	36,317,156	4.86
<i>Clinton County</i>				
Bath Township	0	67,100	67,100	0.01
DeWitt Township	55,698	828,467	884,165	0.12
City of East Lansing	<u>59,580</u>	<u>0</u>	<u>59,580</u>	<u>0.01</u>
TOTAL	<u>\$404,236,704</u>	<u>\$343,845,689</u>	<u>\$748,082,393</u>	<u>100.00%</u>

¹ See "SOURCES OF SCHOOL OPERATING REVENUE" in this Official Statement, for further details.

<u>By Class</u>	<u>Taxable</u> <u>Valuation</u>	<u>Percent of</u> <u>Total</u>
Real Property	\$706,791,393	94.48%
Personal Property	<u>41,291,000</u>	<u>5.52</u>
TOTAL	<u>\$748,082,393</u>	<u>100.00%</u>

<u>By Use</u>	<u>Taxable Valuation</u>	<u>Percent of Total</u>
Agricultural	\$ 112,396	0.01%
Commercial	219,601,867	29.36
Industrial	219,543	0.03
Residential	486,790,567	65.07
Developmental	67,020	0.01
Personal	<u>41,291,000</u>	<u>5.52</u>
TOTAL	<u>\$748,082,393</u>	<u>100.00%</u>

Source: Ingham and Clinton Counties

PERSONAL PROPERTY TAX ASSESSMENTS AND APPEALS

Michigan personal property tax assessments have been based, since the 1960's, on the use of one or more of several different multiplier tables formulated by the State Tax Commission against taxpayer reported original cost, depending on the assessor's view of the average life of the personal property. The Michigan Department of Treasury has approved revisions to the state's personal property tax tables which will become effective for the year 2000 and which may reduce overall personal property tax revenues in some jurisdictions. The State Tax Tribunal has informally indicated that once the new multipliers are approved, it may allow them to be applied retroactively in pending personal property tax appeals. In anticipation of the new multipliers, many personal property taxpayers have filed appeals of their existing tax assessments. None of these cases have been concluded. The financial impact of the changes in multipliers and any appeals, if successful, on the School District's debt millage rate is unknown. The impact of these appeals will have no impact on the operating revenues of the School District, as the State will increase state aid to match any reduction in local operating tax revenues.

MAJOR TAXPAYERS

The top ten taxpayers in the School District and their 2000 Taxable Valuation are as follows:

<u>Taxpayer</u>	<u>Product/Service</u>	<u>Taxable Valuation</u>
Michigan Education Association*	Education	\$9,466,850
Dunn Development Group	Property development	6,420,340
Jeff Wells & Assoc. Co.	Property development	6,258,390
Consumers Energy*	Utility	6,258,166
Meijer, Inc.	Retail	5,500,360
Michigan Phys. Mutual Ins. Co.	Office buildings	5,337,650
Capstone University Commons	Apartments	5,293,000
United Dominion Realty Trust	Apartments	5,106,440
South Bend Nursing Association	Office buildings	4,865,920
Burcham Hills Retirement	Retirement complex	<u>4,213,110</u>
TOTAL		<u>\$58,720,226</u>

The Taxable Valuations of the above taxpayers represent 7.85% of the School District's 2000 Taxable Valuation of \$747,953,143.

* Michigan Education Association and Consumers Energy Company are contesting the multipliers used for assessing their personal property taxes with the State Tax Tribunal. The School District has determined that the outcome will have little effect on School District revenue. See "PERSONAL PROPERTY TAX ASSESSMENTS AND APPEALS" above.

Source: Respective municipalities

TAX RATES (Per \$1,000 of Valuation)

Under Michigan statutes, the property tax base used for levies authorized for school districts is the same as that used for county, township, special authority, and city levies. Each school district, county, township, special authority and city has a geographical definition which constitutes a tax district. Since local school districts and the county overlap either a township or a city, and intermediate school districts overlap local school districts and county boundaries, the result is many different tax rate districts.

<i>East Lansing Public Schools</i>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Voted	18.0000	18.0000	18.0000	18.0000	18.0000
Hold Harmless	1.1440	1.3215	1.1663	1.4942	0.7000
Sinking Fund	1.2909	1.2965	1.3000	1.3000	1.3000
Debt	<u>7.0000¹</u>	<u>3.8900</u>	<u>3.8900</u>	<u>3.8900</u>	<u>3.8900</u>
TOTAL HOMESTEAD	9.4349	6.5080	6.3563	6.6842	5.8900
TOTAL NON-HOMESTEAD	27.4349	24.5080	24.3563	24.6842	23.8900

¹ The School District will levy a one-time-only tax on December 1, 2000 for 3.11 mills for the purpose of repayment of the Bonds.

The School District levies 18.00 mills of voted operating millage on non-homestead property, 1.1440 mills on homestead property and authorized debt millage and sinking fund millage on all homestead and non-homestead property located within the School District. The School District's 18.0 mills voted millage and the hold harmless millage expires with the December 1, 2003 levy. The sinking fund millage expires with the December 1, 2003 levy and is authorized for certain building and site repairs and maintenance projects.

<i>Other Major Taxing Units</i>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
State Education Fund	6.0000 ¹	6.0000 ¹	6.0000 ¹	6.0000	6.0000¹
Ingham County	6.4512	6.4512	6.4512	6.4512	6.4512
Intran	0.3970	0.3980	0.3997	0.4000	0.4000
911	0.7577	0.7577	0.7577	0.7577	0.6975
Airport Authority	0.1608	0.1701	0.1854	0.2015	0.2375
CATA	1.3710	1.3720	1.3779	1.3779	0.9779
City of East Lansing	19.2800	19.1600	18.0900	18.0900	18.0900
Ingham County I/S/D	6.0354	6.1618	6.1913	6.1977	6.1977
Lansing Community College	2.9106	2.9223	2.9355	2.9355	2.9355

¹ Pursuant to a ballot proposal approved by the electors of the State of Michigan on March 15, 1994, beginning with the December 1, 1994, tax levy, the State of Michigan levies 6.00 mills for school operating purposes on all homestead and non-homestead property located within the School District. The School District levies 18.00 mills of voted operating millage on non-homestead property and authorized debt millage on all homestead and non-homestead property located within the School District. See "SOURCES OF SCHOOL OPERATING REVENUE" herein.

Source: Ingham County

STATE AID PAYMENTS

The School District's primary source of funding for operating costs is the State aid foundation allowance per pupil. Pursuant to legislation adopted in 1999, most Michigan school districts are receiving a \$234 per pupil increase in the foundation allowance for the fiscal year 1999/2000. The foundation guarantee will be from \$6,000 to \$7,500 per pupil for the fiscal year 2000/01. In future years, this allowance will be adjusted by an index based upon the change in revenues to the state school aid fund and the change in the total number of pupils statewide.

The following table shows a history of the School District's total state aid collections, including categoricals and other amounts, and the per pupil state aid foundation allowance, which reflects the changes in sources of school operating revenue described above:

<u>Year</u>	<u>Total</u>	<u>State Amount Received per Pupil</u>	<u>Foundation Allowance per Pupil</u>
2000/01	\$21,908,000	\$5,733.00	\$7,508.00
1999/00	20,347,111	5,441.18	7,207.96
1998/99	20,234,349	5,392.07	7,094.45
1997/98	22,561,932	5,491.33	7,094.45
1996/97	21,445,796	5,444.99	6,940.45

Source: Michigan Department of Education and School District

TAX LEVIES AND COLLECTIONS

The School District's fiscal year begins July 1 and ends June 30. School District property taxes are due July 1 of each fiscal year and are payable without interest on or before the following September 14 and without penalty on or before the following February 14. All real property taxes remaining unpaid on March 1st of the year following the levy are turned over to the County Treasurers for collection. Ingham and Clinton Counties annually pay from their Tax Payment Funds delinquent taxes on real property to all taxing units in the Counties, including the School District, shortly after the date delinquent taxes are returned to the County Treasurers for collection. The payments from these funds have resulted in collections of taxes approaching 100% for all taxing units. Delinquent personal property taxes are negligible.

A history of tax levies and collections for the School District is as follows:

<u>Levy Year</u>	<u>Operating Tax Levy</u>	<u>Collections to March 1 of Following Year</u>		<u>Collections Plus Funding To June 30 of Following Year</u>	
2000	\$6,607,358	(In Process of Collection)		Not Applicable	
1999	6,226,052	\$5,969,621	95.88%	6,226,052	100.00%
1998	6,033,514	5,852,604	97.00	6,033,514	100.00
1997	5,943,853	5,760,167	96.91	5,943,853	100.00
1996	5,514,507	5,372,002	97.42	5,514,507	100.00
1995	5,546,338	5,297,186	95.51	5,546,338	100.00

The Tax Payment Funds are financed through the issuance of General Obligation Limited Tax Notes (GOLTNs). Although the Counties anticipate the continuance of these programs, the ability to issue such GOLTNs is subject to Michigan Department of Treasury approval and market conditions at the time of offering. In addition, Act 206 of 1893, as amended, provides in part that: "The primary obligation to pay to the county the amount of taxes and interest thereon shall rest with the local taxing units, and if the delinquent taxes which are due and payable to the counties are not received by the counties for any reason, the counties have full right of recourse against the taxing unit to recover the amount thereof and interest thereon..." On the first Tuesday in May in each year, a tax sale is held by the Counties 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.

The General Property Tax Act was amended by Act 123 of the Public Acts of Michigan of 1999. Act 123 extensively revised the procedures for the collection of delinquent property taxes. Act 123 has the effect of shortening the process for the collection of delinquent taxes from approximately six years (including statutory redemption periods) to less than three years.

LABOR FORCE

A breakdown of the number of employees of the School District and their affiliation with organized groups is as follows:

<u>Employees</u>	<u>Number</u>	<u>Bargaining Unit</u>	<u>Contract Expiration</u>
Administrators	21	Non-Affiliated	N/A
Teachers	258	MEA	6/30/01
Secretaries/Clerical	34	Intl. Union of Operating Engr.	6/30/02
Paraprofessionals	65	MEA	6/30/02
Transportation	9	Teamsters	6/30/02
Custodial/Maintenance/ Food Service	46	AFSCME	6/30/02
Other	<u>39</u>	Non-Affiliated	N/A
TOTAL STAFF	<u>472</u>		

The School District has not experienced a strike by any of its bargaining units within the past ten years.

PENSION FUND

For the period October 1, through September 30, the School District will pay an amount equal to a percentage 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. Prior to the 1994/95 school year, the School District paid an amount equal to 5% of its employees' wages. The School District's contributions for the past five years are shown below. The School District does not have an unfunded accrued liability under MPERS.

<u>Contribution Period</u>	<u>Contribution to Rate</u>
Oct. 1, 2000-Sept. 30, 2001	12.16%
Oct. 1, 1999-Sept. 30, 2000	11.66
Oct. 1, 1998-Sept. 30, 1999	10.77
Oct. 1, 1997-Sept. 30, 1998	11.12
Oct. 1, 1996-Sept. 30, 1997	15.17

<u>Fiscal Year Ending June 30</u>	<u>Contribution to MPERS</u>
2001 Estimate	\$2,425,900
2000	2,310,370
1999	2,060,080
1998	2,345,370
1997	3,571,580

DEBT STATEMENT

(As of November 2, 2000 and including the Bonds described herein)

DIRECT DEBT

Dated			Interest		Amount
Date	Purpose	Type	Spread	Maturities	Outstanding
9/16/91	Building & Site	UTQ	N/A	5/1/01-08	\$7,140,000
2/1/96	Refunding	UTQ	4.20 - 5.35%	5/1/01-14	15,155,000
11/28/00	Building & Site	UTQ	4.30 - 5.625%	5/1/01-30	<u>66,080,000</u>

NET DIRECT DEBT

\$88,375,000

OVERLAPPING DEBT

Percent	Municipality	Amount	District
		Outstanding	Share
94.85%	East Lansing City	\$22,848,625	\$21,671,921
1.75	Lansing City	78,403,963	1,372,069
0.34	DeWitt Township	3,484,188	11,846
0.06	Lansing Township	5,988,467	3,593
10.09	Meridian Township	4,294,335	433,298
0.07	Clinton County	17,173,697	12,022
13.58	Ingham County	33,656,445	4,570,545
11.70	Ingham ISD	2,000,000	234,000
9.99	Lansing Community College	8,290,000	<u>828,171</u>

NET OVERLAPPING DEBT29,137,465**NET DIRECT AND OVERLAPPING DEBT**

Source: Municipal Advisory Council

\$117,512,465**DEBT RATIOS**

Per Capita (56,200)

Net Direct Debt

\$1,572.51

Net Direct and Overlapping Debt

\$2,090.97

Ratio to 2000 Taxable Valuation (\$748,082,393)

Net Direct Debt

11.81%

Net Direct and Overlapping Debt

15.71%

Ratio to 2000 State Equalized Valuation (\$802,641,409)

Net Direct Debt

11.01%

Net Direct and Overlapping Debt

14.64%

Ratio to 2000 Estimated True Cash Valuation (\$1,605,282,818)

Net Direct Debt

5.52%

Net Direct and Overlapping Debt

7.32%

DEBT HISTORY

The School District has no record of default.

FUTURE FINANCING

The School District does not anticipate additional financing in the foreseeable future.

SHORT TERM BORROWING

The School District currently has no outstanding short term financing.

LEGAL DEBT MARGIN

2000 State Equalized Valuation		\$802,641,409
Debt Limit (15% of 2000 State Equalized Valuation)		\$120,396,211
Debt Outstanding, including Bonds described herein	\$88,375,000	
Less Qualified Bonds*	<u>88,375,000</u>	
Total Subject to Debt Limit		<u>0</u>
Additional Debt Which Could Be Legally Incurred		<u>\$120,396,211</u>

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

- (a) Section 1351(3) - The bonded indebtedness of a school district shall not exceed 15 percent 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.

GENERAL ECONOMIC INFORMATION

LOCATION AND AREA

The School District is located in the south-central portion of Michigan's lower peninsula, adjacent to the State Capital, The City of Lansing. The School District consists of portions of Lansing and Meridian Townships and, the Cities of Lansing and East Lansing in Ingham County and DeWitt Township in Clinton County.

The School District is located the following distances from these commercial and industrial areas:

	Adjacent to Lansing
63	miles northwest of Ann Arbor
65	miles southwest of Grand Rapids
38	miles northeast of Kalamazoo
85	miles northwest of Detroit

POPULATION BY AGE

The 1990 U.S. Census estimate of population by age the City of East Lansing is as follows:

	<u>Number</u>	<u>Percent</u>
Total Population	50,677	100.00%
0 through 17 years	5,298	10.45
18 through 64 years	43,102	85.06
65 years and over	2,277	4.49
Median age	21.6 years	

INCOME

The 1990 U.S. Census estimate of household income for the City of East Lansing is as follows:

	<u>Number</u>	<u>Percent</u>
HOUSEHOLDS BY INCOME	13,464	100.00%
Less than \$5,000	1,483	11.01
\$5,000 to \$9,999	1,444	10.73
\$10,000 to \$14,999	1,538	11.42
\$15,000 to \$24,999	2,335	17.34
\$25,000 to \$34,999	1,735	12.89
\$35,000 to \$49,999	1,669	12.40
\$50,000 to \$74,999	1,535	11.40
\$75,000 to \$99,999	780	5.79
\$100,000 to \$149,999	614	4.56
\$150,000 or more	331	2.46
Median Income	\$24,716	
Mean Income	\$33,460	

HOUSING

A history of building permits for Lansing-East Lansing is as follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
<i>Single Family</i>					
Number of Units	1,541	1,431	1,431	1,707	1,543
Average Value per dwelling Unit	\$133,000	\$122,300	\$121,000	\$116,600	\$110,100
<i>Muli Family</i>					
Number	499	276	554	477	392
Average Value per dwelling Unit	\$49,000	\$56,800	\$43,900	\$43,800	\$39,500

Source: U.S. Bureau of Census and Real Estate Center at Texas A&M University

EMPLOYMENT CHARACTERISTICS

The following companies located in the School District and surrounding communities offer employment opportunities.

<u>Employer</u>	<u>Product/Service</u>	<u>Approx. No. Employed</u>
<i>Within the School District</i>		
Michigan State University	Education	12,300
Meijer, Inc.	Department/Grocery Store	650
Michigan Education Association	Teacher Association & Insurer	526
Michigan State Police	Police	500
East Lansing Public Schools	Education	472
City of East Lansing	Government	438
United Parcel Service	Delivery Service	375
U.S. Postal Service	Postal Service	300
Burcham Hills	Retirement Community	300
CIBA Specialty Chemical	Plastic products	150
Source: City of East Lansing		
<i>Ingham County (500 or more)</i>		
State of Michigan	Government	20,000
General Motors Corporation	Automotive	16,000
Sparrow Health Systems	Health care	5,050
-Edward W. Sparrow Hospital		
-St. Lawrence Hospital		
Meijers, Inc.	Retail	3,800
Lansing School District	Education	3,500
Ingham Regional Medical Center	Health care	2,800
Lansing Community College	Education	2,000
U.S. Post Office	Postal service	1,300
Lansing, City of	Government	1,200
Jackson National Life Insurance	Insurance	1,100
Michigan National Bank	Finance	1,000
EDS	Data processing	950
Auto Owners Insurance	Insurance	900
Ingham, County of	Government	900
Peckham Industries	Textiles, Auto Parts	900
Board of Water & Light	Utility	760
Dart Container	Containers	700

Ingham County (500 or more)

Ameritech	Communications utility	625
Michigan Farm Bureau	Insurance	600
Delta Dental	Insurance	600
Henry Co., John	Plastic & paper printed floral	600
United Parcel Service	Delivery service	600
Consumers Energy Company	Utility	550
Federal Mogul Corp.	Auto parts	525
Lear (ITT Automotive)	Auto parts	500

Source: 2000 Lansing Regional Chamber of Commerce

EMPLOYMENT BREAKDOWN

The 1990 U. S. Census reports the breakdown by occupation and industry of persons 16 years and over for the City of East Lansing as follows:

	<u>Number</u>	<u>Percent</u>
PERSONS BY OCCUPATION	26,344	100.00%
Executive, Admin., Managerial	2,744	10.42
Professional Specialty Occupations	6,818	25.88
Technicians, Related Support	1,379	5.23
Sales	3,281	12.45
Administrative Support	4,323	16.41
Private Household Occupations	100	0.38
Protective Service Occupations	318	1.21
Service, Other	5,414	20.55
Farming, Forestry, Fishing	268	1.02
Precision Production, Craft & Repair	551	2.09
Operators, Assemblers, Inspectors	315	1.20
Transportation & Material Moving	242	0.92
Handlers, Eqpt. Cleaners, Helpers, Laborers	591	2.24
	<u>Number</u>	<u>Percent</u>
PERSONS BY INDUSTRY	26,344	100.00%
Agriculture, Forestry, Fisheries, etc.	358	1.36
Mining	6	0.02
Construction	340	1.29
Manufacturing, Non-durable Goods	469	1.78
Manufacturing, Durable Goods	436	1.66
Transportation	293	1.11
Communications, Public Utilities	345	.31
Wholesale Trade	337	1.28
Retail Trade	6,239	23.68
Finance, Insurance, and Real Estate	847	3.22
Business and Repair Services	830	3.15
Personal Services	701	2.66
Entertainment & Recreational Svcs.	548	2.08
Health Services	1,592	6.04
Educational Services	9,540	36.21
Other Professional and Related Services	1,917	7.28
Public Administration	1,546	5.87

UNEMPLOYMENT

The Michigan Employment Security Agency, Research and Statistical Division, reports unemployment averages for the City of East Lansing and Ingham County as compared to the State of Michigan as follows:

	<u>City of East Lansing</u>	<u>County of Ingham</u>	<u>State of Michigan</u>
2000 (August)	2.8%	2.5%	3.4%
1999 Annual Average	3.1	2.7	3.8
1998 Annual Average	3.7	3.3	3.9
1997 Annual Average	3.6	3.2	4.2
1996 Annual Average	4.3	3.8	4.9

RETAIL SALES

A breakdown of retail sales (000's omitted) for Ingham County as compared to the State of Michigan, as reported in the 1999 Editor & Publishers Market Guide is as follows:

<u>Product/Service</u>	NUMBER OF STORES		ESTIMATE OF SALES (000's omitted)	
	<u>County of Ingham</u>	<u>State of Michigan</u>	<u>County of Ingham</u>	<u>State of Michigan</u>
Lumber & Hardware	62	2,911	\$ 226,918	\$ 6,862,022
General Merchandise	35	1,129	780,369	17,765,711
Food	187	7,155	365,105	14,547,702
Auto	89	3,299	893	29,352,960
Gasoline	114	3,994	214,491	7,136,942
Apparel	216	5,011	165,842	4,548,641
Furniture	144	3,566	287,056	5,973,221
Eat/Drink	503	15,648	364,066	9,386,514
Drugs	<u>47</u>	<u>1,753</u>	<u>90,762</u>	<u>4,341,815</u>
TOTALS	<u>1,397</u>	<u>44,466</u>	<u>\$2,495,502</u>	<u>\$99,915,528</u>

TRANSPORTATION

The School District is easily accessed by Interstates 96 and 69 as well as U.S. Highways 127 and 27. State Highways 52, 43 and 36 also provide access. Bus service within Ingham County is provided by INTRAN and by Capital Area Transit Authority (CATA). Inter-city bus service is provided by Greyhound and Indian Trail Bus Lines. Commercial air service is available at Capital City Airport to the north of the School District. Rail freight service is provided by Chesapeake & Ohio, Grand Trunk Western and Penn Central Railroads, while Amtrak provides daily passenger service, from the City of Lansing of East Lansing.

EDUCATION

Michigan State University, located within the School District, is a "Big Ten" university serving more than 40,000 students. The University offers a wide variety of programs including agricultural research, the College of Communication Arts and Sciences, the School of Criminal Justice, the Departments of Biology and Chemistry, the School of Hotel, Restaurant and Institutional Management and the Detroit College of Law. The University also has three schools of medicine; osteopathic, medical and veterinary.

Additional colleges located within the area include Lansing, Cooley Law School, Davenport College and Lansing Community College. Within 70 miles of the School District are Olivet College in Olivet, University of Michigan in Ann Arbor, Eastern Michigan University in Ypsilanti, Central Michigan University in Mt. Pleasant and Western Michigan University in Kalamazoo.

MEDICAL FACILITIES

Residents of the School District have available Michigan Capital Medical Center with 509 beds, Sparrow Hospital with 458 beds and St. Lawrence Hospital with 211 beds. Located within the School District is Michigan State University's Clinical Center. The Center provides outpatient primary and specialty care.

RECREATION

History, fine arts, Big Ten sports and a variety of outdoor recreational opportunities are available to residents of the School District in East Lansing. Kresge Art Museum on the MSU campus is noted for its comprehensive collections of art from many cultures which span more than 5,000 years of art history. The MSU Lecture Concert Series brings internationally acclaimed artists and Broadway shows to the East Lansing Campus. The Wharton Center for the Performing Arts at MSU is home to the Greater Lansing Symphony Orchestra and the Opera Company for Mid-Michigan.

BANKING

The following banks serve the financial needs of the School District's residents. Deposits are as reported in the McFadden American Financial Directory, July - December 2000.

<u>Bank</u>	<u>Main Office</u>	Total State-Wide Deposits
Citizens Bank	Flint	\$3,852,536,000
First National Bank of America	East Lansing	385,178,000
Flagstar Bank, FSB	Bloomfield Hills	2,295,145,000
Michigan National Bank	Farmington Hills	8,241,510,000
National City Bank of Michigan/Illinois	Bannockburn, Illinois	N/A
Old Kent Bank	Grand Rapids	13,687,791,000

GENERAL SCHOOL INFORMATION

DESCRIPTION

The School District currently operates seven elementary schools, one middle school and one high school. The School District's 2000/01 student enrollment is 3,627. A staff of 258 teachers, 21 administrators and 193 support personnel are employed by the School District.

BOARD OF EDUCATION

The Board of Education consists of seven members who are elected at large for four-year overlapping terms. The Board annually elects a President, Vice President, Treasurer and Secretary. The Board is responsible for the selection and appointment of the Superintendent of Schools. The Board meets as a single body to set or amend policy, develop long range educational goals and act upon recommendations of the Superintendent of Schools. The Board is also responsible for adopting and periodically amending the operating budget and evaluating school programs in accordance with governing laws.

ADMINISTRATIVE STAFF

Thomas R. Giblin, Ph.D., SUPERINTENDENT

Dr. Giblin received his Bachelor of Science Master of Science degrees in English Education from State University of New York at Geneseo in 1964 and 1969, respectively. He received his Doctorate of Education degree in Curriculum and Instruction Theory in 1971, from the University of Florida.

Dr. Giblin began his career in education in January of 1964, as an English, speech and drama teacher at Kenmore East Senior High School in Tonawanda, New York. In September of 1966 he joined Rush-Henrietta High School in Henrietta, New York where he served as Interim Assistant Principal, Senior English Department Chairman and English teacher. He served as a Graduate Teaching Associate with the Department of Secondary Education of the University of Florida from 1969 to 1971, Associate Dean and Director of Teacher Education at the University of Colorado in Colorado Springs, Colorado from 1971 to 1978, Assistant Superintendent/Educational Services with the Widefield, Colorado School District from 1978 to 1988, and Superintendent of Schools of Guilford Public Schools in Guilford, Connecticut from 1988 to 1998. In June of 1998 he assumed his present position as Superintendent of the School District of the City of East Lansing.

Dr. Giblin's professional affiliations include memberships in the American Association of School Administrators, the Association for Supervision and Curriculum Development and Phi Delta Kappa.

Brenda L. Palmer, DIRECTOR OF FINANCE & SUPPORT SERVICES

Ms. Palmer joined East Lansing Public Schools in 1991 after serving as Audit Supervisor with a public accounting firm for six years. Ms. Palmer received her Bachelor of Arts degree in Accounting from Northwood University and her Master of Arts degree in Education Administration from Michigan State University. She is a Certified Public Accountant and a Certified School Business Official in Michigan.

SCHOOL ENROLLMENT

*Historical Enrollment*¹

The School District's historical enrollment (Fall Pupil Count Day) is as follows:

<u>School Year</u>	<u>Enrollment</u>	<u>School Year</u>	<u>Enrollment</u>
2000/01	3,627	1995/96	3,924
1999/00	3,613	1994/95	4,008
1998/99	3,670	1993/94	3,995
1997/98	3,760	1992/93	4,001
1996/97	3,950	1991/92	4,124

¹ As student enrollment at Michigan State University fluctuates a similar variation appears in the School District's enrollment.

Enrollment by Grade

The enrollment by grade for the school year 2000/01 (Fall Pupil Count Day) was as follows:

Kindergarten	280	Ninth	291
First	254	Tenth	290
Second	249	Eleventh	265
Third	256	Twelfth	<u>257</u>
Fourth	241	<i>Sub Total</i>	3,391
Fifth	251		
Sixth	260	Special Ed.	<u>236</u>
Seventh	255		
Eighth	242	TOTAL	<u><u>3,627</u></u>

Projected Enrollment

The projected enrollment - (2004/05) is as follows:

K-6	1,637
7-8	523
9-12	1,102
Special Education	<u>235</u>
TOTAL	<u><u>3,497</u></u>

EXISTING SCHOOL FACILITIES

<u>School</u>	<u>Grades</u>	<u>Year Completed</u>	<u>Additions</u>	<u>Type of Construction</u>
<i>Elementary</i>				
Donley	K-6	1951	1992	Masonry
Glencairn	K-6	1952	1994	Masonry
Marble	K-6	1952	1993	Masonry
Pinecrest	K-6	1960	1992	Masonry
Red Cedar	K-6	1948	1993	Masonry
Spartan Village	K-4	1962	1992	Masonry
Whitehills	K-5	1963	1992	Masonry
<i>Middle School</i>				
MacDonald	7-8	1968	--	Masonry
<i>High School</i>				
East Lansing	9-12	1956	1984	Masonry
<i>Additional Facilities</i>				
Alternative Program	9-12	1947	1970	Masonry
Service Center	--	1978	1991	Masonry

Upon the completion of the project, the functional capacity of the School District will be 3,538.

NON-PUBLIC SCHOOLS

There are four non-public schools within the School District's boundaries.

<u>School</u>	<u>Grades Served</u>	<u>Approximate Enrollment</u>
St. Thomas Aquinas Catholic School	K-8	489
Greater Lansing Islamic Schools	K-3	44
Montessori Center of Lansing	P-3	<u>84</u>
Total		<u>617</u>

**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 28 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 limitations 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

State Loans to School Districts

Act 108, 1961, as amended

(and revised to reflect Execution Order 1993-10)

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; 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 or bond issues sold exclusively to refund qualified 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 state treasurer annually may 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 treasury 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 state treasurer considers 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 or 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 hereof 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 state treasurer shall issue his or her certificate qualifying an issue of bonds, upon application for a certificate being made by the school district, if the state treasurer 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 380.1274a 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. 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 state treasurer in the certificate of qualification. The certificate of qualification of the state treasurer 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 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. At the request of the school district, the state treasurer may grant that authorization as part of the procedure of preliminary qualification under subdivision (f).

(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) Subject to subsection (3), if a bond issue requires an election, that a bond issue that 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 sections 131.1 to 139.3 of the Michigan Compiled Laws.

(2) For refunding bonds issued to refund bonds issued before May 4, 1955, the state treasurer shall issue the certificate of qualification if the state treasurer 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 state treasurer shall issue the certificate of qualification if the state treasurer 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 set forth in subsection (1)(d) and (e) in effect when issued or would have satisfied the requirements set forth in subsection (1)(d) and (e) 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.

(3) The requirement of subsection (1)(f) does not apply to a bond issue that is approved by the school district electors between December 31, 1990 and July 1, 1991 and that is in part ineligible for qualification. A series of bonds for such a bond issue may be qualified by the state treasurer if it is limited to either a project or projects eligible for qualification or refunding of obligations issued for a purpose described in section 1274a of Act No. 451 of the Public Acts of 1976, or both.

Sec. 4a. (1) Subject to subsection (2), 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 or for a fourth class school district located in a county with a population of not more than 27,000, to the extent of 40% 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 state treasurer, 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 state treasurer.

(2) The state treasurer of public instruction shall not approve a use of the unexpended balance of the proceeds of any school district bonds as authorized under subsection (1) unless he or she finds that the school district seeking approval has demonstrated a compelling justification for not immediately paying all of the unexpended balance into the bond and interest redemption fund established for the bonds.

(3) As used in this section, "fourth class school district" means a school district organized as a school district of the fourth class under the school code of 1976, Act No. 451 of the Public Acts of 1976, being sections 380.1 to 380.1852 of the Michigan Compiled Laws.

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 state treasurer.

Sec. 4c. If the state treasurer determines that there are sufficient funds to complete all projects for which the bonds were initially authorized and issued, and if the use is approved by the state treasurer, an unexpended balance of the proceeds of sale of any school district bonds issued on or after September 1, 1989 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 1 or more of the projects for which the bonds were initially authorized and issued have not been completed. This section shall not apply after December 31, 1995.

Sec. 5. All certificates of qualification shall be kept in a permanent file in the office of the state treasurer 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 state treasurer 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 state treasurer, 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 the 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 department of treasury 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 the 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 department of treasury. The department of treasury 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 department of treasury 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 department of treasury, 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. It 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 department of treasury 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 herein before 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, section 2 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 that 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 state treasurer may issue a 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 order by 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 -order from the school bond loan fund for a number of years to be determined in the order by the state treasurer, not to exceed 5 years, beginning with the first 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 that 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 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 state treasurer with any additional related information 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 the 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 state treasurer annually may 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 treasury 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 state treasurer considers are necessary.

Sec. 11. Any school district applying for preliminary qualification of bonds or final qualification of refunding bonds under this act shall pay a fee for the preliminary qualification of bonds or final qualification of refunding bonds, 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, being sections 388.931 to 388.938 of the Michigan Compiled Laws. The fee shall be paid to the state treasurer within 30 days after the money obtained through the sale of the preliminarily qualified bonds or finally qualified refunding bonds has been received by the treasurer of the board of education of the school district. The superintendent of public instruction shall promulgate necessary rules in accordance with the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.201 to 24.328 of the Michigan Compiled Laws. The amount of the fee to be charged to the school district shall be determined by the state treasurer. The amount of the fee shall vary according to the amount of the bond issue, except that it shall not be less than \$100.00, and the total amount to be charged to all school districts in any 1 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 the preliminary qualification fee or final qualification of refunding bonds fee within the time specified, the superintendent of public instruction may withhold the amount of the 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, § 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, § 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, § 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 as 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 II, Section 2(f) of the Municipal Finance Act [C.L. 1948 § 132.2; M.S.A. 1958 Rev. Vol. § 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 of 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 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."

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 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

¹In 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.

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.

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

³Article 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.

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

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

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 its 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.

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 due date of the principle [sic] 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 guide lines [sic].

FRANK J. KELLEY,
Attorney General

EXECUTIVE REORGANIZATION ORDER

Caption editorially supplied

E.R.O. No. 1993-10, Eff. Jan. 1, 1994

388.990. School bond loan administration; transfer of powers and duties to the department of treasury

WHEREAS, Article V, Section 2, of the Constitution of the State of Michigan of 1963 empowers the Governor to make changes in the organization of the Executive Branch or in the assignment of functions among its units which he considers necessary for efficient administration; and

WHEREAS, it is necessary in the interests of efficient administration and effective government to effect changes in the organization of the Executive Branch of government; and

WHEREAS, the Department of Education performs administrative functions and receives fees from school districts for expenses related to the qualification of school bonds under Act No. 108 of the Public Acts of 1961, as amended, being Section 388.951 et seq. of the Michigan Compiled Laws; and

WHEREAS, the Department of Treasury is responsible for the School Bond Loan Fund established under Act No. 74 of the Public Acts of 1955, as amended, being Section 388.921 et seq. of the Michigan Compiled Laws, and Act No. 112 of the Public Acts of 1961, as amended, being Section 388.981 et seq. of the Michigan Compiled Laws, and continued under Article IX, Section 16 of the Constitution of the State of Michigan of 1963; and

WHEREAS, the Department of Treasury is responsible for the School Loan Bond Redemption Fund established under Act No. 74 of the Public Acts of 1955, as amended, being Section 388.921 et seq. of the Michigan Compiled Laws, to account for debt service on general obligation bonds issued to finance loans to school districts; and

WHEREAS, state activities related to bond qualification and state borrowing functions for the provision of loans by the State of Michigan to school districts can be performed more efficiently by one agency; and

WHEREAS, the functions, duties and responsibilities related to school bonds can be more effectively organized and carried out under the supervision and direction of the State Treasurer as the head of the Department of Treasury.

NOW, THEREFORE, I, John Engler, Governor of the State of Michigan, pursuant to the powers vested in me by the Constitution of the State of Michigan of 1963 and the laws of the State of Michigan, do hereby order the following:

1. All authority, powers, duties, functions and responsibilities of the Department of Education under Act No. 108 of the Public Acts of 1961, as amended, being Section 388.951 et seq. of the Michigan Compiled Laws, Act No. 74 of the Public Acts of 1955, as amended, being Section 388.921 et seq. of the Michigan Compiled Laws, Act No. 112 of the Public Acts of 1961, as amended, being Section 388.981 et seq. of the Michigan Compiled Laws, and Act No. 151 of the Public Acts of 1955, as amended, being Section 388.931 et seq. of the Michigan Compiled Laws, are hereby transferred to the Department of Treasury by a Type II transfer, as defined by Section 3 of Act No. 380 of the Public Acts of 1965, as amended, being Section 16.103 of the Michigan Compiled Laws.

2. The State Treasurer shall provide executive direction and supervision for the implementation of the transfer. The assigned functions shall be administered under the direction and supervision of the State Treasurer.

3. The State Treasurer shall administer the assigned functions in such a way as to promote efficient administration and shall make internal organizational changes as may be administratively necessary to complete the realignment of responsibilities prescribed by this Order.

4. All records, personnel, property, and unexpended balances of appropriations, allocations and other funds used, held, employed, available or to be made available to the Department of Education for the functions transferred to the Department of Treasury by this Order are hereby transferred to the Department of Treasury.

5. The State Treasurer and the Superintendent of Public Instruction shall immediately initiate coordination to facilitate the transfer and develop a memorandum of record identifying any pending settlements, issues of compliance with applicable federal and state laws and regulations, or other obligations to be resolved by the Department of Education.

6. All rules, orders, contracts and agreements relating to the assigned functions lawfully adopted prior to the effective date of this Order shall continue to be effective until revised, amended or repealed.

7. Any suit, action or other proceeding lawfully commenced by, against or before any entity affected by this Order shall not abate by reason of the taking effect of this Order. Any suit, action or other proceeding may be maintained by, against or before the appropriate successor of any entity affected by this Order.

In fulfillment of the requirement of Article V, Section 2, of the Constitution of the State of Michigan of 1963, the provisions of this Executive Order shall become effective January 1, 1994.

Executive Reorganization Order No. 1993-10, Effective January 1, 1994.

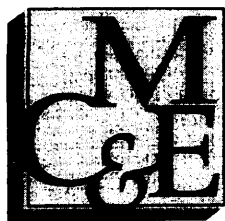
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APPENDIX C - BUDGET

SCHOOL DISTRICT OF THE CITY OF EAST LANSING General Fund Budget Summary For Fiscal Year Ending June 30, 2001

	2000/01 Adopted Budget
REVENUE	
Local Sources	\$7,036,418
State Sources	20,160,579
Federal Sources	<u>856,000</u>
TOTAL REVENUE	\$28,052,997
Incoming Transfers & Other Transactions	<u>1,703,913</u>
TOTAL REVENUE	\$29,756,910
 EXPENDITURES	
 INSTRUCTION:	
Basic Programs	\$14,801,613
Added Needs	<u>4,242,753</u>
TOTAL INSTRUCTION	\$19,044,366
 SUPPORTING SERVICES:	
Pupil services	\$1,513,126
Instructional	1,199,964
General administration	1,062,447
School administration	2,914,263
Business services	563,353
Operations/Maintenance	3,194,419
Transportation	481,759
Central	1,094,630
Community services	127,685
Capital outlay	<u>412,471</u>
TOTAL SERVICES	\$12,564,117
 TOTAL EXPENDITURES	\$31,608,483
Outgoing Transfers & Other Transactions	<u>565,825</u>
TOTAL EXPENDITURES	\$32,174,308
 REVENUE OVER (UNDER) EXPENDITURES	(\$2,417,398)
BEGINNING FUND BALANCE, JULY 1	<u>5,797,623</u>
 ESTIMATED ENDING FUND BALANCE, JUNE 30	<u><u>\$3,380,225</u></u>

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**Maner,
Costerisan
& Ellis, P.C.**
Certified Public Accountants

Jack E. Powers
Lawrence C. Kowalk
Gary W. Brya
Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck

Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
Eugene J. Carolan
James R. Dedyne

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

INDEPENDENT AUDITORS' REPORT

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

August 31, 2000

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, 2000 as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

In our opinion, 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, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2000 on our consideration of the School District of the City of East Lansing's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Maner, Costerisan & Ellis, P.C.

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
WITH COMPARATIVE TOTALS FOR JUNE 30, 1999**

	Governmental fund types				Fiduciary fund type	Account groups		Totals (Memorandum only)	
	General	Special revenue	Debt service	Capital projects	Trust and agency	General fixed assets	General long-term debt	2000	1999
ASSETS AND OTHER DEBITS									
Cash	\$ 2,000							\$ 2,000	\$ 2,000
Investments	4,160,105	205,054	1,522,013	2,021,530	246,843			8,155,545	8,814,207
Receivables:									
Accrued interest	17,325		12,840	8,063				38,228	20,929
Other governmental units	4,202,980	2,850	648	194				4,206,672	4,263,839
Other	79,592	2,720						82,312	30,393
Due from other funds	19,580	4,123	55,687	19,473				98,863	107,603
Inventories	119,577	17,801						137,378	130,903
Prepaid expenses	15,537							15,537	9,149
Fixed assets						30,410,413		30,410,413	29,670,572
Amount available in debt service funds							1,591,058	1,591,058	1,239,112
Amounts to be provided from future tax levies and other sources for retirement of general long-term debt								35,265,796	36,053,957
Total assets and other debits	<u>\$ 8,616,696</u>	<u>\$ 232,548</u>	<u>\$ 1,591,188</u>	<u>\$ 2,049,260</u>	<u>\$ 246,843</u>	<u>\$ 30,410,413</u>	<u>\$ 36,856,854</u>	<u>\$ 80,003,802</u>	<u>\$ 80,342,664</u>

	Governmental fund types				Fiduciary fund type	Account groups		Totals (Memorandum only)	
	General	Special revenue	Debt service	Capital projects	Trust and agency	General fixed assets	General long-term debt	2000	1999
LIABILITIES, EQUITY AND OTHER CREDITS									
Liabilities:									
Accounts payable	\$ 170,127	\$ 978		\$ 1,635				\$ 172,740	\$ 202,468
Contract retainages payable								8,218	
Accrued salaries and related items	2,483,149	11,789		44	3,167			2,494,938	2,973,483
Due to other funds	76,116	19,406	130					98,863	107,603
Due to other governmental units	9,234							9,234	12,894
Due to student, school and other groups					243,676			243,676	246,879
Deferred revenues	80,447	25,797						106,244	30,683
Bonds and notes payable							28,816,456	28,816,456	29,713,751
Employee compensated absences							8,040,398	8,040,398	7,579,318
Total liabilities	<u>2,819,073</u>	<u>57,970</u>	<u>130</u>	<u>1,679</u>	<u>246,843</u>		<u>36,856,854</u>	<u>39,982,549</u>	<u>40,875,297</u>
Equity and other credits:									
Investment in general fixed assets						30,410,413		30,410,413	29,670,572
Reserved for:									
Debt service			1,591,058					1,591,058	1,239,112
Inventories	119,577	17,801						137,378	130,903
Prepaid expenses	15,537							15,537	9,149
Sinking fund				2,047,581				2,047,581	1,368,242
Unreserved:									
Designated	395,600							395,600	1,551,569
Designated of subsequent year expenditures	2,417,398							2,417,398	2,515,481
Undesignated	<u>2,849,511</u>	<u>156,777</u>						<u>3,006,288</u>	<u>2,982,339</u>
Total equity and other credits	<u>5,797,623</u>	<u>174,578</u>	<u>1,591,058</u>	<u>2,047,581</u>		<u>30,410,413</u>		<u>40,021,253</u>	<u>39,467,367</u>
Total liabilities, equity and other credits	<u>\$ 8,616,696</u>	<u>\$ 232,548</u>	<u>\$ 1,591,188</u>	<u>\$ 2,049,260</u>	<u>\$ 246,843</u>	<u>\$ 30,410,413</u>	<u>\$ 36,856,854</u>	<u>\$ 80,003,802</u>	<u>\$ 80,342,664</u>

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 AND EXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 2000
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1999

	Governmental fund types				Fiduciary fund type	Totals (Memorandum only)	
	General	Special revenue	Debt service	Capital projects	Expendable trust	2000	1999
REVENUES:							
Local sources	\$ 7,120,890	\$ 552,076	\$ 3,055,333	\$ 1,027,128	\$ 4,906	\$ 11,760,333	\$ 11,270,056
State sources	20,337,719	30,382				20,368,101	20,249,089
Federal sources	1,112,577	274,161				1,386,738	1,926,244
Incoming transfers	<u>1,899,660</u>					<u>1,899,660</u>	<u>1,061,704</u>
Total revenues	<u>30,470,846</u>	<u>856,619</u>	<u>3,055,333</u>	<u>1,027,128</u>	<u>4,906</u>	<u>35,414,832</u>	<u>34,507,093</u>
EXPENDITURES:							
Current:							
Instruction:							
Basic programs	14,593,571					14,593,571	13,349,546
Added needs	3,303,701					3,303,701	3,091,479
Supporting services:							
Pupil	2,101,366					2,101,366	1,897,604
Instructional staff	1,735,624					1,735,624	1,028,501
General administration	1,205,864					1,205,864	1,074,583
School administration	2,626,927					2,626,927	2,305,924
Business	4,234,758					4,234,758	3,919,148
Central	509,047					509,047	512,762
School service funds		1,297,543			22,269	1,319,812	1,277,567
Community services	15,352					15,352	24,392
Outgoing transfers	315,244					315,244	292,899
Capital outlay	514,359					514,359	661,394
EXPENDITURES (Concluded):							
Debt service:							
Principal retirement	\$	\$	\$ 1,825,000	\$	\$	\$ 1,825,000	\$ 1,665,000
Interest and fiscal charges			878,387			878,387	953,983
Capital projects:							
Remodeling				347,789		347,789	374,555
Total expenditures	<u>31,155,813</u>	<u>1,297,543</u>	<u>2,703,387</u>	<u>347,789</u>	<u>22,269</u>	<u>35,526,801</u>	<u>32,429,337</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(684,967)</u>	<u>(440,924)</u>	<u>351,946</u>	<u>679,339</u>	<u>(17,363)</u>	<u>(111,969)</u>	<u>2,077,756</u>
OTHER FINANCING SOURCES (USES):							
Sale of school property	550					550	3,058
Operating transfers from other funds		500,119			17,363	517,482	520,968
Operating transfers to other governmental units	(74,536)					(74,536)	
Operating transfers to other funds	<u>(517,482)</u>					<u>(517,482)</u>	<u>(520,968)</u>
Total other financing sources (uses)	<u>(591,468)</u>	<u>500,119</u>			<u>17,363</u>	<u>(73,986)</u>	<u>3,058</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(1,276,435)</u>	<u>59,195</u>	<u>351,946</u>	<u>679,339</u>		<u>(185,955)</u>	<u>2,080,814</u>
FUND BALANCES, beginning of year	<u>7,074,058</u>	<u>115,383</u>	<u>1,239,112</u>	<u>1,368,242</u>		<u>9,796,795</u>	<u>7,715,981</u>
FUND BALANCES, end of year	<u>\$ 5,797,623</u>	<u>\$ 174,578</u>	<u>\$ 1,591,058</u>	<u>\$ 2,047,581</u>	<u>\$</u>	<u>\$ 9,610,840</u>	<u>\$ 9,796,795</u>

See notes to financial statements.

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See notes to financial statements.

SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL, SPECIAL REVENUE, DEBT SERVICE AND CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2000

	General fund		Special revenue fund		Debt service fund			Capital projects fund		
	Budget	Actual	Variance- favorable (unfavorable)	Budget	Actual	Budget	Variance- favorable (unfavorable)	Budget	Actual	Variance- favorable (unfavorable)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (1,514,913)</u>	<u>\$ (684,967)</u>	<u>\$ 829,946</u>	<u>\$ (446,526)</u>	<u>\$ (440,972)</u>			<u>\$ 5,602</u>	<u>\$ 351,946</u>	<u>\$ 85,347</u>
OTHER FINANCING SOURCES (USES):										
Sale of school property	1,000	550	(450)							
Operating transfers from other funds	(84,536)	(74,536)	10,000	493,188	500,115					
Operating transfers from other govt. units	(525,847)	(517,482)	8,365							
Operating transfers to other funds										
Total other financing sources (uses)	<u>(609,383)</u>	<u>(591,468)</u>	<u>17,915</u>	<u>493,188</u>	<u>500,115</u>					
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (2,124,296)</u>	<u>(1,276,435)</u>	<u>\$ 847,861</u>	<u>\$ 46,662</u>	<u>\$ 59,195</u>			<u>\$ 12,533</u>	<u>\$ 351,946</u>	<u>\$ 85,347</u>
FUND BALANCES, beginning of year		<u>7,074,058</u>			<u>115,383</u>				<u>1,239,112</u>	
FUND BALANCES, end of year		<u>\$ 5,797,623</u>			<u>\$ 174,578</u>				<u>\$ 1,591,058</u>	<u>\$ 2,047,581</u>
								<u>\$ 408,603</u>	<u>\$ 679,339</u>	<u>\$ 270,736</u>

See notes to financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose 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. 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, currently GASB Statement #14, *The Financial Reporting Entity*.

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 as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the District nor is the District a component unit of another entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The District has the following fund types and account groups:

Governmental funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "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 pay liabilities of the current period. The District considers substantially all revenues available if they are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Property taxes, state foundation revenue, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time.

State Foundation Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2000, the foundation allowance was based on the pupil membership counts taken in February and September of 1999.

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October, 1999 to August, 2000. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 - Accounting for Property Taxes.

State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Governmental funds include the following fund types:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects). The school service funds of the District are accounted for as special revenue funds and include the athletic and food service programs.

The *debt service fund* accounts for the servicing of general long-term debt.

The *capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects. Within the *capital projects fund*, the *sinking fund* accounts for revenue sources that are legally restricted in compliance with PA 312, 1993 which allows school districts to create a sinking fund to be used for the purchase of real estate for sites for, and the construction or repair of, school buildings. For this fund, the District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement.

The *expendable trust fund* is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.

The *agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity (primarily student activities).

Account groups include the following:

The *general fixed assets account group* is used to account for fixed assets not accounted for in proprietary or trust funds.

The *general long-term debt account group* is used to account for general long-term debt and certain other long-term liabilities.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity

1. Cash includes cash on hand and 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.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

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 rated 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.

2. **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.

3. **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 monies collected in advance are also deferred.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

4. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the general and special revenue funds, consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Reported inventories are equally offset by a fund balance reserve, to the extent fund balance exists, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Prepaid expenditures, such as insurance premiums, which are expected to be written off within the next fiscal year are included in net current assets. Reported expenditures 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.

5. 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 are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is September 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. 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.

For the year ended June 30, 2000, the District levied the following amounts per \$1,000 of assessed valuation:

	Fund	Mills
General fund:		
Non-homestead		18.0000
Homestead (hold harmless)		1.3215
Debt service funds		3.8900
Capital projects funds:		
Sinking fund		1.2965

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

6. General Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical costs are available and at an estimated historical costs where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized. Assets in the general fixed asset account group are not depreciated.

7. Compensated Absences

Accumulated vacation, early retirement and sick pay amounts which are expected to be liquidated with expendable available resources (generally sixty days) are recorded in the general fund while the remainder of the liability is recorded in the general long-term debt group of accounts.

8. Unemployment Insurance

The District reimburses the State of Michigan for the actual amount of unemployment benefits disbursed by the State on behalf of the District. Billings received for amounts paid by the State through June 30 are accrued.

9. Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

For governmental fund types, bond premium and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source, net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

10. 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 assets does not constitute "available spendable resources." The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

11. Memorandum Only - Total Column

The total column on the combined general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. 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.

12. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative (i.e., presentations of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to understand.

13. Use of Estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

14. Retirement Plan

Substantially all of the District's employees participate in the Michigan Public School Employees' Retirement System. Additional post employment benefits are also provided by the Michigan Public Schools Employees' Retirement System. See Note 8.

15. Termination Benefits

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 fifteen years. The incentive payments range from 30% to 50% of salary at retirement, based upon years of service.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

C. Assets, Liabilities and Equity (Concluded)

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 six to ten years. Payments ranging up to a maximum of \$7,500 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 recorded by the District in the general long-term debt account group in accordance with the Governmental Accounting Standards Board Statement No. 16. Termination benefits are recorded in accordance with generally accepted accounting principles.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The District maintains a formalized encumbrance accounting system, encumbrances will be reappropriated during the subsequent year.

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 (GAAP basis) and actual - general, special revenue, debt service and capital projects funds.
2. Public hearings are conducted to obtain taxpayer comments.

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

NOTE 3 - CASH AND INVESTMENTS - CREDIT RISK (Concluded)

Pooled investments in the Michigan Class Pool are made in accordance with the provisions of the laws of Michigan. These funds are held in the District's name and are not collateralized or insured.

	1	2	3	Carrying amount	Market value
Classified investments:					
Commercial paper	\$	\$	\$	\$	\$
Unclassified investments:					
Investments in pooled investment funds				225,490	225,490
Total investments				\$ 225,490	\$ 225,490

A reconciliation of cash and investments as shown on the combined balance sheet follows:

Carrying amount of deposits	\$ 7,930,055
Carrying amount of investments	225,490
Cash on hand	2,000
Total	\$ 8,157,545
Cash	\$ 2,000
Investments	8,155,545
Total	\$ 8,157,545

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

- Prior to July 1, the budget is legally adopted by the 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. Any expenditures in violation of the Budgeting Act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget (GAAP basis) and actual - general, special revenue, debt service and capital projects funds.
- The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- Formal budgetary integration is employed as a management control device during the year for the general fund.
- The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

NOTE 3 - CASH AND INVESTMENTS - CREDIT RISK

Deposits

At year end, the carrying amount of the District's deposits were \$7,930,055 including \$5,069,760 of certificates of deposit and the bank balance was \$8,732,285 of which \$200,000 was covered by federal depository insurance and \$8,532,285 was uninsured and uncollateralized. The difference in the bank balance and the District's carrying amount consisted of \$802,230 of outstanding checks, net of outstanding deposits. The District had \$2,000 of petty cash on hand. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

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.

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

NOTE 4 - 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:

	General fund	Special Revenue fund	Debt service fund	Capital projects fund
Grant programs reimbursements:				
ECIA Title I	\$ 231,932	\$	\$	\$
Individuals with Disabilities Education Act	17,729			
Technology Literacy	31,435			
Other grants	46,046			
City of East Lansing	162,949			
State of Michigan - State aid	3,710,064	2,707		
Other - Property/Sales taxes	2,825	143	648	194
	<u>\$ 4,202,980</u>	<u>\$ 2,850</u>	<u>\$ 648</u>	<u>\$ 194</u>

NOTE 5 - DEFERRED REVENUE

Deferred revenue consists of:

	General fund	Special revenue fund
Deferred pop revenue	\$ 63,263	\$
Deferred grant revenue	17,184	
Deferred school lunch commodities		14,480
Deferred cafeteria revenue	<u>\$ 80,447</u>	<u>\$ 25,797</u>

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

NOTE 6 - 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:

1991 capital appreciation (serial) bonds due in annual installments of \$2,095,000 to \$2,405,000 from May 1, 2001 to May 1, 2008, with effective interest at 6.55% to 7.0%.	\$ 18,060,000
Less unrealized appreciation	(4,638,188)
1996 refunding bonds due in annual installments of \$10,000 to \$2,895,000 from May 1, 1997 through May 1, 2014, with interest at 4.20% to 5.35%	<u>\$ 13,421,812</u>
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, 2004. The promissory note is provided under a federal program and is interest free.	15,155,000
Promissory note with the United States Environmental Protection Agency payable in semi-annual installments of \$5,883, commencing June 30, 1989 and continuing until July 31, 2003. The promissory note is provided under a federal program and is interest free.	54,341
Promissory note with the United States Environmental Protection Agency payable in semi-annual installments of \$6,954, commencing May 30, 1991 and continuing until November 30, 2010. The promissory note is provided under a federal program and is interest free.	60,121
Employee compensated absences	125,182
	<u>8,040,398</u>
	<u><u>\$ 36,856,854</u></u>

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

NOTE 6 - LONG-TERM DEBT (Concluded)

The annual requirements to amortize long-term debt, excluding employee compensated absences at June 30, 2000, including interest of \$8,948,627 are as follows:

Year ending June 30,	Promissory notes	Bonded debt	Total
2001	\$ 35,556	\$ 2,955,724	\$ 2,991,280
2002	35,556	3,085,305	3,120,861
2003	35,556	3,204,875	3,240,431
2004	48,610	3,169,435	3,218,045
2005	28,729	3,143,985	3,172,714
2006 - 2014	55,637	26,604,303	26,659,940
	239,644	42,163,627	42,403,271
Less recorded appreciation		(6,282,028)	(6,282,028)
	<u>\$ 239,644</u>	<u>\$ 35,881,599</u>	<u>\$ 36,121,243</u>

An amount of \$1,591,058 is available in the debt service funds to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2000 totaled \$877,038.

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2000:

Long-term debt at July 1, 1999	General obligation
Long-term debt at June 30, 2000	\$ 37,293,069
Refunded Bonds	
Recorded current appreciation on capital appreciation bonds	963,261
Increase in compensated absences	461,080
Deductions:	
Serial bonds retired	(1,825,000)
EPA note payments	(35,556)
Long-term debt at June 30, 2000	<u>\$ 36,856,854</u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2000, a total of \$13,790,000 of bonds outstanding are considered defeased. The defeased bonds are from a 1991 bond issue. The bonds are expected to be redeemed by the irrevocable trust May 1, 2001.

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

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES/OPERATING TRANSFERS

Individual fund due from and to other funds at June 30, 2000 are as follows:

Receivable Fund		Payable Fund	
General Fund	\$ 19,580	General Fund	\$ 76,116
Special Revenue - Athletics	4,123	Special Revenue - Food Service	1,632
Debt Service - 1991	11,819	Special Revenue - Athletics	17,774
Debt Service - 1996	43,868	Debt Service - 1991	80
Capital Projects	19,473	Debt Service - 1996	50
		Capital Projects	44
		Agency Funds - High School	3,167
	<u>\$ 98,863</u>		<u>\$ 98,863</u>

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

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

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2000 were 10.77% of payroll through September 30, 1999 and 11.66% effective October 1, 1999. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2000, 1999 and 1998 were \$2,310,370, \$2,060,080, and \$2,345,370, respectively, equal to the required contribution for each year.

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

Other Postemployment Benefits - Under the MPSERS' Act, all retirees have the option of continuing health, dental, and vision coverage.

NOTE 9 - 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 appropriate for future expenditures. Specific reservations of the fund balance accounts are summarized below.

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 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.

Reserve for sinking fund - This reserve was created to account for the receipt of debt proceeds and property tax millage to be used for the acquisition of fixed assets, construction of major projects, or repair of school facilities.

Designations of fund balances of governmental funds are created by the Board of Education to segregate a portion of the fund balance based on future plans for the use of the financial resources of the District. These funds are not legally restricted. Specific designation of the fund balance accounts are summarized below.

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

NOTE 9 - FUND BALANCES (Concluded)

Asbestos settlement - This designation was created to account for the receipt of settlement funds to be used to satisfy the EPA note payments since the notes arose from asbestos removal throughout the District.	\$ 227,612
1999-00 carryover requests - This designation was created to segregate the portion of fund balance for carryover requests from current year budgets to be spent in 2000-01 on fixed assets or building and site improvements.	167,988
	<u>\$ 395,600</u>

NOTE 10 - REVENUES - LOCAL SOURCES

Local sources of revenues are summarized by major classifications as follows:

	Governmental fund types				Fiduciary fund type	Totals (memorandum only)
	General	Special revenue	Debt service	Capital projects	Expendable trust	
Property taxes	\$ 6,236,052	\$	\$ 2,791,940	\$ 922,378	\$	\$ 9,940,370
Penalties and interest on delinquent taxes	5,504		1,599	547		7,650
M.S.U. reimbursement	215,316		105,448			320,764
Interest on investments	401,348		156,346	104,203		661,897
Community programs	20,660					20,660
Other	252,010	552,076			4,906	808,992
Total local revenues	<u>\$ 7,120,890</u>	<u>\$ 552,076</u>	<u>\$ 3,055,333</u>	<u>\$ 1,027,128</u>	<u>\$ 4,906</u>	<u>\$ 11,760,333</u>

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

NOTE 11 - GENERAL FIXED ASSETS ACCOUNT GROUP

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
Activity by major class:				
Land	\$ 5,000	\$	\$	\$ 5,000
Land improvements	1,496,779	26,282		1,523,061
Buildings and improvements	19,837,441	293,326		20,130,767
Machinery and equipment	7,586,843	420,394	35,753	7,971,484
Vehicles	744,509	35,592		780,101
Total	<u>\$29,670,572</u>	<u>\$ 775,594</u>	<u>\$ 35,753</u>	<u>\$30,410,413</u>
Source of investments:				
General fund	\$ 3,185,080	\$ 450,236	\$ 35,753	\$ 3,599,563
Special revenue fund	67,898	12,848		80,746
Capital projects fund	<u>26,417,594</u>	<u>312,510</u>		<u>26,730,104</u>
	<u>\$29,670,572</u>	<u>\$ 775,594</u>	<u>\$ 35,753</u>	<u>\$30,410,413</u>

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NOTE 12 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District carries commercial insurance for other risks of loss, including employee health and accident insurance, workers' disability compensation and property and casualty insurance.

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DRAFT LEGAL OPINION

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 amount of \$66,080,000, designated 2000 School Building and Site Bonds (General Obligation-Unlimited Tax) (the "Bonds").

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

The Bonds are dated November 30, 2000, are subject to redemption prior to maturity at the option of the Issuer in the manner and at the times 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, 2001, 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>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2001	\$ 730,000	4.300%	2012	\$ 1,750,000	5.000%
2002	1,000,000	4.400	2013	1,750,000	5.750
2003	1,000,000	4.450	2014	2,150,000	5.750
2004	1,075,000	4.500	2015	2,600,000	5.750
2005	1,150,000	4.550	2016	2,650,000	5.350
2006	1,175,000	4.600	2017	2,700,000	5.400
2007	1,175,000	4.600	2018	2,750,000	5.400
2008	1,200,000	4.650	2019	2,800,000	5.450
2009	1,750,000	4.700	2020	2,850,000	5.500
2010	1,750,000	4.800	2021	2,900,000	5.500
2011	1,750,000	4.900	2030	27,425,000	5.625

THRUN, MAATSCH AND NORDBERG, P. C.

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

Page 2

The Bonds maturing on May 1, 2030, are term Bonds subject to mandatory redemption in part, by lot, on the redemption dates and at the redemption price equal to the principal amount thereof as provided in the Bonds.

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 Treasurer of the State of Michigan qualifying the Bonds for purposes of Article IX, Section 16, of the Michigan Constitution, 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 obligation 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 qualified pursuant to Act 108, Public Acts of Michigan, 1961, as amended, enacted pursuant to Article IX, Section 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 and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof; and
- (6) 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

THRUN, MAATSCH AND NORDBERG, P. C.

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

Page 3

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 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 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.

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CONTINUING DISCLOSURE AGREEMENT**\$66,080,000**

**SCHOOL DISTRICT OF THE CITY OF EAST LANSING
COUNTIES OF INGHAM AND CLINTON
STATE OF MICHIGAN
2000 SCHOOL BUILDING AND SITE BONDS
(GENERAL OBLIGATION - UNLIMITED TAX)**

This Continuing Disclosure Agreement (the "Agreement") is executed and delivered by School District of the City of East Lansing, Counties of Ingham and Clinton, State of Michigan (the "Issuer"), in connection with the issuance of \$66,080,000 2000 School Building and Site Bonds (General Obligation - Unlimited Tax) (the "Bonds"). The Bonds are being issued pursuant to Resolutions adopted by the Board of Education of the Issuer on October 9, 2000, and November 17, 2000 (the "Resolutions"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Agreement is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with the Rule. The Issuer acknowledges that this Agreement does not address the scope of any application of Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act to the Annual Reports or notices of the Listed Events provided or required to be provided by the Issuer pursuant to this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Agreement.

"Bondholder" means the registered owner of a Bond or any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

"Dissemination Agent" means any agent designated as such in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation, and such agent's successors and assigns.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following are National Repositories:

Bloomberg Municipal Repositories
P.O. Box 840
Princeton, New Jersey 08542-0840
Tel: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

Interactive Data
Attn: Repository
100 Williams Street
New York, New York 10038
Tel: (212) 771-6899
Fax: (212) 771-7390
E-Mail: NRMSIR@interactivedata.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Tel: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

Standard & Poor's J.J. Kenny Repository
55 Water St. - 45th Floor
New York, New York 10041
Tel: (212) 438-4595
Fax: (212) 438-3975

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

"Official Statement" shall mean the final Official Statement for the Bonds dated November 17, 2000.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Resolution" shall mean the resolutions duly adopted by the Issuer authorizing the issuance, sale and delivery of the Bonds.

"Rule" shall mean Rule 15c2-12 promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time.

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the State of Michigan.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the SEC. Currently, the following is the State Repository:

Municipal Advisory Council of Michigan
1445 First National Building
Detroit, Michigan 48226-3517
Tel: (313) 963-0420
Fax: (313) 963-0943

SECTION 3. Provision of Annual Reports.

(a) Each year, the Issuer shall provide, or shall cause the Dissemination Agent to provide, on or prior to the 180th day after the end of the fiscal year of the Issuer commencing with the fiscal year ending June 30, 2001, to each Repository an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Agreement. Currently, the Issuer's fiscal year ends on June 30. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information as provided in Section 4 of this Agreement; provided, however, that if the audited financial statements of the Issuer are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the financial statements contained in the Official Statement shall be included in the Annual Report.

(b) If the Issuer is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Issuer shall send a notice in a timely manner to the MSRB and to the State Repository in substantially the form attached as Appendix A.

(c) If the Issuer's fiscal year changes, the Issuer shall send a notice of such change to the MSRB and to the State Repository in substantially the form attached as Appendix B. If such change will result in the Issuer's fiscal year ending on a date later than the ending date prior to such change, the Issuer shall provide notice of such change to the MSRB and to the State Repository on or prior to the deadline for filing the Annual Report in effect when the Issuer operated under its prior fiscal year. Such notice may be provided to the MSRB and to the State Repository along with the Annual Report, provided that it is filed at or prior to the deadline described above.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) audited financial statements of the Issuer prepared pursuant to State laws, administrative rules and guidelines and pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles as applicable to governmental units as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time; and

(b) additional annual financial information and operating data as set forth in the Official Statement under "CONTINUING DISCLOSURE".

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which previously have been provided to each of the Repositories or filed with the SEC. If the document included by

specific reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer covenants to provide, or cause to be provided, notice of the occurrence of any of the following events with respect to the Bonds, if material, in accordance with the Rule:

- (1) principal and interest payment delinquencies
- (2) non-payment related defaults
- (3) unscheduled draws on debt service reserves reflecting financial difficulties
- (4) unscheduled draws on credit enhancements reflecting financial difficulties
- (5) substitution of credit or liquidity providers, or their failure to perform
- (6) adverse tax opinions or events affecting the tax-exempt status of the security
- (7) modifications to rights of security holders
- (8) bond calls
- (9) defeasances
- (10) release, substitution, or sale of property securing repayment of the securities
- (11) rating changes

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would constitute material information for the Bondholders, provided, that any event under Section 5(a)(1), (8), (9), (10) or (11) above (only with respect to any change in any rating on the Bonds) will always be deemed to be material.

(c) The Issuer shall promptly cause a notice of the occurrence of a Listed Event, determined to be material in accordance with the Rule, to be filed with the MSRB and with the State Repository together with a material event notice cover sheet substantially in the form attached as Appendix C. In connection with providing a notice of the occurrence of a Listed Event described in Section 5(a)(9) above, the Issuer shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) The Issuer acknowledges that the "rating changes" referred to above in Section 5(a)(11) of this Agreement may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the Issuer is liable, or on any general obligation indebtedness for which the State is liable.

(e) The Issuer acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the Issuer does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

SECTION 6. Termination of Reporting Obligation.

(a) The Issuer's obligations under this Agreement shall terminate upon the legal defeasance of the Resolution or the prior redemption or payment in full of all of the Bonds.

(b) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (i) receives an opinion of nationally recognized bond counsel, addressed to the Issuer, to the effect that those portions of the Rule, which require such provisions of this Agreement, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) delivers notice to such effect to the MSRB, and to the State Repository, if any.

SECTION 7. Dissemination Agent. The Issuer, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment. Notwithstanding any other provision of this Agreement, this Agreement may be amended, and any provision of this Agreement may be waived to the effect that:

(i) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the Issuer, or the types of business in which the Issuer is engaged;

(ii) this Agreement as so amended or taking into account such waiver, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, in the opinion of independent legal counsel; and

(iii) such amendment or waiver does not materially impair the interests of the Bondholders, in the opinion of independent legal counsel.

If the amendment or waiver results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Agreement, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. If the amendment or waiver involves a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared based on the new accounting principles and those prepared based on the former accounting principles. The comparison should include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison should also be quantitative. A notice of the change in the accounting principles should be sent by the Issuer to the MSRB and to the State Repository. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the

operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

SECTION 9. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Resolution or the Bonds, and the sole remedy under this Agreement in the event of any failure of the Issuer to comply with the Agreement shall be an action to compel performance.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement.

SECTION 12. Beneficiaries. This Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters, and the Bondholders and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

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

By: _____
Its: Superintendent

Dated: November 30, 2000

APPENDIX A

**NOTICE TO THE MSRB AND TO THE STATE REPOSITORY
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: School District of the City of East Lansing, Ingham and Clinton Counties,
Michigan

Name of Bond Issue: 2000 School Building and Site Bonds (General Obligation - Unlimited Tax)

Date of Bonds: November 30, 2000

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of its Continuing Disclosure Agreement with respect to the Bonds. The Issuer anticipates that the Annual Report will be filed by _____.

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

By: _____
Its: Superintendent

Dated: _____

APPENDIX B

NOTICE TO THE MSRB AND THE STATE REPOSITORY
OF CHANGE IN ISSUER'S FISCAL YEAR

Name of Issuer: School District of the City of East Lansing, Ingham and Clinton Counties,
Michigan

Name of Bond Issue: 2000 School Building and Site Bonds (General Obligation - Unlimited Tax)

Date of Bonds: November 30, 2000

NOTICE IS HEREBY GIVEN that the Issuer's fiscal year has changed. Previously, the
Issuer's fiscal year ended on _____. It now ends on _____.

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

By: _____
Its: Superintendent

Dated: _____

APPENDIX C

MATERIAL EVENT NOTICE COVER SHEET

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board and the State Repository pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or other Obligated Person's Name: _____

Issuer's Six-Digit CUSIP Number(s): _____

or Nine-Digit CUSIP Number(s) to which this material event notice relates: _____

Number of pages of attached material event notice: _____

Description of Material Events Notice (Check One):

1. _____ Principal and interest payment delinquencies
2. _____ Non-payment related defaults
3. _____ Unscheduled draws on debt service reserves reflecting financial difficulties
4. _____ Unscheduled draws on credit enhancements reflecting financial difficulties
5. _____ Substitution of credit or liquidity providers, or their failure to perform
6. _____ Adverse tax opinions or events affecting the tax-exempt status of the security
7. _____ Modifications to rights of securities holders
8. _____ Bond calls
9. _____ Defeasances
10. _____ Release, substitution, or sale of property securing repayment of the securities
11. _____ Rating changes
12. _____ Failure to provide annual financial information as required
13. _____ Other material event notice (specify) _____

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Employer: _____

Address: _____

City, State, Zip Code: _____

Voice Telephone Number (_____) _____

**Please print the material event notice attached to this cover sheet in 10-point type or larger.
The cover sheet and notice may be faxed to the MSRB at (703) 683-1930. Contact the MSRB at
(202) 223-9503 with questions regarding this form or the dissemination of this notice.**

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