

LANSING SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2009

CONTENTS

	<u>Page</u>
Independent auditors' report	iv - v
Management's Discussion and Analysis	vi - xvii
Basic financial statements	1
Government-wide financial statements	
Statement of net assets	2 - 3
Statement of activities.....	4
Fund financial statements	
Balance sheet - governmental funds	5 - 6
Statement of revenue, expenditures and changes in fund balances - governmental funds.....	7 - 8
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities.....	9
Fiduciary funds	
Statement of fiduciary net assets.....	10
Statement of changes in fiduciary net assets.....	11
Notes to financial statements.....	12 - 28
Required supplementary information	29
Budgetary comparison schedule - general fund.....	30
Additional information	31
Nonmajor governmental fund types	
Combining balance sheet	32
Combining statement of revenues, expenditures, and changes in fund balances	33

CONTENTS

	<u>Page</u>
Special revenue funds	
Combining balance sheet	34
Combining statement of revenues, expenditures and changes in fund balances	35
Debt service funds	
Combining balance sheet	36
Combining statement of revenues, expenditures and changes in fund balances	37
Capital projects funds	
Combining balance sheet	38
Combining statement of revenues, expenditures and changes in fund balances.....	39
Fiduciary funds	
Combining balance sheet	40
Statement of revenues, expenditures and fund balances - private purpose trust fund	41
Statement of cash receipts, disbursements and liabilities by school - agency fund	42
General long-term debt group of accounts	
Bonded debt	43 - 47
Lease purchase - principal and interest requirements	48
Schedule of investments and certificates of deposit	49

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Lansing School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lansing School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of June 30, 2009 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2009, on our consideration of Lansing School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xvii and 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lansing School District's basic financial statements. The additional information on pages 32 through 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Manes Costeiran PC

October 16, 2009

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

This section of the Lansing School District’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended on June 30, 2009. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

District-Wide Financial Statements

The first two statements are district-wide financial statements that provide short-term and long-term financial information about the District’s overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District’s assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

Fund Financial Statements

For the most part, the fund financial statements are comparable to financial statements for fiscal years prior to 2003-04. The primary difference is that the Account Groups (General Fixed Asset and General Long-term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with the requirements of the Michigan Department of Education’s “Accounting Manual”. In the state of Michigan, school districts’ major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years’ debt service are not recorded in the fund financial statements.

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Summary of Net Assets

The following schedule summarizes the net assets for fiscal years ended June 30, 2009 and 2008:

Assets	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Current assets	\$ 53,891,280	\$ 50,586,383
Capital assets	176,652,925	175,833,348
Less: Accumulated depreciation	<u>(82,286,470)</u>	<u>(77,958,247)</u>
Capital assets, net book value	94,366,455	97,875,101
Other noncurrent assets	<u>388,759</u>	<u>423,275</u>
Total assets	\$ <u>148,646,494</u>	\$ <u>148,884,759</u>
 Liabilities		
Current liabilities	\$ 33,950,991	\$ 31,634,005
Long-term liabilities	<u>67,129,344</u>	<u>73,660,568</u>
Total liabilities	<u>101,080,335</u>	<u>105,294,573</u>
 Net Assets		
Invested in capital assets, net of related debt	27,814,386	27,510,683
Restricted for debt service	2,105,070	1,363,555
Unrestricted	<u>17,646,703</u>	<u>14,715,948</u>
Total net assets	47,566,159	43,590,186
Total liabilities and net assets	\$ <u>148,646,494</u>	\$ <u>148,884,759</u>

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Analysis of Financial Position

During the fiscal year ended June 30, 2009, the District's net assets increased by \$3,975,973. A few of the more significant factors affecting net assets during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the assets less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2009, \$4,328,223 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2009, \$823,077 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets (\$823,077), assets disposed of during the fiscal year (\$3,500), and the current year's depreciation (\$4,328,223) is a net decrease to capital assets in the amount of \$3,508,646 for the fiscal year ended June 30, 2009. The net decrease in capital assets is due mainly to depreciation offset by capital acquisition.

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Results of Operations

For the fiscal years ended June 30, 2009 and 2008, the results of operations, on a District-wide basis, were:

	<u>Fiscal year ended 6/30/2009</u>		<u>Fiscal year ended 6/30/08</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
General Revenues				
Property taxes	\$ 30,362,639	16.3	\$ 30,922,950	16.4
Investment earnings	431,165	0.2	1,098,698	0.6
State sources	90,759,252	48.4	96,253,958	51.0
Federal - Unrestricted	5,434,419	2.9		
County special education allocation	8,504,829	4.5	10,006,617	5.3
Other	<u>928,462</u>	<u>.5</u>	<u>2,795,867</u>	<u>1.5</u>
Total general revenues	136,420,766	72.8	141,078,090	74.8
Program Revenues				
Charges for services	2,650,171	1.4	3,305,558	1.7
Operating grants	<u>48,374,899</u>	<u>25.8</u>	<u>44,307,745</u>	<u>23.5</u>
Total revenues	<u>187,445,836</u>	<u>100.0</u>	<u>188,691,393</u>	<u>100.0</u>
Expenses				
Instruction	97,983,212	53.3	97,124,211	53.0
Support services	71,143,187	38.8	72,291,002	39.4
Community services	650,706	0.4	553,581	0.3
Food services	6,889,976	3.8	6,497,522	3.5
Athletics	2,129,880	1.2	2,217,337	1.2
Interest on long-term debt	2,998,181	1.6	2,991,646	1.6
Unallocated depreciation expense	<u>1,674,721</u>	<u>0.9</u>	<u>1,797,908</u>	<u>1.0</u>
Total expenses	<u>\$ 183,469,863</u>	<u>100.0</u>	<u>\$ 183,473,207</u>	<u>100.0</u>
Increase (decrease) in net assets	<u>\$ 3,975,973</u>		<u>\$ 5,218,186</u>	

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Analysis of Significant Revenue and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levies 18 mills of property taxes for operations on non-principal resident exempt property and 6 mills on commercial personal property, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of increase in the prior year's Consumer Price Index or 5%, whichever is less. At the time the property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is one half of the property's market value.

For the 2008-2009 fiscal year, the District levied \$23,203,833 in non-principal property taxes. This amount represented a decrease of (6.1%) from the prior year. The decrease is directly related to the changes in legislations for tax year 2008.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

<u>Fiscal Year</u>	<u>Non-homestead Tax Levy</u>	<u>% Increase (Decrease) From Prior Year</u>
2008-2009	\$ 23,203,833	(6.1%)
2007-2008	24,704,452	3.4%
2006-2007	23,899,051	1.4%
2005-2006	23,577,830	4.5%
2004-2005	22,557,846	3.0%

2. State Sources

The majority of the state sources of revenue is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior fiscal year's spring count. For the 2008-2009 fiscal year, the District received \$7,835 per student (FTE) inclusive of the \$163 per pupil received for class size reduction, which represented an increase of \$98 per pupil from the amount received for the 2007-2008 fiscal year.

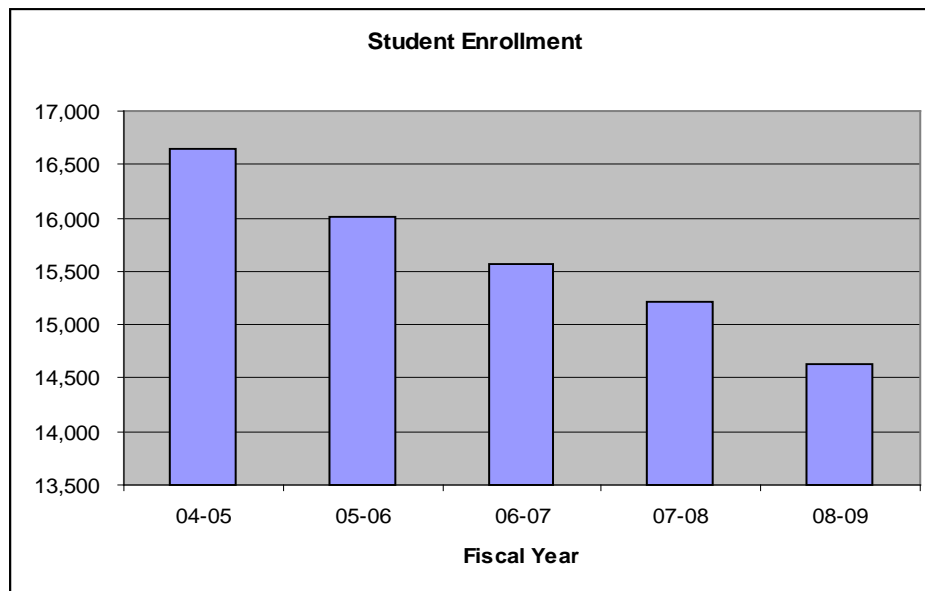
Lansing School District

Management Discussion and Analysis For the Fiscal Year Ended June 30, 2009

3. Student Enrollment

Student enrollment has declined by 12.1% during the last 5 years.

<u>Fiscal Year</u>	<u>Actual Blended Student FTE</u>
2008-2009	14,630
2007-2008	15,215
2006-2007	15,561
2005-2006	16,007
2004-2005	16,644



4. Operating Grants

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2009, federal, state, and other grants accounted for \$48,374,899 (excludes \$5,434,419 ARRA Stabilization funds). This amount represents a 9% increase from the total grant sources of \$44,307,745 received for the 2007-2008 fiscal year.

Lansing School District

Management Discussion and Analysis For the Fiscal Year Ended June 30, 2009

5. County Special Education Allocation

For the fiscal year ended June 30, 2009, the District received a net allocation from the Ingham Intermediate School District in the amount of \$9,470,846 to assist with the education of students with special needs. This amount represents a decrease of \$1,933,075 as compared to the allocation of \$11,403,921 received during the 2007-2008 Fiscal Year.

6. Interest Earnings

The District received interest on its investment of short-term available cash in the amount of \$431,162 for the fiscal year ended June 30, 2009. Interest revenues are less than the prior fiscal year by \$667,536 due in part to a significant decline in interest rates as well as a shift in investment tools to better secure our funds – including the utilization of NOW accounts. NOW accounts provided interest rates that were typically less than 0.50%, yet our funds were 100% insured.

7. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

	2008-2009	2007-2008	Increase
<u>Expenditures</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>(Decrease)</u>
Instruction	\$ 96,196,116	\$ 98,513,082	\$ (2,316,966)
Supporting services	70,708,456	71,030,628	(322,172)
Food service activities	6,854,548	6,450,878	403,670
Athletic activities	1,627,126	1,714,712	(87,586)
Community service activities	645,662	552,606	93,056
Capital outlay	1,284,480	4,966,180	(3,681,700)
Debt service	<u>6,800,233</u>	<u>6,306,554</u>	<u>493,679</u>
Total expenditures	<u>\$ 184,116,621</u>	<u>\$ 189,534,640</u>	<u>\$ (5,418,019)</u>

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

8. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2008-2009 fiscal year, the District amended the general fund budget twice, with the Board adopting the final changes in June, 2009.

The following schedule shows a comparison of the original general fund budget, the final amended budget, and actual totals from operations.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>% Variance</u>
Total Revenues	\$ 179,894,000	\$ 181,804,000	\$ 170,727,242	\$ (11,076,758)	(6.1)
Expenditures					
Instruction	\$ 106,130,000	\$ 103,723,000	\$ 96,196,116	\$ 7,526,884	7.3
Supporting Services	71,799,000	73,765,000	70,708,456	3,056,544	4.1
Community Services	<u>703,000</u>	<u>1,028,000</u>	<u>645,662</u>	<u>382,338</u>	<u>37.19</u>
Total Expenditures	<u>\$ 178,632,000</u>	<u>\$ 178,516,000</u>	<u>\$167,550,234</u>	<u>\$ 10,965,766</u>	<u>6.14</u>
Other Financing					
Sources (Uses) – transfers out	<u>\$ (2,680,000)</u>	<u>\$ (3,315,000)</u>	<u>\$ (2,687,445)</u>	<u>\$ 627,555</u>	<u>(18.93)</u>

The original revenue budget of \$179.9 million was increased to \$181.8 million to recognize the effect of additional State categorical grant funding and the effect of Federal ARRA Stabilization revenues.

The District's budgeting process budgets for all grants at the awarded amounts. This budgeting process will always result in a variance between the grant amount awarded and the actual amount spent. Approximately \$11 million of the budget variance is accounted for by the variance in grants awarded verses grants expended.

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Capital Asset and Debt Administration

Capital Assets

By the end of the 2008-2009 fiscal year, the District had invested approximately \$176.7 million in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of approximately \$820,000 over the prior fiscal year. Depreciation expense for the year amounted to approximately \$4.32 million, bringing the accumulated depreciation to approximately \$82.2 million as of June 30, 2009.

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2009 Net Book Value</u>	<u>2008 Net Book Value</u>
Land	\$ 4,516,617	\$	\$ 4,516,617	\$ 4,520,117
Construction in progress	1,672,916		1,672,916	2,224,016
Land improvements	18,909,223	9,395,747	9,513,476	10,182,035
Buildings and additions	131,968,920	58,953,862	73,015,058	74,922,634
Buses	4,646,066	4,227,303	418,763	733,990
Transportation equipment	1,376,674	1,333,664	43,010	101,106
Machinery and equipment	<u>13,562,509</u>	<u>8,375,894</u>	<u>5,186,615</u>	<u>5,191,203</u>
	<u>\$176,652,925</u>	<u>\$ 82,286,470</u>	<u>\$ 94,366,455</u>	<u>\$ 97,875,101</u>

Long-term Debt

At June 30, 2009, the District had approximately \$69 million in bonded debt outstanding. Total outstanding debt decreased as the District continued to pay down its debt, retiring \$3.9 million of outstanding bonds.

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- The District received a student foundation allowance from the State of Michigan of \$7,835 per pupil for the 2008-2009 school year. (Effective for fiscal year 2007-2008 the State has included the reduced class size allocation in the student foundation allowance, giving the appearance that the student foundation allowance increased more than it really had. The inclusion of the reduced class size allocation accounts for \$163 of the increase in the foundation allowance.) Adjusted for the inclusion of the reduced class allocation, the District received \$7,672 from the student foundation allowance, an increase of \$98 from the \$7,574 received in the 2007-2008 fiscal year. Although the threat of pro-ration or reduction of this initial allocation and other categorical grants was under consideration throughout the fiscal year, the State was able to maintain the level of payment that was originally authorized at the beginning of the school year. However, the economic difficulties faced by Michigan are expected to continue through at least the next five years and funding for education is uncertain at this point.
- Future funding levels for education are expected to reflect the long-range outlook for the state economy. A number of factors have been identified that will affect the overall financial health of the state as well as that of the residents of Michigan. Continuing population loss, decreasing birth rates, erosion of the automobile and other manufacturing bases and the resulting decline in tax revenue will have a direct effect on the District's ability to provide a quality education for the students of the Lansing School District. The Citizens Research Council is predicting a 14.3% decline over the next ten years in the population within the 5 to 17 year age range that makes up the student base across the state. This alarming downward trend and the resulting expected decrease in funding levels will make it difficult to continue existing educational programs and to plan and implement innovative programs to meet the needs of the students of the District.

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

- A number of initiatives which were introduced by the District's Superintendent, Dr. T. C. Wallace Jr., and subsequently were approved by the board, that are designed to provide direction and focus for achievement in the District were implemented during the 2007-2008 fiscal year. Based on the theme of Accountability-Attitude-Achievement, eleven goals have been set that established the school system's educational priorities for 2008-09 and future years. In addition to goals that directly relate to the education of students, other goals call for the development of a comprehensive strategic plan to cover the period 2008-2012 and the establishment and maintenance of sound fiscal management and accountability systems that maximize financial resources through performance-based systems. The development of a comprehensive five-year financial plan will enable administrators to ensure that financial resources are used in the most efficient and effective manner. As a result of these initiatives, the District has achieved "AYP" (Adequate Yearly Progress) status for the 2008-09 school year. Thirty one of the District's thirty three schools made AYP as required under the No Child Left Behind act (NCLB).
- The District adopted a modified zero based budgeting process for the 2008-2009 fiscal year in which the building budget allocations are based on a per pupil amount. The modified zero based budgeting process is a three year process, fiscal year 2009-2010 marks the second phase of the process. Through the modified zero based budgeting process, the budget is driven directly by student enrollment and student programming needs.
- The District has established a Community Advisory Task Force Committee for Right Sizing. The Task Force was comprised of parents, staff, community business leaders, political leaders and many others. This Task Force has been established to address issues such as declining enrollment, inadequate funding, rising costs and aging buildings. The primary goal of the task force is to identify how to make the best use of its buildings in the midst of declining enrollment and other financial pressures. A recommended course of action was expected to be presented by the Task Force. The District has received the report from the Community Advisory Task Force Committee for Right Sizing and has considered its recommendation. In an effort to right size, the District has closed two of its elementary schools and its centralized vocational program at Hill.

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

- The District established a Promise Zone under the Michigan Promise Zone Authority Act, Act 549 of 2008. The intent of the Promise Zone is to increase the economic viability of our community, to encourage families to move into the District, providing scholarship to its students - resulting in an increase in students for the District, and to encourage continued education for our youth. It is anticipated that the District will experience an increase in enrollment and ultimately the community will experience a significant increase in the number of our children that will elect to further their education by attending college. Additionally, it is anticipated that the number of our children that typically do not attend college due to financial constraints, will now be able to attend college with the assistance of the Promise Zone scholarship. The Promise Zone Authority is in the process of establishing bylaws, criteria, etc., for the award of a Promise Zone Scholarship.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Chief Financial Officer's office, Lansing School District, 519 W. Kalamazoo Street, Lansing, Michigan, 48933.

BASIC FINANCIAL STATEMENTS

**LANSING SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	<u>Governmental activities</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 22,276,692
Receivables:	
Accounts receivable	246,160
Taxes receivable	146,187
Interest receivable	451
Due from other governmental units	25,597,861
Inventories	382,794
Prepaid expenditures	419,184
Restricted cash - capital projects	<u>4,821,951</u>
TOTAL CURRENT ASSETS	<u>53,891,280</u>
NONCURRENT ASSETS:	
Capital assets	176,652,925
Less accumulated depreciation	<u>(82,286,470)</u>
Capital assets net of accumulated depreciation	94,366,455
Deferred charges, net of amortization	<u>388,759</u>
TOTAL NONCURRENT ASSETS	<u>94,755,214</u>
 TOTAL ASSETS	 <u><u>\$ 148,646,494</u></u>

	Governmental activities
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 1,604,167
Accrued salaries and related items	14,096,699
Accrued interest	1,240,006
Accrued expenses	200,000
Deferred revenue	8,786,485
Current portion of long-term obligations	6,002,278
Current portion of compensated absences	2,021,356
	<hr/>
TOTAL CURRENT LIABILITIES	33,950,991
	<hr/>
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	64,315,560
Compensated absences	2,813,784
	<hr/>
TOTAL NONCURRENT LIABILITIES	67,129,344
	<hr/>
TOTAL LIABILITIES	101,080,335
	<hr/>
NET ASSETS:	
Invested in capital assets net of related debt	27,814,386
Restricted for debt service	2,105,070
Unrestricted	17,646,703
	<hr/>
TOTAL NET ASSETS	47,566,159
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 148,646,494
	<hr/> <hr/>

**LANSING SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 97,983,212	\$ 912,004	\$28,242,537	\$ (68,828,671)
Support services	71,143,187	400,652	9,882,580	(60,859,955)
Community services	650,706	-	4,103,040	3,452,334
Food services	6,889,976	1,165,882	6,146,742	422,648
Athletics	2,129,880	171,633	-	(1,958,247)
Interest on long-term debt	2,998,181	-	-	(2,998,181)
Unallocated depreciation	1,674,721	-	-	(1,674,721)
Total governmental activities	<u>\$ 183,469,863</u>	<u>\$ 2,650,171</u>	<u>\$48,374,899</u>	<u>(132,444,793)</u>
General revenues:				
Property taxes, levied for general purposes				23,915,313
Property taxes, levied for debt service				6,447,326
Investment earnings				431,165
State sources				90,759,252
Federal ARRA unrestricted				5,434,419
Ingham ISD special education allocation				8,504,829
Other				928,462
Total general revenues				<u>136,420,766</u>
CHANGE IN NET ASSETS				3,975,973
NET ASSETS, beginning of year				<u>43,590,186</u>
NET ASSETS, end of year				<u>\$ 47,566,159</u>

**LANSING SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General fund	2003 bond capital projects fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 17,129,111	\$ -	\$ 5,147,581	\$ 22,276,692
Receivables:				
Property taxes receivable	146,061	-	126	146,187
Accounts receivable	213,710	520	31,930	246,160
Interest receivable	451	-	-	451
Due from other governmental units	24,841,292	-	756,569	25,597,861
Due from other funds		-	4,090,825	4,090,825
Inventories	166,004	-	216,790	382,794
Prepaid expenditures	419,184	-	-	419,184
Restricted cash - capital projects		4,821,951	-	4,821,951
TOTAL ASSETS	\$ 42,915,813	\$ 4,822,471	\$ 10,243,821	\$ 57,982,105
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,016,363	\$ 95,453	\$ 492,351	\$ 1,604,167
Accrued salaries and related items	14,033,573	-	63,126	14,096,699
Due to other funds	1,196,797	1,789,105	1,104,923	4,090,825
Accrued expenses	200,000	-	-	200,000
Deferred revenue	9,120,754	-	126	9,120,880
TOTAL LIABILITIES	25,567,487	1,884,558	1,660,526	29,112,571

See notes to financial statements.

	General fund	2003 bond capital projects fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:				
Reserved for inventories	\$ 166,004	\$ -	\$ -	\$ 166,004
Reserved for prepaid expenditures	419,184	-	-	419,184
Reserved for debt service			3,345,076	3,345,076
Designated for subsequent years' expenditures	2,993,000	-	-	2,993,000
School carryover	344,553	-	-	344,553
Unreserved, undesignated general fund	13,425,585			13,425,585
Unreserved, undesignated special revenue funds			100,194	100,194
Unreserved, undesignated capital projects funds		2,937,913	5,138,025	8,075,938
TOTAL FUND BALANCES	<u>17,348,326</u>	<u>2,937,913</u>	<u>8,583,295</u>	<u>28,869,534</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 42,915,813</u>	<u>\$ 4,822,471</u>	<u>\$ 10,243,821</u>	<u>\$ 57,982,105</u>
Total governmental fund balances				\$ 28,869,534
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
Capital assets			\$ 176,652,925	
Accumulated depreciation			<u>(82,286,470)</u>	94,366,455
The value of amortized bond issuance costs			565,379	
Accumulated amortization			<u>(176,620)</u>	388,759
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(68,995,484)
Capital lease payable				(1,322,354)
Compensated absences				(4,835,140)
Accrued interest is not included as a liability in government funds, it is recorded when paid				(1,240,006)
Deferred due from other governmental units at June 30, 2009 expected to be collected after September 1, 2009				261,364
Deferred property taxes receivable at June 30, 2009 expected to be collected after September 1, 2009				<u>73,031</u>
Net assets of governmental activities				<u>\$ 47,566,159</u>

See notes to financial statements.

LANSING SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	<u>General fund</u>	<u>2003 Bond capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ 24,022,850	\$ -	\$ 6,496,057	\$ 30,518,907
Investment earnings	240,220	55,782	135,163	431,165
Food sales and athletic admissions	-	-	1,331,653	1,331,653
Other	2,112,991	-	2,305,862	4,418,853
	<u>26,376,061</u>	<u>55,782</u>	<u>10,268,735</u>	<u>36,700,578</u>
Total local sources				
State sources	100,407,754	-	925,940	101,333,694
Federal sources	34,472,581	-	5,708,094	40,180,675
Incoming transfers	9,470,846	-	-	9,470,846
	<u>170,727,242</u>	<u>55,782</u>	<u>16,902,769</u>	<u>187,685,793</u>
Total revenues				
EXPENDITURES:				
Current:				
Instruction	96,196,116	-	-	96,196,116
Supporting services	70,708,456	-	-	70,708,456
Food service activities	-	-	6,854,548	6,854,548
Athletic activities	-	-	1,627,126	1,627,126
Community service activities	645,662	-	-	645,662
Capital outlay	-	624,945	659,535	1,284,480

See notes to financial statements.

	<u>General fund</u>	<u>2003 Bond capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
EXPENDITURES:				
Debt service:				
Principal repayment	\$ -	\$ -	\$ 3,886,179	\$ 3,886,179
Interest expense	-	-	2,912,763	2,912,763
Other expense	-	-	1,291	1,291
Total expenditures	<u>167,550,234</u>	<u>624,945</u>	<u>15,941,442</u>	<u>184,116,621</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,177,008</u>	<u>(569,163)</u>	<u>961,327</u>	<u>3,569,172</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	609,174	-	3,296,619	3,905,793
Operating transfers to other funds	(3,296,619)	-	(609,174)	(3,905,793)
Total other financing sources (uses)	<u>(2,687,445)</u>	<u>-</u>	<u>2,687,445</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	489,563	(569,163)	3,648,772	3,569,172
FUND BALANCES:				
Beginning of year	<u>16,858,763</u>	<u>3,507,076</u>	<u>4,934,523</u>	<u>25,300,362</u>
End of year	<u>\$ 17,348,326</u>	<u>\$ 2,937,913</u>	<u>\$ 8,583,295</u>	<u>\$ 28,869,534</u>

See notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

Net change in fund balances total governmental funds \$ 3,569,172

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(4,328,223)
Capital outlay	823,077
Value of fixed asset disposal not depreciated	(3,500)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is recorded in governmental funds when it is paid:

Accrued interest payable beginning of the year	1,154,588
Accrued interest payable end of the year	(1,240,006)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items as follows:

Payments on debt	4,222,105
Amortization expense - deferred charges	(34,516)
Amortized premium	192,887

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred revenue, beginning of the year	(574,353)
Deferred revenue, end of the year	334,395

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences beginning of the year	4,695,487
Accrued compensated absences end of the year	(4,835,140)

Change in net assets of governmental activities \$ 3,975,973

**LANSING SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009**

	Private purpose trust fund	Agency fund
ASSETS	<u> </u>	<u> </u>
ASSETS:		
Cash	\$ 4,000	\$ 3,066,478
Accounts receivable	894,954	2,896
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 898,954</u></u>	<u><u>\$ 3,069,374</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 676	\$ 2,034,569
Accrued expenses	6,865	80
Due to student groups	-	1,034,725
	<u> </u>	<u> </u>
TOTAL LIABILITIES	7,541	3,069,374
NET ASSETS:		
Reserved for trust activities	<u>891,413</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 898,954</u></u>	<u><u>\$ 3,069,374</u></u>

**LANSING SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2009**

	Private purpose trust fund
ADDITIONS:	
Donations	\$ 148,030
Interest earnings	10,428
Other	40,572
Total additions	199,030
DEDUCTIONS:	
Scholarships awarded	26,146
Other	166,727
Total deductions	192,873
CHANGE IN NET ASSETS	6,157
NET ASSETS:	
Beginning of year	885,256
End of year	\$ 891,413

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Lansing School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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

The Lansing School District (the "District") is governed by the Lansing School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

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

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

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 *2003 capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Concluded)

The following is a summary of the revenue and expenditures for the 2003 bond:

Revenue	<u>\$ 4,895,394</u>
Expenditures and transfers	<u>\$ 69,512,430</u>

The above revenue figure does not include original bond proceeds of \$67,554,949.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects funds* account for the receipt of debt proceeds and transfers from the general fund for the acquisition of fixed assets or construction of major capital projects.

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. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where both the principal and interest may be spent. These funds are not reported on the District financial statements.

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period unless there are special circumstances. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide 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, 2009, the foundation allowance was based on pupil membership counts taken in February and September of 2008.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

State Revenue (Concluded)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October 2008 to August 2009. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. 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. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

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.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 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 dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2009, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	17.9262
Commercial Personal Property	5.9262
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	2.218

3. Inventories and prepaid expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. 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 asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 20 years
Land improvements	20 years
Transportation equipment	7 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are analyzed on a case-by-case basis.

6. Compensated absences

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal 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 and presented as required supplementary information.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). 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, in excess of the amount appropriated. Violations, if any, for the general fund are noted in the required supplementary information section.
4. The Deputy Superintendent of Business 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.
5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2009. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2009 the District had no investments.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The District does not allow direct investment in commercial paper or corporate bonds.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2009, \$7,427,816 of the District's bank balance of \$33,182,730 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of all deposits is \$30,169,121.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$3,070,478	<u><u>\$ 30,169,121</u></u>
---	-----------------------------

The above amounts are reported in the financial statements as follows:

Cash - private purpose trust fund	\$ 4,000
Cash - agency fund	3,066,478
Cash - district-wide	22,276,692
Cash - restricted	<u>4,821,951</u>
	<u><u>\$ 30,169,121</u></u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – CAPITAL ASSETS

A summary of changes in the District’s capital assets follows:

	Balance July 1, 2008	Additions	Reclassifications/ Deletions	Balance June 30, 2009
Assets not being depreciated:				
Land	\$ 4,520,117	\$ -	\$ (3,500)	\$ 4,516,617
Construction in progress	2,224,016	782,554	(1,333,654)	1,672,916
Subtotal	<u>6,744,133</u>	<u>782,554</u>	<u>(1,337,154)</u>	<u>6,189,533</u>
Other capital assets:				
Land improvements	18,909,223	-	-	18,909,223
Buildings and additions	131,330,141	638,779	-	131,968,920
Machinery and equipment	12,827,111	735,398	-	13,562,509
Buses	4,646,066	-	-	4,646,066
Transportation equipment	1,376,674	-	-	1,376,674
Subtotal	<u>169,089,215</u>	<u>1,374,177</u>	<u>-</u>	<u>170,463,392</u>
Accumulated depreciation:				
Land improvements	8,727,188	668,559	-	9,395,747
Buildings and additions	56,407,507	2,546,355	-	58,953,862
Machinery and equipment	7,635,908	739,986	-	8,375,894
Buses	3,912,076	315,227	-	4,227,303
Transportation equipment	1,275,568	58,096	-	1,333,664
Subtotal	<u>77,958,247</u>	<u>4,328,223</u>	<u>-</u>	<u>82,286,470</u>
Net other capital assets	<u>91,130,968</u>	<u>(2,954,046)</u>	<u>-</u>	<u>88,176,922</u>
Net capital assets	<u>\$ 97,875,101</u>	<u>\$ (2,171,492)</u>	<u>\$ (1,337,154)</u>	<u>\$ 94,366,455</u>

Depreciation for the fiscal year ended June 30, 2009 amounted to \$4,328,223.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – CAPITAL ASSETS (Concluded)

Depreciation expense was charged to programs of the District as follows:

Instruction	\$ 1,666,502
Support service	443,974
Food service	40,272
Athletics	502,754
Unallocated	<u>1,674,721</u>
	<u><u>\$ 4,328,223</u></u>

NOTE 5 - LONG-TERM DEBT

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

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2009:

	Self-insured workers compensation plan	Termination benefits and compensated absences	Notes payable	Bonds	Total
Balance, July 1, 2008	\$ 489,519	\$ 4,205,968	\$ 1,658,281	\$ 73,074,549	\$ 79,428,317
Additions	-	176,474	-	-	176,474
Deletions	<u>36,821</u>	<u>-</u>	<u>335,927</u>	<u>4,079,065</u>	<u>4,451,813</u>
Balance, June 30, 2009	452,698	4,382,442	1,322,354	68,995,484	75,152,978
Less current portion	<u> </u>	<u>2,021,356</u>	<u>354,108</u>	<u>5,648,170</u>	<u>8,023,634</u>
Total due after one year	<u><u>\$ 452,698</u></u>	<u><u>\$ 2,361,086</u></u>	<u><u>\$ 968,246</u></u>	<u><u>\$ 63,347,314</u></u>	<u><u>\$ 67,129,344</u></u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (Continued):

Bonds payable at June 30, 2009 is comprised of the following issues:

2006 general obligation refunding bonds due in annual installments of \$55,000 to \$5,065,000 through May 1 2023, with interest at 4.00%	\$ 7,760,000
2003 general obligation and refunding bonds due in annual installments of \$2,480,000 to \$4,800,000 through May 1, 2022 with interest at 3.550% to 5.000%	49,430,000
2002 energy conservation improvement bonds due in annual installments of \$120,000 to \$130,000 through May 1, 2012 with interest at 3.375% to 3.75%	375,000
2002 QZAB bond due in one installment of \$5,000,000 in September 2016 with interest of 0%	5,000,000
Plus: premium on 2003 bond issuance (net)	3,046,706
Less: deferred loss on refundings (net)	<u>(327,283)</u>
Total general obligation debt	65,284,423
1998 Limited obligation bonds (Durant bonds) due in annual installments of \$423,817 to \$2,378,168 through May 2013 with interest at 4.76%	3,711,061
Note payable - Phone system - due in quarterly installments of \$82,126 to \$109,444 from September 1, 2007 to January 1, 2014, with an interest rate of 5.31%	1,322,354
Accrued retirement benefits and worker's compensation:	
Obligation for compensated absences and termination benefits	4,382,442
Obligation for worker's compensation claims	<u>452,698</u>
Total debt	<u><u>\$ 75,152,978</u></u>

The Durant bonds, including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

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 liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2009, \$7,520,000 of bonds outstanding are considered defeased.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (Continued)

The annual requirements to amortize bonded debt and notes payable outstanding as of June 30, 2009, including interest payments of \$22,877,048 are as follows: At June 30, 2009, \$3,345,076 is available to service the general obligation debt.

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts payable</u>
2010	\$ 6,002,278	\$ 3,673,853	\$ 9,676,131
2011	4,197,092	2,592,315	6,789,407
2012	4,367,450	2,416,753	6,784,203
2013	4,191,595	2,237,001	6,428,596
2014	3,650,000	2,061,476	5,711,476
2015-2019	25,525,000	7,692,000	33,217,000
2020-2023	19,665,000	2,203,650	21,868,650
	<u>67,598,415</u>	<u>22,877,048</u>	<u>90,475,463</u>
Premium on bond issuance	3,046,706		3,046,706
Deferred amount on bond refunding	(327,283)		(327,283)
Compensated absences and termination benefits	4,382,442		4,382,442
Workers' compensation claims	452,698		452,698
	<u>\$ 75,152,978</u>	<u>\$ 22,877,048</u>	<u>\$ 98,030,026</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2009 are as follows:

<u>Receivable fund</u>		<u>Payable fund</u>	
Other nonmajor funds	\$ 4,090,825	2003 Capital projects	\$ 1,789,105
		General fund	1,196,797
		Other nonmajor funds	1,104,923
	<u>\$ 4,090,825</u>		<u>\$ 4,090,825</u>

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are expected to be repaid within the year.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

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. Members joining the system on or after July 1, 2008 contribute at the following graduated rate: 3% of the first \$5,000, 3.6% of \$5,001 through \$15,000 and 6.4% 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. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

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, 2009 were 16.72% of payroll through September 30, 2008 and 16.54% effective October 1, 2008 through June 30, 2009. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2009, 2008 and 2007 were \$15,773,020, \$15,856,507 and \$16,446,763, respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement benefits and post-employment benefits which are the responsibility of the State of Michigan.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2009 or any of the prior three years.

NOTE 9 - CONTINGENCIES

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 10 - TRANSFERS

The general fund transferred \$1,694,069 to the athletic fund, \$557,150 to the debt service funds, and \$1,045,400 to the capital projects fund, the food service funds transferred \$470,595 to general fund, and the athletic fund transferred \$138,579 to the general fund.

The transfers to the athletics fund was to fund operations, the transfer to the debt service fund is for future retirement of debt, the transfers to the general fund were to reimburse the general fund for current year indirect and other approved costs.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - COMMITMENTS

The District has active capital projects outstanding at June 30, 2009. Approximately \$2,900,000 is committed and recorded as fund balance in the 2003 capital projects fund.

NOTE 12 - THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

During the year ended June 30, 2009, the District recorded revenue of \$5,434,419 of ARRA funds to off-set a shortage in the State of Michigan foundation funding. It is uncertain if the District will receive ARRA funds in the future.

REQUIRED SUPPLEMENTARY INFORMATION

**LANSING SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2009**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES:				
Local sources	\$ 23,474,000	\$25,957,000	\$ 26,376,061	\$ 419,061
State sources	116,841,000	107,517,000	100,407,754	(7,109,246)
Federal sources	29,277,000	38,326,000	34,472,581	(3,853,419)
Incoming transfers	10,299,000	10,001,000	9,468,073	(532,927)
Intermediate sources	3,000	3,000	2,773	(227)
Total revenues	<u>179,894,000</u>	<u>181,804,000</u>	<u>170,727,242</u>	<u>(11,076,758)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	73,913,000	71,481,000	65,069,522	6,411,478
Added needs	31,840,000	31,865,000	30,756,806	1,108,194
Adult and continuing education	377,000	377,000	369,788	7,212
Total instruction	<u>106,130,000</u>	<u>103,723,000</u>	<u>96,196,116</u>	<u>7,526,884</u>
Supporting services:				
Pupil	13,176,000	15,446,000	15,298,484	147,516
Instructional staff	11,339,000	12,307,000	10,269,822	2,037,178
General administration	1,128,000	1,077,000	953,938	123,062
School administration	9,085,000	8,987,000	9,308,609	(321,609)
Business	3,979,000	4,152,000	3,807,345	344,655
Operation/maintenance	18,131,000	18,011,000	18,058,554	(47,554)
Pupil transportation	9,351,000	8,798,000	8,695,936	102,064
Central	5,409,000	4,766,000	4,018,182	747,818
Other	201,000	221,000	297,586	(76,586)
Total supporting services	<u>71,799,000</u>	<u>73,765,000</u>	<u>70,708,456</u>	<u>3,056,544</u>
Community service activities	703,000	1,028,000	645,662	382,338
Total expenditures	<u>178,632,000</u>	<u>178,516,000</u>	<u>167,550,234</u>	<u>10,965,766</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,262,000</u>	<u>3,288,000</u>	<u>3,177,008</u>	<u>(110,992)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	850,000	240,000	609,174	369,174
Operating transfers to other funds	(3,530,000)	(3,555,000)	(3,296,619)	258,381
Total other financing sources (uses)	<u>(2,680,000)</u>	<u>(3,315,000)</u>	<u>(2,687,445)</u>	<u>627,555</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,418,000)</u>	<u>\$ (27,000)</u>	489,563	<u>\$ 516,563</u>
FUND BALANCE:				
Beginning of year			<u>16,858,763</u>	
End of year			<u>\$ 17,348,326</u>	

ADDITIONAL INFORMATION

**LANSING SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2009**

	<u>Special revenue funds</u>	<u>Debt service funds</u>	<u>Capital projects funds</u>	<u>Total nonmajor governmental funds</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ -	\$ 2,418,637	\$ 2,728,944	\$ 5,147,581
Accounts receivable	31,930	-	-	31,930
Taxes receivable	-	126	-	126
Due from other governmental units	756,569	-	-	756,569
Due from other funds	263,892	1,140,275	2,686,658	4,090,825
Inventories	216,790	-	-	216,790
TOTAL ASSETS	<u>\$ 1,269,181</u>	<u>\$ 3,559,038</u>	<u>\$ 5,415,602</u>	<u>\$ 10,243,821</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 214,774	\$ -	\$ 277,577	\$ 492,351
Accrued salaries and related items	63,126	-	-	63,126
Due to other funds	891,087	213,836	-	1,104,923
Deferred revenue	-	126	-	126
TOTAL LIABILITIES	<u>1,168,987</u>	<u>213,962</u>	<u>277,577</u>	<u>1,660,526</u>
FUND BALANCES:				
Reserved for debt service	-	3,345,076	-	3,345,076
Unreserved, undesignated	100,194	-	5,138,025	5,238,219
TOTAL FUND BALANCES	<u>100,194</u>	<u>3,345,076</u>	<u>5,138,025</u>	<u>8,583,295</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,269,181</u>	<u>\$ 3,559,038</u>	<u>\$ 5,415,602</u>	<u>\$ 10,243,821</u>

LANSING SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2009

	<u>Special revenue funds</u>	<u>Debt service funds</u>	<u>Capital projects funds</u>	<u>Total nonmajor governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ -	\$6,496,057	\$ -	\$ 6,496,057
Investment earnings	-	86,667	48,496	135,163
Food sales and athletic admissions	1,331,653	-	-	1,331,653
Other	5,862	-	2,300,000	2,305,862
Total local sources	1,337,515	6,582,724	2,348,496	10,268,735
State sources	438,648	487,292	-	925,940
Federal sources	5,708,094	-	-	5,708,094
Total revenues	7,484,257	7,070,016	2,348,496	16,902,769
EXPENDITURES:				
Current:				
Food service activities	6,854,548	-	-	6,854,548
Athletic activities	1,627,126	-	-	1,627,126
Capital outlay	-	-	659,535	659,535
Debt service:				
Principal repayment	-	3,886,179	-	3,886,179
Interest expense	-	2,912,763	-	2,912,763
Other expense	-	1,291	-	1,291
Total expenditures	8,481,674	6,800,233	659,535	15,941,442
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(997,417)	269,783	1,688,961	961,327
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	1,694,069	557,150	1,045,400	3,296,619
Operating transfers to other funds	(609,174)	-	-	(609,174)
Total other financing sources	1,084,895	557,150	1,045,400	2,687,445
NET CHANGE IN FUND BALANCES	87,478	826,933	2,734,361	3,648,772
FUND BALANCES:				
Beginning of year	12,716	2,518,143	2,403,664	4,934,523
End of year	\$ 100,194	\$3,345,076	\$ 5,138,025	\$ 8,583,295

**LANSING SCHOOL DISTRICT
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

	<u>Food service fund</u>	<u>Athletic fund</u>	<u>Totals</u>
ASSETS			
Accounts receivable	\$ 31,930	\$ -	\$ 31,930
Due from other funds	-	263,892	263,892
Due from other governmental units	756,569	-	756,569
Inventories	216,790	-	216,790
TOTAL ASSETS	<u>\$ 1,005,289</u>	<u>\$ 263,892</u>	<u>\$ 1,269,181</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 203,480	\$ 11,294	\$ 214,774
Accrued salaries and related items	25,930	37,196	63,126
Due to other funds	775,879	115,208	891,087
TOTAL LIABILITIES	1,005,289	163,698	1,168,987
FUND BALANCES:			
Undesignated	-	100,194	100,194
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,005,289</u>	<u>\$ 263,892</u>	<u>\$ 1,269,181</u>

**LANSING SCHOOL DISTRICT
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2009**

	Food service fund	Athletic fund	Totals
REVENUES:			
Sales	\$ 1,160,020	\$ -	\$ 1,160,020
State aid	438,648	-	438,648
Federal aid	5,708,094	-	5,708,094
Admissions	-	171,633	171,633
Other	5,862	-	5,862
Total revenues	<u>7,312,624</u>	<u>171,633</u>	<u>7,484,257</u>
EXPENDITURES:			
Cost of goods sold - net	2,798,477	-	2,798,477
Salaries and wages	1,662,958	961,191	2,624,149
Employee benefits	1,040,180	332,193	1,372,373
Contracted services	737,044	120,329	857,373
Travel, workshops, and conferences	20,495	1,161	21,656
Materials and supplies	555,038	177,232	732,270
Capital outlay	12,816	9,148	21,964
Miscellaneous	27,540	25,872	53,412
Total expenditures	<u>6,854,548</u>	<u>1,627,126</u>	<u>8,481,674</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>458,076</u>	<u>(1,455,493)</u>	<u>(997,417)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	-	1,694,069	1,694,069
Operating transfers to other funds	(470,595)	(138,579)	(609,174)
Total other financing sources (uses)	<u>(470,595)</u>	<u>1,555,490</u>	<u>1,084,895</u>
NET CHANGE IN FUND BALANCES	<u>(12,519)</u>	<u>99,997</u>	<u>87,478</u>
FUND BALANCES:			
Beginning of year	<u>12,519</u>	<u>197</u>	<u>12,716</u>
End of year	<u>\$ -</u>	<u>\$ 100,194</u>	<u>\$ 100,194</u>

**LANSING SCHOOL DISTRICT
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

ASSETS	1998	QZAB	2003 Energy	2003	2006 Refunding	2003 Refunding	Totals
Cash and cash equivalents	\$ 475,508	\$ 1,914,475	\$ 3,259	\$ -	\$ 23,931	\$ 1,464	\$ 2,418,637
Taxes receivable	-	-	-	126	-	-	126
Due from other funds	-	154,344	-	974,311	11,620	-	1,140,275
TOTAL ASSETS	\$ 475,508	\$ 2,068,819	\$ 3,259	\$ 974,437	\$ 35,551	\$ 1,464	\$ 3,559,038
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Due to other funds	\$ 213,836	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 213,836
Deferred revenue	-	-	-	126	-	-	126
TOTAL LIABILITIES	213,836	-	-	126	-	-	213,962
FUND BALANCES:							
Reserved for debt service	261,672	2,068,819	3,259	974,311	35,551	1,464	3,345,076
TOTAL LIABILITIES AND FUND BALANCES	\$ 475,508	\$ 2,068,819	\$ 3,259	\$ 974,437	\$ 35,551	\$ 1,464	\$ 3,559,038

**LANSING SCHOOL DISTRICT
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2009**

	1998	1998 Durant	QZAB	2003 Energy	2003	2006 Refunding	2003 Refunding	Totals
REVENUES:								
Local sources:								
Current property taxes	\$ 1,062,657	\$ -	\$ -	\$ -	\$ 5,266,734	\$ 166,666	\$ -	\$ 6,496,057
Interest on investments	12,653	-	72,287	44	-	1,662	21	86,667
State sources	-	487,292	-	-	-	-	-	487,292
Total revenues	<u>1,075,310</u>	<u>487,292</u>	<u>72,287</u>	<u>44</u>	<u>5,266,734</u>	<u>168,328</u>	<u>21</u>	<u>7,070,016</u>
EXPENDITURES:								
Redemption of serial bonds	1,000,000	386,179	-	115,000	2,385,000	-	-	3,886,179
Interest on bonded debt	50,000	101,113	-	17,488	2,433,916	310,246	-	2,912,763
Other	300	-	250	250	250	241	-	1,291
Total expenditures	<u>1,050,300</u>	<u>487,292</u>	<u>250</u>	<u>132,738</u>	<u>4,819,166</u>	<u>310,487</u>	<u>-</u>	<u>6,800,233</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>25,010</u>	<u>-</u>	<u>72,037</u>	<u>(132,694)</u>	<u>447,568</u>	<u>(142,159)</u>	<u>21</u>	<u>269,783</u>
OTHER FINANCING SOURCES (USES):								
Operating transfers from other funds	-	-	426,000	131,150	-	-	-	557,150
NET CHANGE IN FUND BALANCES	<u>25,010</u>	<u>-</u>	<u>498,037</u>	<u>(1,544)</u>	<u>447,568</u>	<u>(142,159)</u>	<u>21</u>	<u>826,933</u>
FUND BALANCES:								
Beginning of year	236,662	-	1,570,782	4,803	526,743	177,710	1,443	2,518,143
End of year	<u>\$ 261,672</u>	<u>\$ -</u>	<u>\$ 2,068,819</u>	<u>\$ 3,259</u>	<u>\$ 974,311</u>	<u>\$ 35,551</u>	<u>\$ 1,464</u>	<u>\$ 3,345,076</u>

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

	<u>Capital projects</u>	<u>BTS capital project</u>	<u>Replacement fund</u>	<u>QZAB</u>	<u>Technology fund</u>	<u>Southside Hill Center Fund</u>	<u>Totals</u>
ASSETS							
Cash and cash equivalents	\$ -	\$ 200,994	\$ 1,356,319	\$ 71,631	\$ -	\$ 1,100,000	\$ 2,728,944
Due from other funds	1,122,506	4	273,027	1	367,465	923,655	2,686,658
TOTAL ASSETS	<u>\$ 1,122,506</u>	<u>\$ 200,998</u>	<u>\$ 1,629,346</u>	<u>\$ 71,632</u>	<u>\$ 367,465</u>	<u>\$ 2,023,655</u>	<u>\$ 5,415,602</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 277,577	\$ 277,577
FUND BALANCES:							
Reserved for capital projects	1,122,506	200,998	1,629,346	71,632	367,465	1,746,078	5,138,025
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,122,506</u>	<u>\$ 200,998</u>	<u>\$ 1,629,346</u>	<u>\$ 71,632</u>	<u>\$ 367,465</u>	<u>\$ 2,023,655</u>	<u>\$ 5,415,602</u>

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2009**

	<u>Capital projects</u>	<u>BTS capital project</u>	<u>Replacement fund</u>	<u>QZAB</u>	<u>Technology fund</u>	<u>Southside Hill Center Fund</u>	<u>Totals</u>
REVENUES:							
Interest on investments	\$ -	\$ 2,548	\$ 19,620	\$ 1,036	\$ -	\$ 25,292	\$ 48,496
Other	-	-	-	-	-	2,300,000	2,300,000
Total revenues	-	2,548	19,620	1,036	-	2,325,292	2,348,496
EXPENDITURES:							
Capital outlay	80,321	-	-	-	-	579,214	659,535
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES							
	(80,321)	2,548	19,620	1,036	-	1,746,078	1,688,961
OTHER FINANCING SOURCES:							
Operating transfers from other funds	750,000	22,400	273,000	-	-	-	1,045,400
NET CHANGE IN FUND BALANCES							
	669,679	24,948	292,620	1,036	-	1,746,078	2,734,361
FUND BALANCES:							
Beginning of year	452,827	176,050	1,336,726	70,596	367,465	-	2,403,664
End of year	<u>\$ 1,122,506</u>	<u>\$ 200,998</u>	<u>\$ 1,629,346</u>	<u>\$ 71,632</u>	<u>\$ 367,465</u>	<u>\$ 1,746,078</u>	<u>\$ 5,138,025</u>

**LANSING SCHOOL DISTRICT
FIDUCIARY FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2009**

	Private purpose trust fund	Agency fund	Totals
ASSETS			
Cash and cash equivalents	\$ 4,000	\$ 3,066,478	\$ 3,070,478
Accounts receivable	894,954	2,896	897,850
TOTAL ASSETS	\$ 898,954	\$ 3,069,374	\$ 3,968,328
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 676	\$ 2,034,569	\$ 2,035,245
Accrued expenses	6,865	80	6,945
Due to student groups	-	1,034,725	1,034,725
Total liabilities	7,541	3,069,374	3,076,915
FUND BALANCES:			
Reserved for trust activities	891,413	-	891,413
TOTAL LIABILITIES AND FUND BALANCES	\$ 898,954	\$ 3,069,374	\$ 3,968,328

**LANSING SCHOOL DISTRICT
 FIDUCIARY FUND TYPES
 STATEMENT OF REVENUES, EXPENDITURES
 AND FUND BALANCES - PRIVATE PURPOSE TRUST FUND
 YEAR ENDED JUNE 30, 2009**

	Balance 07/01/08	Revenues and transfers	Expenditures and transfers	Balance 06/30/09
Library revolving funds	\$ 97,679	\$ 1,132	\$ -	\$ 98,811
Harold Norton award	723	8	-	731
Carl McLean award	11,662	274	-	11,936
Grabow scholarship	238	3	-	241
Memorial fund donations	7,818	91	-	7,909
Special education donations	1,505	22	-	1,527
Windfuhr scholarship	30	-	8	22
Miscellaneous funds	765,601	197,499	192,864	770,236
	<u>\$ 885,256</u>	<u>\$ 199,029</u>	<u>\$ 192,872</u>	<u>\$ 891,413</u>

**LANSING SCHOOL DISTRICT
 FIDUCIARY FUND TYPES
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND LIABILITIES BY SCHOOL - AGENCY FUND
 YEAR ENDED JUNE 30, 2009**

	Balance 07/01/08	Additions	Deductions	Balance 06/30/09
Eastern High School	\$ 171,583	\$ 156,982	\$ 155,611	\$ 172,954
Hill Vocational School	80,727	74,581	97,055	58,253
Sexton High School	80,595	70,784	80,612	70,767
Everett High School	144,242	265,441	269,018	140,665
Pattengill Middle School - new	15,007	4,051	8,195	10,863
Gardner Middle School	70,724	99,483	97,704	72,503
Otto Middle School	24,865	24,543	22,493	26,915
Rich Middle School	44,599	19,774	21,710	42,663
Elementary schools and other	474,700	483,834	519,392	439,142
	<u>\$ 1,107,042</u>	<u>\$ 1,199,473</u>	<u>\$ 1,271,790</u>	<u>\$ 1,034,725</u>

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2009**

2006 Refunding Bonds

Calendar year	Interest rate	Principal	Interest due		Total
		due May 1	May 1	November 1	due annually
2009		\$ -	\$ -	\$ 155,200	\$ 155,200
2010		-	155,200	155,200	310,400
2011		-	155,200	155,200	310,400
2012		-	155,200	155,200	310,400
2013		-	155,200	155,200	310,400
2014		-	155,200	155,200	310,400
2015		-	155,200	155,200	310,400
2016		-	155,200	155,200	310,400
2017		-	155,200	155,200	310,400
2018		-	155,200	155,200	310,400
2019	4.000%	55,000	155,200	154,100	364,300
2020	4.000%	55,000	154,100	153,000	362,100
2021	4.000%	60,000	153,000	151,800	364,800
2022	4.000%	2,525,000	151,800	101,300	2,778,100
2023	4.000%	5,065,000	101,300	-	5,166,300
Total 2006 bonded debt		\$ 7,760,000	\$ 2,112,200	\$ 2,112,200	\$ 11,984,400

The above bonds dated November 29, 2006 were issued for the purpose of refunding a portion of the District's 2004 School Building and Site and Refunding Bonds.

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2009**

2003 School Building and Site and Refunding Bonds

Calendar year	Interest rate	Principal	Interest due		Total
		due May 1	May 1	November 1	due annually
2009	5.000%	\$ -	\$ -	\$ 1,158,288	\$ 1,158,288
2010	5.000%	3,150,000	1,158,287	1,079,537	5,387,824
2011	4.000%	3,275,000	1,079,538	1,014,038	5,368,576
2012	4.000%	3,400,000	1,014,037	946,037	5,360,074
2013	4.000%	3,525,000	946,038	875,538	5,346,576
2014	3.550%	3,650,000	875,537	810,750	5,336,287
2015	5.000%	3,775,000	810,750	716,375	5,302,125
2016	5.000%	3,925,000	716,375	618,250	5,259,625
2017	5.000%	4,100,000	618,250	515,750	5,234,000
2018	5.000%	4,275,000	515,750	408,875	5,199,625
2019	5.000%	4,450,000	408,875	297,625	5,156,500
2020	5.000%	4,625,000	297,625	182,000	5,104,625
2021	5.000%	4,800,000	182,000	62,000	5,044,000
2022	5.000%	2,480,000	62,000		2,542,000
Total 2003 bonded debt		<u>\$ 49,430,000</u>	<u>\$ 8,685,062</u>	<u>\$ 8,685,063</u>	<u>\$ 66,800,125</u>

The above bonds dated February 10, 2004 were issued for the purpose of erecting, furnishing and equipping a new middle school building to replace the Pattengill Middle School and a magnet elementary school addition and partially remodeling, refurbishing and re-equipping the Otto, Gardner and Dwight Rich Middle Schools and the Eastern, Sexton and Everett High Schools, including science labs; and developing and improving sites, playfields, athletic fields and facilities; and refunding a part of the School District's 1992 School Building and Site Bonds, Series IV. The amount of the original bond issue was \$64,835,000. Certain bonds scheduled to mature in 2022-2023 were refunded in November, 2006.

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2009**

2002 Energy Conservation Improvement Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2009	3.375%	\$ -	\$ -	\$ 6,803	\$ 6,803
2010	3.500%	120,000	6,803	4,703	131,506
2011	3.625%	125,000	4,703	2,438	132,141
2012	3.750%	130,000	2,438		132,438
Total 2002 bonded debt		<u>\$ 375,000</u>	<u>\$ 13,944</u>	<u>\$ 13,944</u>	<u>\$ 402,888</u>

The above bonds dated August 1, 2002 were issued for the purpose of paying the cost of certain energy conservation improvement projects for the school district facilities. The amount of the original bond issue was \$1,000,000.

Bonds of this issue are not subject to redemption prior to maturity.

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL REQUIREMENTS
 JUNE 30, 2009**

2002 Qualified Zone Academy Bonds

Calendar year	Interest rate	Principal due September 17
2016	0.00%	\$ 5,000,000

The above bonds dated September 17, 2002 were issued for the purpose of paying costs of providing energy conservation improvements to school facilities. The amount of the original bond issue was \$5,000,000.

Bonds of this issue are not subject to redemption prior to maturity.

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2009**

1998 School Improvement Bonds (Durant Bonds)

Calendar year	Interest rate	Principal due May 15	Interest due May 15	Total due annually
2010	4.76%	\$ 2,378,168	\$ 964,468	\$ 3,342,636
2011	4.76%	423,817	63,464	487,281
2012	4.76%	443,971	43,284	487,255
2013	4.76%	465,105	22,145	487,250
Total 1998 bonded debt		<u>\$ 3,711,061</u>	<u>\$ 1,093,361</u>	<u>\$ 4,804,422</u>

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

**LANSING SCHOOL DISTRICT
LEASE PURCHASE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2009**

2006 Lease Purchase of Telephone Equipment

Calendar year	Interest rate	Principal	Principal	Principal	Principal	Interest due				Total due annually
		Due January 1	Due March 1	Due July 1	Due September 1	January 1	March 1	July 1	September 1	
2009	5.31%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,676	\$ 14,676
2010	5.31%	-	-	-	82,126	27,950	13,209	24,991	11,703	159,979
2011	5.31%	92,595	83,672	95,715	85,260	21,952	10,157	18,832	8,569	416,752
2012	5.31%	98,918	86,890	102,208	88,563	15,629	6,939	12,340	5,266	416,753
2013	5.31%	105,584	90,282	109,051	92,046	8,964	3,547	5,495	1,783	416,752
2014	5.31%	109,444	-	-	-	5,102	-	-	-	114,546
Total 2006 Lease Purchase Debt		<u>\$ 406,541</u>	<u>\$ 260,844</u>	<u>\$ 306,974</u>	<u>\$ 347,995</u>	<u>\$ 79,597</u>	<u>\$33,852</u>	<u>\$ 61,658</u>	<u>\$ 41,997</u>	<u>\$1,539,458</u>

The above lease purchase debt dated July 6, 2006 was issued for the purpose of financing the acquisition of telephone equipment for the school district. The original amount financed was \$2,239,375.

**LANSING SCHOOL DISTRICT
SCHEDULE OF INVESTMENTS AND CERTIFICATES OF DEPOSIT
JUNE 30, 2009**

	<u>Maturity date</u>	<u>Interest rate</u>	<u>Amount</u>
Pooled Funds:			
Bank of New York money market	N/A	0.11%	\$ 4,821,952
Certificates of deposit:			
Bank of America	07/09/09	0.05%	2,000,000
Chemical Bank	07/23/09	0.50%	1,000,000
Bank of America	07/27/09	0.08%	900,000
Bank of America	08/06/09	0.12%	1,900,000
Money market fund:			
Fifth Third Bank	N/A	0.25%	101,216
Huntington Bank	N/A	0.78%	463,341
Flagstar Bank	N/A	0.70%	10,419
PNC Bank (National City)	N/A	0.50%	4,601,572
Comerica Bank	N/A	0.35%	8,900,123
Independent Bank	N/A	0.50%	2,500,068
Bank of New York	N/A	3.27%	<u>1,914,475</u>
Total investments and certificates of deposit			29,113,167
Less:			
Certificates of deposit and money markets classified as cash and cash equivalents.			29,113,167
Total investments shown in district-wide statements			<u><u>\$ -</u></u>