

**LANSING SCHOOL DISTRICT**

**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional**  
**supplementary information)**

**YEAR ENDED JUNE 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Lansing School District

### **Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issue 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 10 to the financial statements, Lansing School District implemented Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, and Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lansing School District basic financial statements. The additional supplementary information, as identified in the table of contents, and schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lansing School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Manes Costeiran PC". The signature is written in a cursive style and is centered on the page.

October 11, 2013

# **Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013**

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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, 2013. 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**

The fund financial statements are comparable to financial statements for the previous year. 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 which 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's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

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**Summary of Net Position**

The following schedule summarizes the net position for fiscal years ended June 30, 2013 and 2012:

	June 30, 2013	June 30, 2012 (as restated)
<b>Assets:</b>		
Current assets	\$ 45,209,910	\$ 54,383,821
Capital assets	89,077,533	89,064,638
Total assets	134,287,443	143,448,459
Deferred outflows of resources	3,021,618	3,356,717
<b>Liabilities:</b>		
Long-term liabilities outstanding	57,993,173	64,467,876
Other liabilities	30,268,976	30,448,936
Total liabilities	88,262,149	94,916,812
<b>Net Position:</b>		
Net investment in capital assets	38,261,512	33,306,731
Restricted for debt service	4,340,392	3,862,628
Restricted for sinking fund	222,381	1,731,020
Restricted for food service	683,064	-
Unrestricted	5,539,563	12,987,985
Total net position, as restated	\$ 49,046,912	\$ 51,888,364

# **Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013**

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## **Analysis of Financial Position**

During the fiscal year ended June 30, 2013, the District's net position decreased by \$2,841,452. A few of the more significant factors affecting net position 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, 2013, \$4,340,897 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2013, \$4,522,708 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 (\$4,522,708), assets disposed of and reclassified during the fiscal year, and the current year's depreciation (\$4,340,897) is a net decrease to capital assets in the amount of \$12,895 for the fiscal year ended June 30, 2013. The net decrease in capital assets is due mainly to depreciation offset by capital acquisitions.

**Lansing School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

**Results of Operations**

For the fiscal years ended June 30, 2013, the results of operations, on a District-wide basis, were:

	Year ended June 30, 2013		Year ended June 30, 2012 (as restated)	
<b>General Revenues:</b>				
Property taxes	\$ 29,236,371	18.2%	\$ 29,949,617	18.3%
Investment earnings	150,264	0.1%	192,993	0.1%
State sources	80,654,586	50.3%	83,779,786	51.2%
Federal-unrestricted-EduJobs	-	0.0%	203,298	0.1%
IISD special education allocation	6,623,788	4.1%	9,876,405	6.0%
Other	2,412,086	1.5%	2,667,559	1.6%
<b>Total general revenues</b>	<b>119,077,095</b>	<b>74.3%</b>	<b>126,669,658</b>	<b>77.3%</b>
<b>Program Revenues:</b>				
Charges for services	1,522,294	0.9%	1,842,494	1.1%
Operating grants	39,688,952	24.8%	35,260,588	21.5%
<b>Total revenues</b>	<b>160,288,341</b>	<b>100.0%</b>	<b>163,772,740</b>	<b>100.0%</b>
<b>Expenses:</b>				
Instruction	90,937,947	55.7%	88,823,076	55.0%
Support services	61,611,340	37.8%	61,662,358	38.2%
Community services	523,618	0.3%	517,152	0.3%
Food services	6,739,145	4.1%	6,780,210	4.2%
Interest on long-term debt	1,923,749	1.2%	2,298,845	1.4%
Unallocated depreciation expense	1,393,994	0.9%	1,473,123	0.9%
<b>Total expenses</b>	<b>163,129,793</b>	<b>100.0%</b>	<b>161,554,764</b>	<b>100.0%</b>
<b>Change in net position</b>	<b>\$ (2,841,452)</b>		<b>\$ 2,217,976</b>	

# Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

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## 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 2013 and 2012 fiscal year, the District levied \$19,855,704 in non-principal property taxes. This amount represented a decrease of 5.7% from the prior year.

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

Fiscal year	Non-PRE tax levy	% Increase (decrease) from prior year
2012-2013	\$ 19,855,704	(5.7%)
2011-2012	21,063,951	(3.5%)
2010-2011	21,831,230	(7.9%)
2009-2010	23,709,232	2.2%
2008-2009	23,203,833	(6.1%)

### 2. State Sources

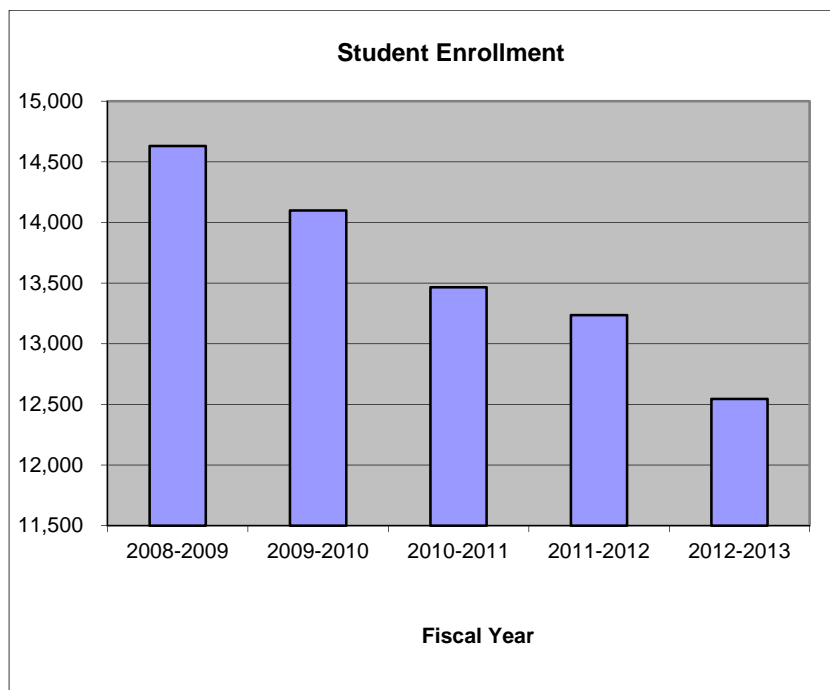
The majority of the state sources of revenue is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment. The blended enrollment consists of 90% of the current year's fall count and 10% of the prior fiscal year's spring count. For the 2013 and 2012 fiscal year, the District received \$7,314 per student (FTE) inclusive of the \$112 per pupil received for class size reduction, which represented a \$0 change per pupil from the amount received for the 2011-2012 fiscal year of \$7,314 (inclusive of the \$112 per pupil received for class size reduction).

**Lansing School District  
 Management’s Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2013**

**3. Student Enrollment**

Student enrollment has declined by 14% since 2008-2009.

Fiscal year	Actual Blended student FTE
2012-2013	12,544
2011-2012	13,236
2010-2011	13,465
2009-2010	14,098
2008-2009	14,630



**4. Operating Grants**

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2013, federal, state, and other grants accounted for \$39,688,952. This amount represents a 13% increase from the total grant sources of \$35,260,588 received for the 2012 and 2011 fiscal year.

**Lansing School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

**5. County Special Education Allocation**

For the fiscal year ended June 30, 2013, the District received a net allocation from the Ingham Intermediate School District in the amount of \$7,542,158 to assist with the education of students with special needs. This amount represents a decrease of \$3,510,860 as compared to the allocation of \$11,053,018 received during the 2012 and 2011 Fiscal Year.

**6. Interest Earnings**

The District received interest on its investment of short-term available cash in the amount of \$150,264 for the fiscal year ended June 30, 2013. Interest revenues are less than the prior fiscal year by \$8,354 due primarily to low interest rates.

**7. Comparative Expenditures**

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

	2012-2013 fiscal year	2011-2012 fiscal year	Increase (decrease)
Instruction	\$ 88,638,247	\$ 86,875,494	\$ 1,762,753
Supporting services	60,982,961	61,374,722	(391,761)
Food service activities	6,720,199	6,752,924	(32,725)
Community service activities	522,937	517,137	5,800
Capital outlay	4,875,351	4,730,257	145,094
Debt service	7,508,725	8,036,866	(528,141)
Total expenditures	<u>\$ 169,248,420</u>	<u>\$ 168,287,400</u>	<u>\$ 961,020</u>

The reductions in Instruction and Supporting Services are primarily related to employee concessions related to employee health contributions/co-pays. The increase in capital outlay is related to the Sinking Fund projects that occurred during the fiscal year 2012-2013.

**Lansing School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

**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 2012-2013 fiscal year, the District amended the general fund budget twice, with the Board adopting the final changes in June 2013.

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

	Original Budget	Final Budget	Actual	Variance with Final Budget	% Variance
Total revenues	\$158,437,685	\$155,588,340	\$144,293,234	\$(11,295,106)	(7.3%)
Expenditures:					
Instruction	\$101,798,809	\$ 96,363,022	\$ 88,638,247	\$ 7,724,775	8.0%
Supporting Services	65,542,315	65,919,990	60,982,961	4,937,029	7.5%
Community Services	628,340	810,191	522,937	287,254	35.5%
Total expenditures	\$167,969,464	\$163,093,203	\$150,144,145	\$ 12,949,058	7.9%
Other financing sources (uses) – transfers out	\$ 44,000	\$ (1,011,799)	\$ (1,157,292)	\$ (145,493)	14.4%

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 \$12.9 million of the budget variance is accounted for by the variance in grants awarded verses grants expended.

**Lansing School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013**

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**Capital Asset and Debt Administration**

**Capital Assets**

By the end of the 2012-2013 fiscal year, the District had invested approximately \$186 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 \$3 million over the prior fiscal year. Depreciation expense for the year amounted to approximately \$4.3 million, bringing the accumulated depreciation to approximately \$96 million as of June 30, 2013.

	Cost	Accumulated depreciation	2013 Net book value	2012 Net book value
Land	\$ 4,419,517	\$ -	\$ 4,419,517	\$ 4,507,517
Construction in progress	1,790,787	-	1,790,787	2,803,437
Land improvements	20,191,742	11,649,324	8,542,418	7,956,506
Buildings and additions	139,126,476	69,587,416	69,539,060	69,369,263
Machinery and equipment	14,800,237	11,148,393	3,651,844	3,225,955
Buses	4,444,428	3,359,287	1,085,141	1,194,035
Transportation equipment	1,267,564	1,218,798	48,766	7,925
	<u>\$ 186,040,751</u>	<u>\$ 96,963,218</u>	<u>\$ 89,077,533</u>	<u>\$ 89,064,638</u>

**Long-term Debt**

At June 30, 2013, the District had approximately \$54 million in bonded debt outstanding. Total outstanding debt decreased as the District continues to pay down its debt.



# **Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013**

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## **Factors Bearing on the District's Future**

At the time 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 uncertainty of student foundation funding levels, as well as funding for other K-12 education programs, reflects the economic difficulties faced by the State of Michigan. Michigan continues to trail the national averages in most economic indicators. Analysts are predicting a continuation of the slow recovery to the situation.
- Future funding levels for education are expected to reflect the long-range outlook for the state economy. A number of factors were identified that continue to 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.
- The development of a comprehensive plan to address ongoing budget needs will enable administrators and the board of education to financially support instructional initiatives. Budget development will be driven by student enrollment and the instructional needs of our student population.
- A restructuring of the school district occurred under the leadership of Superintendent Yvonne Caamal Canul. The restructuring included closing four buildings and reconfiguring the entire instructional program to better focus on student achievement. Superintendent Caamal Canul has created a culture of caring, collaboration, and excellence. The school buildings and the instructional programs have been reconfigured into twelve PreK-3 buildings that will emphasize all students learning to read at grade level before they exit the PreK-3 building. The school district has also created five 4-6 buildings that will emphasize reading to learn so as to prepare students for success in high school. Lansing high schools will consist of grades 7-12. The current configuration will increase that sense of belonging and with the traditional transition issues that have occurred between middle school and high school. The school district offers the following K-8 academies, Lansing STEM, Pleasant View Performing Arts, Wexford Montessori, and Gardner Law and Government. These options allow for students and families to explore in more depth a particular area of interest.

## **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 Assistant Superintendent for Operations office, Lansing School District, 519 W. Kalamazoo Street, Lansing, Michigan, 48933.

**BASIC FINANCIAL STATEMENTS**

**LANSING SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<b>Governmental activities</b>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 20,913,725
Receivables:	
Accounts receivable	428,189
Taxes receivable	46,742
Intergovernmental	22,345,911
Inventories	229,192
Prepays	1,246,151
Capital assets not being depreciated	6,210,304
Capital assets, net of accumulated depreciation	82,867,229
<b>TOTAL ASSETS</b>	<b>134,287,443</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred charge on refunding	3,021,618
<b>LIABILITIES:</b>	
Accounts payable	2,536,848
Accrued salaries and related items	14,502,224
Accrued interest	319,048
Unearned revenue	12,910,856
Noncurrent liabilities:	
Due within one year	5,824,269
Due in more than one year	52,168,904
<b>TOTAL LIABILITIES</b>	<b>88,262,149</b>
<b>NET POSITION:</b>	
Net investment in capital assets	38,261,512
Restricted for debt service	4,340,392
Restricted for capital projects - sinking fund	222,381
Restricted for food service	683,064
Unrestricted	5,539,563
<b>TOTAL NET POSITION</b>	<b>\$ 49,046,912</b>

**LANSING SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net position</u>
Governmental activities:				
Instruction	\$ 90,937,947	\$ 818,019	\$ 24,851,673	\$ (65,268,255)
Support services	61,611,340	458,998	6,577,332	(54,575,010)
Community services	523,618	-	1,015,402	491,784
Food services	6,739,145	245,277	7,244,545	750,677
Interest on long-term debt	1,923,749	-	-	(1,923,749)
Unallocated depreciation	1,393,994	-	-	(1,393,994)
Total governmental activities	<u>\$ 163,129,793</u>	<u>\$ 1,522,294</u>	<u>\$ 39,688,952</u>	<u>(121,918,547)</u>
General revenues:				
Property taxes, levied for general purposes				20,455,492
Property taxes, levied for debt service				5,342,333
Property taxes, levied for sinking fund				3,438,546
Investment earnings				150,264
State sources				80,654,586
Intermediate sources				6,623,788
Other				<u>2,412,086</u>
Total general revenues				<u>119,077,095</u>
<b>CHANGE IN NET POSITION</b>				(2,841,452)
<b>NET POSITION, beginning of year, as restated</b>				<u>51,888,364</u>
<b>NET POSITION, end of year</b>				<u>\$ 49,046,912</u>

**LANSING SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>General fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 15,897,849	\$ 5,015,876	\$ 20,913,725
Receivables:			
Property taxes receivable	43,657	3,085	46,742
Accounts receivable	426,150	2,039	428,189
Intergovernmental	21,359,722	986,189	22,345,911
Due from other funds	-	2,607,104	2,607,104
Inventories	197,578	31,614	229,192
Prepays	1,244,151	2,000	1,246,151
<b>TOTAL ASSETS</b>	<u>\$ 39,169,107</u>	<u>\$ 8,647,907</u>	<u>\$ 47,817,014</u>
<b>LIABILITIES:</b>			
Accounts payable	1,566,931	\$ 373,434	\$ 1,940,365
Accrued salaries and related items	14,466,257	35,967	14,502,224
Due to other funds	2,525,197	81,907	2,607,104
Due to trust and agency funds	596,483	-	596,483
Unearned revenue	12,910,856	-	12,910,856
<b>TOTAL LIABILITIES</b>	<u>32,065,724</u>	<u>491,308</u>	<u>32,557,032</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue - intergovernmental	148,340	-	148,340
Unavailable revenue - property taxes	18,167	-	18,167
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>166,507</u>	<u>-</u>	<u>166,507</u>

See notes to the financial statements

	<u>General fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>FUND BALANCES:</b>			
Nonspendable:			
Inventories	\$ 197,578	\$ 31,614	\$ 229,192
Prepays	1,244,151	2,000	1,246,151
Restricted:			
Debt service	-	4,659,440	4,659,440
Capital projects - sinking fund	-	222,381	222,381
Food Service	-	683,064	683,064
Assigned:			
Capital projects	-	2,558,100	2,558,100
Unassigned:			
General Fund	5,495,147	-	5,495,147
	<u>6,936,876</u>	<u>8,156,599</u>	<u>15,093,475</u>
<b>TOTAL FUND BALANCES</b>			
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 39,169,107</u>	<u>\$ 8,647,907</u>	<u>\$ 47,817,014</u>
<b>Total governmental fund balances</b>			\$ 15,093,475
Amounts reported for governmental activities in the statement of net position are different because:			
Deferred charge on refunding, net of amortization			3,021,618
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
Capital assets		\$ 186,040,751	
Accumulated depreciation		<u>(96,963,218)</u>	
			89,077,533
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Bonds payable			(53,771,797)
Notes payable			(65,842)
Compensated absences, termination benefits, and self-insured workers' compensation plan			(4,155,534)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid			(319,048)
Unavailable revenue from other governmental units at June 30th, expected to be collected after September 1st			148,340
Unavailable revenue - property taxes at June 30th expected to be collected after September 1st			18,167
<b>Net position of governmental activities</b>			<u>\$ 49,046,912</u>

See notes to the financial statements

**LANSING SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013**

	<u>General fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>			
Local sources:			
Property taxes	\$ 20,504,729	\$ 8,805,284	\$ 29,310,013
Investment earnings	30,060	120,204	150,264
Food sales	-	244,967	244,967
Other	2,191,189	310	2,191,499
Total local sources	22,725,978	9,170,765	31,896,743
State sources	89,496,981	809,910	90,306,891
Federal sources	24,528,117	6,921,885	31,450,002
Incoming transfers	7,542,158	-	7,542,158
Total revenues	144,293,234	16,902,560	161,195,794
<b>EXPENDITURES:</b>			
Current:			
Instruction	88,638,247	-	88,638,247
Supporting services	60,982,961	-	60,982,961
Food service activities	-	6,720,199	6,720,199
Community service activities	522,937	-	522,937
Capital outlay	-	4,875,351	4,875,351

See notes to the financial statements

	<u>General fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>EXPENDITURES (Concluded):</b>			
Debt service:			
Principal payments	\$ -	\$ 5,490,104	\$ 5,490,104
Interest	-	1,889,877	1,889,877
Other expense	-	128,744	128,744
Total expenditures	<u>150,144,145</u>	<u>19,104,275</u>	<u>169,248,420</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(5,850,911)</u>	<u>(2,201,715)</u>	<u>(8,052,626)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from sale of capital assets	616,009	-	616,009
Transfers in	365,140	2,155,908	2,521,048
Transfers out	<u>(2,138,441)</u>	<u>(382,607)</u>	<u>(2,521,048)</u>
Total other financing sources (uses)	<u>(1,157,292)</u>	<u>1,773,301</u>	<u>616,009</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(7,008,203)</u>	<u>(428,414)</u>	<u>(7,436,617)</u>
<b>FUND BALANCES:</b>			
Beginning of year	<u>13,945,079</u>	<u>8,585,013</u>	<u>22,530,092</u>
End of year	<u>\$ 6,936,876</u>	<u>\$ 8,156,599</u>	<u>\$ 15,093,475</u>

See notes to the financial statements



**LANSING SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

**Net change in fund balances total governmental funds** \$ (7,436,617)

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	(4,340,897)
Capital outlay	4,522,708
Unrecovered cost on asset disposal	(168,916)

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	285,174
Accrued interest payable end of the year	(319,048)

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 sources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of premiums and discounts 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	5,816,081
Amortization of deferred charge on refunding	(335,099)
Amortization of bond premium	708,798

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:

Unavailable revenue, beginning of the year	(1,689,967)
Unavailable revenue, end of the year	166,507

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	4,105,358
Accrued compensated absences end of the year	<u>(4,155,534)</u>

**Change in net position of governmental activities** \$ (2,841,452)

**LANSING SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	<b>Private purpose trust fund</b>	<b>Agency fund</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 841,829	\$ 757,521
Accounts receivable	651,947	2,894
<b>TOTAL ASSETS</b>	1,493,776	760,415
 <b>LIABILITIES:</b>		
Accounts payable	1,146	76,372
Accrued expenses	-	124
Due to student groups	-	683,919
<b>TOTAL LIABILITIES</b>	1,146	760,415
 <b>NET POSITION:</b>		
Restricted for trust activities	\$ 1,492,630	\$ -

**LANSING SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2013**

	<u>Private purpose trust fund</u>
<b>ADDITIONS:</b>	
Donations	\$ 795,052
Interest earnings	1,920
Other	<u>290</u>
Total additions	<u>797,262</u>
<b>DEDUCTIONS:</b>	
Scholarships awarded	71,906
Other	<u>69,636</u>
Total deductions	<u>141,542</u>
<b>CHANGE IN NET POSITION</b>	655,720
<b>NET POSITION:</b>	
Beginning of year	<u>836,910</u>
End of year	<u><u>\$ 1,492,630</u></u>

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

**B. 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 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 Statements.

**C. Basis of Presentation - Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Presentation - Fund Financial Statements (Continued)**

**Other Non-major Funds**

The *special revenue fund* accounts 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 activities in the special revenue fund.

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.

The capital projects sinking fund accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District has complied with the applicable provisions of section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

The capital project 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.

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

Revenue	<u>\$ 4,896,648</u>
Expenditures and transfers	<u>\$ 72,451,597</u>

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

**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)**

**D. Basis of Presentation - Fund Financial Statements (Concluded)**

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 expenses. 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.

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.

The 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 generally collected within 60 days of the end of the current fiscal period. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (Concluded)**

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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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 current year ended, the foundation allowance was based on pupil membership counts taken in February and October of the previous calendar year.

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 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 to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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 and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

The private-purpose trust fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Budgetary Information**

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

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.
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, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for 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. The budget was amended during the year with supplemental appropriations, the last one approved prior to year end June 30, 2013. The District does not consider these amendments to be significant.



**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

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. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

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

3. Inventories and prepaids

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated fair value at the date of donation.

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 capital assets.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings and additions	50
Furniture and other equipment	5 - 20
Land improvements	20
Transportation equipment	7

5. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

5. Deferred outflows/inflows of resources (Concluded)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues primarily from two sources: property taxes and receipts that exceeded 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Net position flow assumption

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

7. Fund balance flow assumptions

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

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)**

8. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of education has by resolution authorized an official or body to which the Board of Education delegates the authority. The board of education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**H. Revenues and Expenditures/Expenses**

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Revenues and Expenditures/Expenses (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, 2013, 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	2.3000
Capital projects (sinking fund)	
PRE, Non-PRE. Commercial Personal Property	1.5000

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

4. 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 position. Bond premiums and discounts 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. Bond issuance costs are reported as expenditures in the year in which they are incurred.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**H. Revenues and Expenditures/Expenses (Concluded)**

4. Long-term obligations (Concluded)

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.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As of June 30, 2013 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.

**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.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)**

**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, 2013, \$23,388,323 of the District's bank balance of \$25,149,144 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of all deposits is \$22,513,075.

**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 2:

Deposits - including fiduciary funds of \$1,599,350	<u><u>\$ 22,513,075</u></u>
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The above amounts are reported in the financial statements as follows:

Cash - private purpose trust fund	\$ 841,829
Cash - agency fund	757,521
Cash and cash equivalents - district-wide	<u>20,913,725</u>
	<u><u>\$ 22,513,075</u></u>

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CAPITAL ASSETS**

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

	Balance July 01, 2012	Additions	Reclassifications/ Deletions	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 4,507,517	\$ -	\$ 88,000	\$ 4,419,517
Construction in progress	2,803,437	4,459,363	5,472,013	1,790,787
Subtotal	7,310,954	4,459,363	5,560,013	6,210,304
Capital assets, being depreciated				
Land improvements	19,112,165	1,162,672	83,095	20,191,742
Buildings and additions	136,519,703	3,231,258	624,485	139,126,476
Machinery and equipment	13,742,065	1,099,506	41,334	14,800,237
Buses	5,110,371	-	665,943	4,444,428
Transportation equipment	1,387,480	41,922	161,838	1,267,564
Subtotal	175,871,784	5,535,358	1,576,695	179,830,447
Accumulated depreciation:				
Land improvements	11,155,659	575,893	82,228	11,649,324
Buildings and additions	67,150,440	2,985,740	548,764	69,587,416
Machinery and equipment	10,516,110	669,289	37,006	11,148,393
Buses	3,916,336	108,894	665,943	3,359,287
Transportation equipment	1,379,555	1,081	161,838	1,218,798
Subtotal	94,118,100	4,340,897	1,495,779	96,963,218
Total capital assets being depreciated, net	81,753,684	1,194,461	80,916	82,867,229
Governmental activities capital assets, net	\$ 89,064,638	\$ 5,653,824	\$ 5,640,929	\$ 89,077,533

Depreciation for the fiscal year ended June 30, 2013 amounted to \$4,340,897.



**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CAPITAL ASSETS (Concluded)**

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

Instruction	\$ 2,279,755
Support service	655,633
Food service	11,515
Unallocated	1,393,994
	<u>\$ 4,340,897</u>

**NOTE 4 - 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, 2013:

	Self-insured workers' compensation plan	Compensated absences and termination benefits	Note payable	Bonds	Total
Balance, July 1, 2012, as restated	\$ 181,156	\$ 3,924,202	\$ 391,819	\$ 59,970,699	\$ 64,467,876
Additions	-	63,522	-	-	63,522
Deletions	13,346	-	325,977	6,198,902	6,538,225
Balance, June 30, 2013	167,810	3,987,724	65,842	53,771,797	57,993,173
Due within one year	-	2,108,427	65,842	3,650,000	5,824,269
Due in more than one year	<u>\$ 167,810</u>	<u>\$ 1,879,297</u>	<u>\$ -</u>	<u>\$ 50,121,797</u>	<u>\$ 52,168,904</u>

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - LONG-TERM DEBT (Continued):**

Bonds payable at June 30, 2013 is comprised of the following issues:

2012 general obligation refunding bonds due in annual installments of \$2,330,000 to \$4,575,000 through May 1, 2022, with an interest at 4.00% to 5.00%.	\$ 30,765,000
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
2004 general obligation and refunding bonds due in annual installments of \$3,650,000 through May 1, 2014 with interest at 3.550%	3,650,000
2002 QZAB bond due in one installment of \$5,000,000 in September 2016 with interest of 0%	5,000,000
Plus: premium on bond issuance (net)	<u>6,596,797</u>
Total general obligation debt	53,771,797
Note payable - buses - due in annual installments of \$65,842 to \$120,486 through September 1, 2013, with an interest rate of 3.16%	65,842
Accrued retirement benefits and worker's compensation:	
Obligation for compensated absences and termination benefits	3,987,724
Obligation for workers' compensation claims	<u>167,810</u>
Total debt	<u><u>\$ 57,993,173</u></u>

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - LONG-TERM DEBT (Continued)**

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, 2013, \$39,950,000 of bonds outstanding are considered defeased.

The annual requirements to amortize bonded debt and notes payable outstanding as of June 30, 2013, including interest payments of \$20,005,806 are as follows: At June 30, 2013, \$4,659,440 is available to service the general obligation debt.

Year ending June 30,	Principal	Interest	Amounts payable
2014	\$ 3,715,842	\$ 3,528,506	\$ 7,244,348
2015	3,595,000	3,396,850	6,991,850
2016	3,735,000	3,064,300	6,799,300
2017	8,875,000	2,718,650	11,593,650
2018	4,065,000	2,319,900	6,384,900
2019-2023	23,255,000	4,977,600	28,232,600
	47,240,842	20,005,806	67,246,648
Premium on bond issuance	6,596,797	-	6,596,797
Compensated absences and termination benefits	3,987,724	-	3,987,724
Workers' compensation claims	167,810	-	167,810
	<u>\$ 57,993,173</u>	<u>\$ 20,005,806</u>	<u>\$ 77,998,979</u>

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2013 are as follows:

<u>Receivable fund</u>		<u>Payable fund</u>	
		General fund	\$ 2,525,197
Other nonmajor funds	<u>\$ 2,607,104</u>	Other nonmajor funds	<u>81,907</u>
	<u><u>\$ 2,607,104</u></u>		<u><u>\$ 2,607,104</u></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 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS**

**Plan Description** - The District participates in the statewide Michigan Public School Employees' Retirement System (System) which is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111. It is also available at <http://www.michigan.gov/orsschools>.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

**Benefit Provisions - Pension**

***Introduction***

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members. A DB member or Pension Plus hybrid plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)**

**Benefit Provisions - Pension (Continued)**

***Pension Reform 2010***

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

***Pension Reform 2012***

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012, subsequently amended to February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Option 1 - members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan members: 4% contribution
- MIP-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)**

**Benefit Provisions - Pension (Concluded)**

Option 3 - members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their *total* years of service), they would also receive a pension (calculated based on years of service and Final Average Compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus hybrid plan described above and a Defined Contribution (DC) plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period to elect to opt out of the Pension Plus hybrid plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus hybrid plan. If they elect to opt out of the Pension Plus hybrid plan, their participation in the DC plan will be retroactive to their date of hire

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)**

**Funding Policy**

***Member Contributions***

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at 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 between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 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 of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.



**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)**

***Employer Contributions***

Each school district or reporting entity 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. For the period October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. In addition, the District is required to match 50% up to 1% of the employees contribution in the Pension Plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS were equal to the required contribution for those years.

The School District's contributions to MPSERS are as follows:

Fiscal Year Ending June 30,	Contributions to MPSERS
2013	\$ 21,286,378
2012	19,121,619
2011	17,321,550

Included in the amounts paid above, the District received \$1,530,721 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2013.

PA 464 Retirees Returning to Work, effective December 27, 2012 also requires applicable employer contributions to the defined benefit and defined contribution plans. These amounts if any are included in the amounts paid above.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)**

		<b>Fiscal Year 2013</b>						
		Effective February 1, 2013						
<b>Public School Employee Pension Rates (FYE Sept. 30th)</b>		Basic MIP	Pension Plus	Pension Plus PHF - First worked after 9/3/12	Pension Plus to DC with PHF First worked after 9/3/12	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
		<b>DB Contributions</b>						
Pension Normal Cost		2.43%	2.24%	2.24%	0.00%	0.00%	0.00%	2.43%
Pension UAL		11.42%	11.42%	11.42%	11.42%	11.42%	11.42%	11.42%
Pension Early Retirement Incentive		1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
<b>Pension Contributions - Total Rate</b>		<b>15.21%</b>	<b>15.02%</b>	<b>15.02%</b>	<b>12.78%</b>	<b>12.78%</b>	<b>12.78%</b>	<b>15.21%</b>
Health Normal Cost		0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL		8.18%	8.18%	8.18%	8.18%	8.18%	8.18%	8.18%
<b>Health Contributions - Total Rate</b>		<b>9.11%</b>	<b>9.11%</b>	<b>8.18%</b>	<b>8.18%</b>	<b>9.11%</b>	<b>8.18%</b>	<b>8.18%</b>
<b>Total</b>		<b>24.32%</b>	<b>24.13%</b>	<b>23.20%</b>	<b>20.96%</b>	<b>21.89%</b>	<b>20.96%</b>	<b>23.39%</b>
		<b>DC Contributions</b>						
DC Employer Contributions		0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund		0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%
<b>Total</b>		<b>0.00%</b>	<b>1.00%</b>	<b>3.00%</b>	<b>5.00%</b>	<b>4.00%</b>	<b>6.00%</b>	<b>2.00%</b>

		4 months ended 1/31/2013			
<b>Public School Employee Pension Rates (FYE Sept. 30th)</b>		First worked before 7/1/10	worked between 6/30/10 and 9/3/12	Pension Plus and First worked after 9/3/12	Elected DC and First worked after 9/3/12
Pension Normal Cost (Prefunded)		3.47%	2.24%	2.24%	0.00%
Pension Unfunded Accrued Liability		11.42%	11.42%	11.42%	11.42%
Early Retirement Incentive Program		1.36%	1.36%	1.36%	1.36%
<b>Pension Total Rate</b>		<b>16.25%</b>	<b>15.02%</b>	<b>15.02%</b>	<b>12.78%</b>
Retiree Health Care Contribution (Cash basis)		0.93%	0.93%	0.00%	0.00%
Surcharge due to Injunction		8.18%	8.18%	8.18%	8.18%
<b>Health Total Rate</b>		<b>9.11%</b>	<b>9.11%</b>	<b>8.18%</b>	<b>8.18%</b>
<b>Total</b>		<b>25.36%</b>	<b>24.13%</b>	<b>23.20%</b>	<b>20.96%</b>

		<b>Fiscal Years 2012 and 2011</b>					
		FY 2011 - 2012		11 months ended 9/30/11		1 month ended 10/31/10	
<b>Public School Employee Pension Rates (FYE Sept. 30th)</b>		worked before	worked after	First worked before 7/1/10	First worked after 6/30/10	First worked before 7/1/10	First worked after 6/30/10
Pension Normal Cost (Prefunded)		3.47%	2.24%	3.74%	2.24%	3.74%	2.24%
Pension Unfunded Accrued Liability		12.49%	12.49%	8.42%	8.42%	8.42%	8.42%
Early Retirement Incentive Program		0.00%	0.00%	N/A	N/A	N/A	N/A
<b>Pension Total Rate</b>		<b>15.96%</b>	<b>14.73%</b>	<b>12.16%</b>	<b>10.66%</b>	<b>12.16%</b>	<b>10.66%</b>
Retiree Health Care Contribution (Cash basis)		5.50%	5.50%	5.50%	5.50%	7.25%	7.25%
Surcharge due to Injunction		3.00%	3.00%	3.00%	3.00%	N/A	N/A
<b>Health Total Rate</b>		<b>8.50%</b>	<b>8.50%</b>	<b>8.50%</b>	<b>8.50%</b>	<b>7.25%</b>	<b>7.25%</b>
<b>Total</b>		<b>24.46%</b>	<b>23.23%</b>	<b>20.66%</b>	<b>19.16%</b>	<b>19.41%</b>	<b>17.91%</b>

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)**

**Benefit Provisions - Other Postemployment**

***Introduction***

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, is currently funded on a cash disbursement basis. Beginning fiscal year 2013, it will be funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

***Retiree Healthcare Reform of 2012***

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)**

**Benefit Provisions - Other Postemployment (Continued)**

Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September 3, 2012 who are rehired on or after September 4, 2012, will contribute 3% contribution to retiree healthcare and will retain the subsidy benefit. Returning members who made the retirement healthcare election will retain whichever option they chose.

Those who elected to retain the premium subsidy continue to annually contribute 3% of compensation into the health care funding account. A member or former member age 60 or older, who made the 3% healthcare contributions but who does not meet eligibility requirements may request a refund of their contributions. Similarly, if a retiree dies before the total value of the insurance subsidy paid equals the total value of the contributions the member made, and there are no eligible dependents, the beneficiary may request a refund of unused funds. Refunds of member contributions to the healthcare funding account are issued as a supplemental benefit paid out over a 60 month period.

1. Retirees with at least 21 years of service, who terminate employment after October 31, 1980, with vested deferred benefits, are eligible for subsidized employer paid health benefit coverage.
2. A delayed subsidy applies to retirees who became a member of the retirement system before July 1, 2008 and who purchased service credit on or after July 1, 2008. Such individuals are eligible for premium subsidy benefits at age 60 or when they would have been eligible to retire without having made a service purchase, whichever comes first. They may enroll in the insurances earlier, but are responsible for the full premium until the premium subsidy begins.

Under Public Act 300 of 2012, the state no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2012. Instead, all new employees will be placed into the Personal Healthcare Fund where they will have support saving for retirement healthcare costs in the following ways:

- They will be automatically enrolled in a 2% employee contribution into a 457 account as of their date of hire, earning them a 2% employer match into a 401(k) account.
- They will receive a credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years of age at termination or \$1,000 for participants who are less than 60 years of age at termination.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Concluded)**

**Benefit Provisions - Other Postemployment (Concluded)**

Participants in the Personal Healthcare Fund, who become disabled for any reason, are not eligible for any employer funded health insurance premium subsidy. If a PHF participant suffers a non-duty related death, his or her health benefit dependents are not eligible to participate in any employer funded health insurance premium subsidy. If a PHF participant suffers a duty death, the state will pay the maximum health premium allowed by statute for the surviving spouse and health benefit dependents. The spouses' insurance subsidy may continue until his or her death, the dependents' subsidy may continue until their eligibility ends (through marriage, age, or other event). Upon eligibility for a duty death benefit, the 2% employer matching contributions and related earnings in the PHF 401(k) are forfeited and the state will pay for the subsidy payments. The beneficiaries receive the member's personal contributions and related earnings in the PHF 457 account.

**Other Information**

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retiree health care trust at MPSERS. As a result, the State has adjusted the contribution rate due on employees' wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus members. In March 2011, the Court of Claims granted the plaintiffs' motions for summary disposition finding that the mandatory 3% contribution violated both the U.S. and Michigan constitutions. The State appealed the ruling to the Michigan Court of Appeals. The Court of Appeals accepted the appeal and ordered an expedited review. The Court of Appeals also granted the State's motion for a stay of proceedings and ordered that the 3% deduction continue to be collected and placed into an escrow account until further order of the Court.

On August 16, 2012 the State of Michigan Court of Appeals affirmed the trial court's orders granting summary dispositions in favor of the plaintiffs in each of the cases before it, terminating the stay ordered by this Court on March 18, 2011. The State of Michigan has appealed the decision to the Michigan Supreme Court. The Office of Retirement Services is instructing Michigan public school employers to continue withholding the 3% contribution. Should the plaintiffs prevail, the escrowed funds will be returned to the employees.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - 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, 2013 or any of the prior three years.

**NOTE 8 - 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 9 - TRANSFERS**

The general fund transferred \$1,588,000 to the capital projects funds, \$400,000 to the debt funds, \$150,441 to the food service fund and the food service fund transferred \$365,140 to general fund. The 2002 Energy debt service fund transferred \$17,467 to the 2006 Refunding debt service fund.

The transfer to the debt service fund is for future retirement of debt, the transfer to the capital projects funds were to cover future capital acquisitions, and the transfers to the general fund were to reimburse the general fund for current year indirect and other approved costs. The transfer from the 2002 Energy Debt Service Fund was to close out this fund.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - NEW ACCOUNTING STANDARDS**

For the year end June 30, 2013 the District implemented the following Governmental Accounting Standards Board (GASB) new pronouncements:

GASB Statement 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

**Summary:**

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure

GASB Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement 65 - *Items previously reported as Assets and Liabilities.*

**Summary:**

These Statements provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - NEW ACCOUNTING STANDARDS (Concluded)**

GASB Statement 65 also states that bond issuance costs should be expensed in the year which they are incurred. As a result, the remaining unamortized bond issuance costs were written off as of July 1, 2012. The restatement of the beginning of the year net position is follows:

	Governmental activities
Net position as previously stated, July 1, 2012	\$ 52,313,157
Adoption of GASB 65	(424,793)
Net position as restated, July 1, 2012	\$ 51,888,364

**NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENT**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June 2012 and will be effective for the District's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.



**REQUIRED SUPPLEMENTARY INFORMATION**

**LANSING SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2013**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
<b>REVENUES:</b>				
Local sources	\$ 24,333,437	\$ 23,361,372	\$ 22,725,978	\$ (635,394)
State sources	97,821,108	92,909,261	89,496,981	(3,412,280)
Federal sources	26,646,500	31,717,277	24,528,117	(7,189,160)
Incoming transfers	9,636,640	7,600,430	7,542,158	(58,272)
Total revenues	<u>158,437,685</u>	<u>155,588,340</u>	<u>144,293,234</u>	<u>(11,295,106)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	69,171,363	61,360,365	59,190,137	2,170,228
Added needs	32,117,052	34,488,406	29,022,779	5,465,627
Adult and continuing education	510,394	514,251	425,331	88,920
Total instruction	<u>101,798,809</u>	<u>96,363,022</u>	<u>88,638,247</u>	<u>7,724,775</u>
Supporting services:				
Pupil	14,512,525	15,316,630	14,567,662	748,968
Instructional staff	7,743,233	9,423,814	6,977,431	2,446,383
General administration	940,755	801,861	615,922	185,939
School administration	7,930,023	7,744,575	7,727,012	17,563
Business	4,171,550	4,048,628	4,005,587	43,041
Operation and maintenance	14,740,140	14,454,252	13,990,362	463,890
Pupil transportation	10,727,113	9,133,020	8,677,053	455,967
Central	3,306,499	3,474,793	3,033,047	441,746
Other	1,470,477	1,522,417	1,388,885	133,532
Total supporting services	<u>65,542,315</u>	<u>65,919,990</u>	<u>60,982,961</u>	<u>4,937,029</u>
Community service activities	628,340	810,191	522,937	287,254
Total expenditures	<u>167,969,464</u>	<u>163,093,203</u>	<u>150,144,145</u>	<u>12,949,058</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(9,531,779)</u>	<u>(7,504,863)</u>	<u>(5,850,911)</u>	<u>1,653,952</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	-	612,581	616,009	3,428
Transfers in	660,000	514,061	365,140	(148,921)
Transfers out	(616,000)	(2,138,441)	(2,138,441)	-
Total other financing sources (uses)	<u>44,000</u>	<u>(1,011,799)</u>	<u>(1,157,292)</u>	<u>(145,493)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (9,487,779)</u>	<u>\$ (8,516,662)</u>	<u>(7,008,203)</u>	<u>\$ 1,508,459</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>13,945,079</u>	
End of year			<u>\$ 6,936,876</u>	

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**LANSING SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2013**

	<u>Special revenue fund</u>	<u>Debt service funds</u>	<u>Capital projects funds</u>	<u>Total nonmajor funds</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ -	\$ 3,456,381	\$ 1,559,495	\$ 5,015,876
Accounts receivable	2,039	-	-	2,039
Taxes receivable	-	3,085	-	3,085
Intergovernmental	986,189	-	-	986,189
Due from other funds	-	1,202,088	1,405,016	2,607,104
Inventories	31,614	-	-	31,614
Prepays	2,000	-	-	2,000
<b>TOTAL ASSETS</b>	<u>\$ 1,021,842</u>	<u>\$ 4,661,554</u>	<u>\$ 2,964,511</u>	<u>\$ 8,647,907</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 189,404	\$ -	\$ 184,030	\$ 373,434
Accrued salaries and related items	35,967	-	-	35,967
Due to other funds	79,793	2,114	-	81,907
<b>TOTAL LIABILITIES</b>	<u>305,164</u>	<u>2,114</u>	<u>184,030</u>	<u>491,308</u>
<b>FUND BALANCES:</b>				
Nonspendable				
Inventories	31,614	-	-	31,614
Prepays	2,000	-	-	2,000
Restricted:				
Debt service	-	4,659,440	-	4,659,440
Capital projects	-	-	222,381	222,381
Food service	683,064	-	-	683,064
Assigned	-	-	2,558,100	2,558,100
<b>TOTAL FUND BALANCES</b>	<u>716,678</u>	<u>4,659,440</u>	<u>2,780,481</u>	<u>8,156,599</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,021,842</u>	<u>\$ 4,661,554</u>	<u>\$ 2,964,511</u>	<u>\$ 8,647,907</u>

**LANSING SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2013**

	<b>Special revenue fund</b>	<b>Debt service funds</b>	<b>Capital projects funds</b>	<b>Total nonmajor funds</b>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ -	\$ 5,366,738	\$ 3,438,546	\$ 8,805,284
Investment earnings	-	117,313	2,891	120,204
Food sales	244,967	-	-	244,967
Other	310	-	-	310
Total local sources	245,277	5,484,051	3,441,437	9,170,765
State sources	322,660	487,250	-	809,910
Federal sources	6,921,885	-	-	6,921,885
Total revenues	7,489,822	5,971,301	3,441,437	16,902,560
<b>EXPENDITURES:</b>				
Current:				
Food service activities	6,720,199	-	-	6,720,199
Capital outlay	-	-	4,875,351	4,875,351
Debt service:				
Principal payments	-	3,990,104	1,500,000	5,490,104
Interest on debt	-	1,868,675	21,202	1,889,877
Other	-	886	127,858	128,744
Total expenditures	6,720,199	5,859,665	6,524,411	19,104,275
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	769,623	111,636	(3,082,974)	(2,201,715)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	150,441	417,467	1,588,000	2,155,908
Transfers out	(365,140)	(17,467)	-	(382,607)
Total other financing sources (uses)	(214,699)	400,000	1,588,000	1,773,301
<b>NET CHANGE IN FUND BALANCES</b>	554,924	511,636	(1,494,974)	(428,414)
<b>FUND BALANCES:</b>				
Beginning of year	161,754	4,147,804	4,275,455	8,585,013
End of year	\$ 716,678	\$ 4,659,440	\$ 2,780,481	\$ 8,156,599

**LANSING SCHOOL DISTRICT  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	<u>QZAB</u>	<u>2002 Energy</u>	<u>2004</u>	<u>2006 Refunding</u>	<u>2012 Refunding</u>	<u>Totals</u>
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 3,432,765	\$ 29	\$ -	\$ 23,587	\$ -	\$ 3,456,381
Taxes receivable	-	-	-	1,496	1,589	3,085
Due from other funds	711,990	-	456,908	-	33,190	1,202,088
<b>TOTAL ASSETS</b>	<u>\$ 4,144,755</u>	<u>\$ 29</u>	<u>\$ 456,908</u>	<u>\$ 25,083</u>	<u>\$ 34,779</u>	<u>\$ 4,661,554</u>
<b>LIABILITIES:</b>						
Due to other funds	\$ -	\$ 29	\$ -	\$ 2,085	\$ -	\$ 2,114
<b>FUND BALANCES:</b>						
Restricted for debt service	4,144,755	-	456,908	22,998	34,779	4,659,440
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,144,755</u>	<u>\$ 29</u>	<u>\$ 456,908</u>	<u>\$ 25,083</u>	<u>\$ 34,779</u>	<u>\$ 4,661,554</u>

**LANSING SCHOOL DISTRICT  
DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2013**

	<b>1998 Durant</b>	<b>QZAB</b>	<b>2002 Energy</b>	<b>2004</b>	<b>2006 Refunding</b>	<b>2012 Refunding</b>	<b>Totals</b>
<b>REVENUES:</b>							
Local sources:							
Current property taxes	\$ -	\$ -	\$ -	\$ 3,799,448	\$ 270,091	\$ 1,297,199	\$ 5,366,738
Interest on investments	-	117,095	-	-	218	-	117,313
State sources	487,250	-	-	-	-	-	487,250
Total revenues	487,250	117,095	-	3,799,448	270,309	1,297,199	5,971,301
<b>EXPENDITURES:</b>							
Redemption of serial bonds	465,104	-	-	3,525,000	-	-	3,990,104
Interest on bonded debt	22,146	-	-	270,575	310,400	1,265,554	1,868,675
Other	-	-	-	248	238	400	886
Total expenditures	487,250	-	-	3,795,823	310,638	1,265,954	5,859,665
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	117,095	-	3,625	(40,329)	31,245	111,636
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	-	400,000	-	-	17,467	-	417,467
Transfers out	-	-	(17,467)	-	-	-	(17,467)
Total other financing sources (uses)	-	400,000	(17,467)	-	17,467	-	400,000
<b>NET CHANGE IN FUND BALANCES</b>	-	517,095	(17,467)	3,625	(22,862)	31,245	511,636
<b>FUND BALANCES:</b>							
Beginning of year	-	3,627,660	17,467	453,283	45,860	3,534	4,147,804
End of year	\$ -	\$ 4,144,755	\$ -	\$ 456,908	\$ 22,998	\$ 34,779	\$ 4,659,440

**LANSING SCHOOL DISTRICT  
CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	<b>Capital projects</b>	<b>Sinking Fund</b>	<b>BTS capital project</b>	<b>Replacement fund</b>	<b>Technology fund</b>	<b>Southside Hill Center Fund</b>	<b>Totals</b>
<b>ASSETS:</b>							
Cash and cash equivalents	\$ -	\$ -	\$ 225,842	\$ 1,311,092	\$ -	\$ 22,561	\$ 1,559,495
Due from other funds	763,047	222,381	38	220	419,326	4	1,405,016
<b>TOTAL ASSETS</b>	<u>\$ 763,047</u>	<u>\$ 222,381</u>	<u>\$ 225,880</u>	<u>\$ 1,311,312</u>	<u>\$ 419,326</u>	<u>\$ 22,565</u>	<u>\$ 2,964,511</u>
<b>LIABILITIES:</b>							
Accounts payable	\$ 165,693	\$ -	\$ -	\$ -	\$ -	\$ 18,337	\$ 184,030
<b>FUND BALANCES:</b>							
Restricted for capital projects	-	222,381	-	-	-	-	222,381
Assigned for capital projects	597,354	-	225,880	1,311,312	419,326	4,228	2,558,100
<b>TOTAL FUND BALANCES</b>	<u>597,354</u>	<u>222,381</u>	<u>225,880</u>	<u>1,311,312</u>	<u>419,326</u>	<u>4,228</u>	<u>2,780,481</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 763,047</u>	<u>\$ 222,381</u>	<u>\$ 225,880</u>	<u>\$ 1,311,312</u>	<u>\$ 419,326</u>	<u>\$ 22,565</u>	<u>\$ 2,964,511</u>



**LANSING SCHOOL DISTRICT  
CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2013**

	<b>Capital projects</b>	<b>Sinking Fund</b>	<b>BTS capital project</b>	<b>Replacement fund</b>	<b>QZAB</b>	<b>Technology fund</b>	<b>Southside Hill Center Fund</b>	<b>2003 Capital Projects Fund</b>	<b>Totals</b>
<b>REVENUES:</b>									
Interest on Investments	\$ -	\$ -	\$ 412	\$ 1,615	\$ 116	\$ -	\$ 715	\$ 33	\$ 2,891
Current property taxes	-	3,438,546	-	-	-	-	-	-	3,438,546
Total revenues	-	3,438,546	412	1,615	116	-	715	33	3,441,437
<b>EXPENDITURES:</b>									
Capital outlay	527,605	3,355,511	-	41,922	83,243	-	156,250	710,820	4,875,351
Principal payments	-	1,500,000	-	-	-	-	-	-	1,500,000
Interest on debt	-	21,202	-	-	-	-	-	-	21,202
Other	3,207	70,472	-	19,525	-	34,654	-	-	127,858
Total expenditures	530,812	4,947,185	-	61,447	83,243	34,654	156,250	710,820	6,524,411
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>									
	(530,812)	(1,508,639)	412	(59,832)	(83,127)	(34,654)	(155,535)	(710,787)	(3,082,974)
<b>OTHER FINANCING SOURCES:</b>									
Transfers in	1,088,000	-	-	500,000	-	-	-	-	1,588,000
<b>NET CHANGE IN FUND BALANCES</b>									
	557,188	(1,508,639)	412	440,168	(83,127)	(34,654)	(155,535)	(710,787)	(1,494,974)
<b>FUND BALANCES:</b>									
Beginning of year	40,166	1,731,020	225,468	871,144	83,127	453,980	159,763	710,787	4,275,455
End of year	\$ 597,354	\$ 222,381	\$ 225,880	\$ 1,311,312	\$ -	\$ 419,326	\$ 4,228	\$ -	\$ 2,780,481

**LANSING SCHOOL DISTRICT  
FIDUCIARY FUND TYPES  
STATEMENT OF REVENUES, EXPENDITURES  
AND NET POSITION - PRIVATE PURPOSE TRUST FUND  
YEAR ENDED JUNE 30, 2013**

	<b>Balance 7/1/12</b>	<b>Revenues and transfers</b>	<b>Expenditures and transfers</b>	<b>Balance 6/30/13</b>
<b>Donations:</b>				
Library revolving funds	\$ 99,539	\$ 179	\$ -	\$ 99,718
Memorial fund donations	82,339	198	198	82,339
Special education donations	1,420	3	-	1,423
Geraldine M. Curtis Trust	401,696	998	18,078	384,616
RIF	26,775	55,335	37,324	44,786
Stapleton Reading Material Fund	20,743	39	-	20,782
College Tour	361	1	-	362
Winfuhr Trust	-	6,865	-	6,865
Hebberd Trust	-	647,935	-	647,935
	<u>632,873</u>	<u>711,553</u>	<u>55,600</u>	<u>1,288,826</u>
<b>Scholarships:</b>				
Harold Norton award	285	1	-	286
Carl McLean award	12,383	40	-	12,423
Grabow Scholarship	241	1	-	242
Windfuhr Scholarship	23	11	-	34
Putnam Scholarship	46,892	6,085	6,000	46,977
Hinman Award	46,740	29,828	53,642	22,926
Winslow Memorial Fund	11,758	17,982	2,899	26,841
Lett's Scholarship	6,860	13	-	6,873
Elsie A/ Maile Award	1,409	15,004	10,000	6,413
Hebbard Trust	-	405	-	405
	<u>126,591</u>	<u>69,370</u>	<u>72,541</u>	<u>123,420</u>
<b>Other:</b>				
Spink - Cable	10,324	19	-	10,343
Administration Pepsi Fund	8,946	543	8,376	1,113
Physical Plant Pop Fund	6,135	152	298	5,989
Miscellaneous funds	52,041	15,623	4,725	62,939
	<u>77,446</u>	<u>16,337</u>	<u>13,399</u>	<u>80,384</u>
	<u>\$ 836,910</u>	<u>\$ 797,260</u>	<u>\$ 141,540</u>	<u>\$ 1,492,630</u>

**LANSING SCHOOL DISTRICT  
 FIDUCIARY FUND TYPES  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND LIABILITIES BY SCHOOL - AGENCY FUND  
 YEAR ENDED JUNE 30, 2013**

	<b>Balance 7/1/12</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/13</b>
Eastern High School	\$ 162,078	\$ 109,373	\$ 119,089	\$ 152,362
Hill Vocational School	47,218	2,228	33,896	15,550
Sexton High School	59,253	95,733	55,770	99,216
Everett High School	91,033	120,626	130,855	80,804
Pattengill Middle School	10,587	13,843	18,888	5,542
Gardner Middle School	78,752	36,072	32,633	82,191
Otto Middle School	20,468	2,287	22,755	-
Elementary schools and other	291,731	277,024	320,501	248,254
	<b>\$ 761,120</b>	<b>\$ 657,186</b>	<b>\$ 734,387</b>	<b>\$ 683,919</b>

**LANSING SCHOOL DISTRICT  
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2013**

2012 Refunding Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2013		\$ -	\$ -	\$ 732,475	\$ 732,475
2014		-	732,475	732,475	1,464,950
2015	4.000%	3,595,000	732,475	660,575	4,988,050
2016	4.000%	3,735,000	660,575	585,875	4,981,450
2017	5.000%	3,875,000	585,875	489,000	4,949,875
2018	5.000%	4,065,000	489,000	387,375	4,941,375
2019	5.000%	4,205,000	387,375	282,250	4,874,625
2020	5.000%	4,385,000	282,250	172,625	4,839,875
2021	5.000%	4,575,000	172,625	58,250	4,805,875
2022	5.000%	2,330,000	58,250	-	2,388,250
Total 2012 bonded debt		<u>\$ 30,765,000</u>	<u>\$ 4,100,900</u>	<u>\$ 4,100,900</u>	<u>\$ 38,966,800</u>

The above bonds dated June 20, 2012 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, 2013**

2006 Refunding Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
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		<u>\$ 7,760,000</u>	<u>\$ 1,646,600</u>	<u>\$ 1,491,400</u>	<u>\$ 10,898,000</u>

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, 2013**

2004 School Building and Site and Refunding Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2014	3.550%	3,650,000	64,787	-	3,714,787

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, 2013**

2002 Qualified Zone Academy Bonds

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

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  
 LEASE PURCHASE - PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2013**

2010 Installment Purchase of Buses

<u>Calendar year</u>	<u>Interest rate</u>	<u>Principal Due September 24</u>	<u>Interest Due September 24</u>	<u>Total due annually</u>
2013	3.16%	<u>\$ 65,842</u>	<u>\$ 2,081</u>	<u>\$ 67,923</u>

The above installment purchase debt dated October 7, 2010 was issued for the purpose of financing the acquisition of ten (10) buses for the District. The original amount financed was \$441,500.



**LANSING SCHOOL DISTRICT  
SCHEDULE OF INTEREST BEARING DEPOSITS  
JUNE 30, 2013**

	<u>Maturity date</u>	<u>Interest rate</u>	<u>Amount</u>
Money market fund:			
Fifth Third Bank	N/A	0.06%	\$ 1,800,049
Huntington Bank	N/A	0.15%	570,568
Flagstar Bank	N/A	0.15%	10,646
PNC Bank	N/A	0.30%	2,319,582
Comerica Bank	N/A	0.20%	2,155,918
Independent Bank	N/A	0.15%	465,217
First Merit	N/A	0.27%	3,015,976
Bank of America	N/A	0.28%	174
Bank of New York	N/A	3.28%	<u>3,432,765</u>
Total interest bearing deposits			<u><u>\$ 13,770,895</u></u>

**LANSING SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal grantor/pass-through grantor/program title	CFDA Number	Pass-through number	Approved Award	Prior year expenditures (memorandum only)	Accrued 7/1/2012	Adjustments	Current year expenditures	Current year receipts	Accrued 6/30/2013
U.S. Department of Agriculture:									
Passed through Michigan Department of Education:									
Child Nutrition Cluster									
<u>Non-Cash Assistance (donated foods):</u>									
National School Lunch - Entitlement	10.555	----	\$ 387,400	\$ 279,997	\$ -	\$ -	\$ 387,400	\$ 387,400	\$ -
National School Lunch - Bonus	10.555	----	3,646	25,143	-	-	3,646	3,646	-
			<u>391,046</u>	<u>305,140</u>	<u>-</u>	<u>-</u>	<u>391,046</u>	<u>391,046</u>	<u>-</u>
Summer Food Service	10.559	----	9,920	67,071	-	-	9,920	9,920	-
Total non-cash assistance			<u>400,966</u>	<u>372,211</u>	<u>-</u>	<u>-</u>	<u>400,966</u>	<u>400,966</u>	<u>-</u>
<u>Cash Assistance:</u>									
National School Lunch - Section 4	10.555	121980	41,438	41,438	6,697	-	-	6,697	-
National School Lunch - Section 11	10.555	121960	3,894,382	3,894,382	571,158	-	-	571,158	-
National School Lunch - Section 4	10.555	131980	34,296	-	-	-	34,296	28,049	6,247
National School Lunch - Section 11	10.555	131960	4,155,004	-	-	-	4,155,004	3,561,417	593,587
			<u>8,125,120</u>	<u>3,935,820</u>	<u>577,855</u>	<u>-</u>	<u>4,189,300</u>	<u>4,167,321</u>	<u>599,834</u>
Summer Food Service	10.559	132900	50,474	-	-	-	50,474	-	50,474
Summer Food Service	10.559	122900	167,197	48,744	48,744	-	118,453	167,197	-
			<u>217,671</u>	<u>48,744</u>	<u>48,744</u>	<u>-</u>	<u>168,927</u>	<u>167,197</u>	<u>50,474</u>
National School Lunch - Breakfast	10.553	121970	2,074,057	2,074,057	327,346	-	-	327,346	-
National School Lunch - Breakfast	10.553	131970	2,162,692	-	-	-	2,162,692	1,826,811	335,881
			<u>4,236,749</u>	<u>2,074,057</u>	<u>327,346</u>	<u>-</u>	<u>2,162,692</u>	<u>2,154,157</u>	<u>335,881</u>
Total cash assistance			<u>12,579,540</u>	<u>6,058,621</u>	<u>953,945</u>	<u>-</u>	<u>6,520,919</u>	<u>6,488,675</u>	<u>986,189</u>
Total child nutrition cluster			<u>12,980,506</u>	<u>6,430,832</u>	<u>953,945</u>	<u>-</u>	<u>6,921,885</u>	<u>6,889,641</u>	<u>986,189</u>
Passed through Eaton ISD									
SPLASH	10.561		8,000	-	-	-	3,166	3,166	-
Passed through Calhoun County									
North Garden Grant	10.574		2,465	-	-	(2,465)	2,465	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>12,990,971</u>	<u>6,430,832</u>	<u>953,945</u>	<u>(2,465)</u>	<u>6,927,516</u>	<u>6,892,807</u>	<u>986,189</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal grantor/pass-through grantor/program title	CFDA Number	Pass-through number	Approved Award	Prior year expenditures (memorandum only)	Accrued 7/1/2012	Adjustments	Current year expenditures	Current year receipts	Accrued 6/30/2013
<u>U.S. Department of Education:</u>									
Direct programs:									
Impact Aid	84.041	----	\$ 1,680	\$ -	\$ -	\$ -	\$ 1,680	\$ 1,680	\$ -
Indian Education	84.060A	S060A090962	34,384	10,353	854	-	-	854	-
Indian Education	84.060A	S060A090962	29,787	-	-	-	25,409	25,268	141
			<u>64,171</u>	<u>10,353</u>	<u>854</u>	<u>-</u>	<u>25,409</u>	<u>26,122</u>	<u>141</u>
CHILD: Counseling Helps Individuals Learn & Develop	84.215E	----	367,363	226,054	77,041	-	97,906	161,411	13,536
CHILD: Counseling Helps Individuals Learn & Develop	84.215E	----	267,352	-	-	-	299,654	207,411	92,243
			<u>634,715</u>	<u>226,054</u>	<u>77,041</u>	<u>-</u>	<u>397,560</u>	<u>368,822</u>	<u>105,779</u>
Teaching American History	84.215X	U215X090579	326,621	6,816	305	-	11,403	820	10,888
Teaching American History	84.215X	U215X090579	335,070	72,998	(787)	-	18,716	(1,087)	19,016
Teaching American History	84.215X	U215X090579	338,308	284,144	48,735	-	42,043	68,720	22,058
			<u>999,999</u>	<u>363,958</u>	<u>48,253</u>	<u>-</u>	<u>72,162</u>	<u>68,453</u>	<u>51,962</u>
Foreign Language Assistance Program	84.293B		299,402	94,954	5,994	-	5,853	8,781	3,066
Foreign Language Assistance Program	84.293B		299,984	249,089	39,833	-	50,031	88,174	1,690
			<u>599,386</u>	<u>344,043</u>	<u>45,827</u>	<u>-</u>	<u>55,884</u>	<u>96,955</u>	<u>4,756</u>
Passed through Michigan Department of Education:									
Federal Adult Ed English	84.002A	121120/125057	13,000	12,566	2,999	-	-	2,999	-
Federal Adult Ed English	84.002A	131190/131057	58,000	-	-	-	54,013	44,244	9,769
Federal Adult Ed English	84.002A	121130/121057	72,000	67,034	13,034	-	-	13,034	-
Federal Adult Ed English	84.002A	121190/121057	58,500	54,962	13,121	-	-	13,121	-
			<u>201,500</u>	<u>134,562</u>	<u>29,154</u>	<u>-</u>	<u>54,013</u>	<u>73,398</u>	<u>9,769</u>
ECIA Title I - Regular	84.010	121530/1112	8,091,022	6,254,390	1,791,127	-	11,286	1,802,413	-
ECIA Title I - Regular	84.010	131530/1213	13,045,161	-	-	-	9,154,656	7,646,018	1,508,638
ECIA Title 1 - Part D, Subpart 2	84.010	111701/1112	108,102	-	-	-	21,287	21,287	-
			<u>21,244,285</u>	<u>6,254,390</u>	<u>1,791,127</u>	<u>-</u>	<u>9,187,229</u>	<u>9,469,718</u>	<u>1,508,638</u>
ARRA Title I, School Improvement	84.389A	101555/0910	55,420	12,902	12,902	-	14,276	27,178	-
Total Title 1 Cluster			<u>21,299,705</u>	<u>6,267,292</u>	<u>1,804,029</u>	<u>-</u>	<u>9,201,505</u>	<u>9,496,896</u>	<u>1,508,638</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal grantor/pass-through grantor/program title	CFDA Number	Pass-through number	Approved Award	Prior year expenditures (memorandum only)	Accrued 7/1/2012	Adjustments	Current year expenditures	Current year receipts	Accrued 6/30/2013
U.S. Department of Education (Continued):									
ECIA Title I - N & D	84.013	121700/1112	\$ 352,802	\$ 179,386	\$ 56,959	\$ -	\$ 20,773	\$ 77,732	\$ -
ECIA Title I - N & D	84.013	131700/1213	308,326	-	-	-	155,079	129,803	25,276
			<u>661,128</u>	<u>179,386</u>	<u>56,959</u>	<u>-</u>	<u>175,852</u>	<u>207,535</u>	<u>25,276</u>
Michigan-Safe and Supportive Schools	84.184	132790/SSS2013	93,868	-	-	-	58,541	34,677	23,864
Michigan-Safe and Supportive Schools	84.184	112790/SSC2011	117,330	102,882	16,763	-	-	16,763	-
Michigan-Safe and Supportive Schools	84.184	122791/SSC2012	119,946	-	-	-	105,325	100,417	4,908
Michigan-Safe and Supportive Schools	84.184	122790/SSC2012	175,500	70,093	16,203	-	11,539	27,742	-
Michigan-Safe and Supportive Schools	84.184	132790/SSS2013	175,500	-	-	-	84,944	80,353	4,591
			<u>682,144</u>	<u>172,975</u>	<u>32,966</u>	<u>-</u>	<u>260,349</u>	<u>259,952</u>	<u>33,363</u>
CSHP Grant			<u>1,328</u>	<u>-</u>	<u>23</u>	<u>(23)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Education for Homeless Children and Youth	84.196A	122320/0910	64,990	29,139	4,131	-	20,455	24,586	-
Education for Homeless Children and Youth	84.196A	132320/1213	57,297	-	-	-	47,570	40,663	6,907
Education for Homeless Children and Youth - Carryover	84.196A	122320/1112-C	15,397	-	-	-	15,397	15,359	38
Total Education for Homeless Children & Youth Cluster			<u>137,684</u>	<u>29,139</u>	<u>4,131</u>	<u>-</u>	<u>83,422</u>	<u>80,608</u>	<u>6,945</u>
21st Century	84.287C	122110/D07043	540,000	478,747	111,697	-	22,148	133,845	-
Title III Limited English	84.365A	120580/1112	333,011	229,805	56,040	-	32,496	88,536	-
Title III Limited English	84.365A	130580/1213	239,095	-	-	-	212,220	201,769	10,451
Title III Limited English	84.365A	120570/1112	356,516	180,423	69,522	-	16,241	85,763	-
Title III Limited English	84.365A	130570-1213	384,910	-	-	-	226,485	214,456	12,029
			<u>1,313,532</u>	<u>410,228</u>	<u>125,562</u>	<u>-</u>	<u>487,442</u>	<u>590,524</u>	<u>22,480</u>
Title II Part A	84.367	120520/1112	3,544,302	1,508,750	420,294	-	43,679	463,973	-
Title II Part A	84.367	130520/1213	3,278,539	-	-	-	1,542,517	1,172,913	369,604
			<u>6,822,841</u>	<u>1,508,750</u>	<u>420,294</u>	<u>-</u>	<u>1,586,196</u>	<u>1,636,886</u>	<u>369,604</u>
Total passed through Michigan Department of Education			<u>31,659,862</u>	<u>9,181,079</u>	<u>2,584,815</u>	<u>(23)</u>	<u>11,870,927</u>	<u>12,479,644</u>	<u>1,976,075</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal grantor/pass-through grantor/program title	CFDA Number	Pass-through number	Approved Award	Prior year expenditures (memorandum only)	Accrued 7/1/2012	Adjustments	Current year expenditures	Current year receipts	Accrued 6/30/2013
U.S. Department of Education (Continued):									
Special Education Cluster									
Passed through Ingham Intermediate School District:									
Regional Asst IISD	84.010A	----	\$ 6,997	\$ 6,996	\$ -	\$ -	\$ 1,077	\$ 1,077	\$ -
Regional Asst IISD	84.010A	----	22,000	16,899	16,899	-	-	16,899	-
			28,997	23,895	16,899	-	1,077	17,976	-
IDEA Flowthrough A	84.027	120450/1112	10,542,912	10,487,971	3,364,616	-	-	3,364,616	-
IDEA Flowthrough A	84.027	130450/1213	10,533,581	-	-	-	9,704,851	7,791,110	1,913,741
IDEA Flowthrough A C/O	84.027	110450/1112	171,790	171,790	127,677	-	-	127,677	-
IDEA Flowthrough A C/O	84.027	120450/1213	54,941	-	-	-	54,941	42,031	12,910
			21,303,224	10,659,761	3,492,293	-	9,759,792	11,325,434	1,926,651
IDEA Pre-school Development A	84.173A	120460/1112	155,061	74,716	18,125	-	-	18,125	-
IDEA Pre-school Development A	84.173A	130460/1213	160,704	-	-	-	160,704	112,236	48,468
IDEA Pre-school Development A	84.173A	120460/1213	81,615	-	-	-	81,615	64,691	16,924
			397,380	74,716	18,125	-	242,319	195,052	65,392
<b>TOTAL SPECIAL EDUCATION CLUSTER</b>			<b>21,700,604</b>	<b>10,734,477</b>	<b>3,510,418</b>	<b>-</b>	<b>10,002,111</b>	<b>11,520,486</b>	<b>1,992,043</b>
Passed through Ferris State University:									
Freedom to Learn	84.318X	064280-5A	14,312	-	(2,967)	-	-	-	(2,967)
Freedom to Learn	84.318X		15,000	-	(1,515)	-	-	-	(1,515)
Freedom to Learn	84.318X		8,647	-	(3,647)	-	-	-	(3,647)
Freedom to Learn	84.318X		1,250	-	(1,250)	-	-	-	(1,250)
			39,209	-	(9,379)	-	-	-	(9,379)
Passed through Grand Valley State University:									
GVSU START	84.027A		14,962	-	-	-	14,962	14,962	-
Passed through Clinton County RESA:									
Voc Ed Special Needs	84.048A	----	44,487	44,305	8,979	-	-	8,979	-
Voc Ed Special Needs	84.048A	----	44,544	-	-	-	44,544	37,830	6,714
			89,031	44,305	8,979	-	44,544	46,809	6,714

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal grantor/pass-through grantor/program title	CFDA Number	Pass-through number	Approved Award	Prior year expenditures (memorandum only)	Accrued 7/1/2012	Adjustments	Current year expenditures	Current year receipts	Accrued 6/30/2013
<u>U.S. Department of Education (Continued):</u>									
Passed through Western Michigan University									
WMU Aspiring Leaders	84.363A	----	\$ 15,000	\$ 17,152	\$ 82	\$ -	\$ 1,971	\$ 2,053	\$ -
Passed through Oakland University									
Oakland I3	84.396A	----	6,000	1,939	372	-	804	372	804
TOTAL U.S. DEPARTMENT OF EDUCATION			55,853,616	20,947,255	6,284,161	(23)	22,489,091	24,644,334	4,128,895
<u>National Endowment for the Humanities</u>									
Direct program:									
National Endowment for the Humanities	45.163	----	75,000	58,486	21,805	-	15,973	37,778	-
<u>U.S. Department of Health and Human Services</u>									
Passed through Ingham ISD									
Medicaid Outreach Reimbursement	93.778		68,704	57,319	-	-	68,704	68,704	-
Passed through Eaton ISD									
Child: counseling Helps Individuals Learn & Develop	93.092	----	38,012	32,252	7,393	-	3,647	11,040	-
Child: counseling Helps Individuals Learn & Develop	93.092	----	33,032	-	-	-	27,503	18,671	8,832
			71,044	32,252	7,393	-	31,150	29,711	8,832
<u>U.S. Department of Labor:</u>									
<u>WIA Program Cluster</u>									
Passed through Capital Area Michigan Works:									
WIA Youth	17.259	----	6,551	6,551	2,788	-	-	2,788	-
WIA Youth	17.259	----	471,338	-	-	-	461,257	406,226	55,031
WIA Youth	17.259	----	505,767	483,807	81,582	-	-	81,582	-
			983,656	490,358	84,370	-	461,257	490,596	55,031
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 70,042,991	\$ 28,016,502	\$ 7,351,674	\$ (2,488)	\$ 29,993,691	\$ 32,163,930	\$ 5,178,947

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

1. Basis of presentation - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lansing School District programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Lansing School District, it is not intended to and does not present the net position or changes in net position of Lansing School District.
2. Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.
3. Special Education Cluster, CFDA #84.027, #84.027A and #84.173, and National School Lunch Cluster, CFDA #10.553, #10.555 and #10.559 were audited major programs, representing 56% of expenditures.
4. The threshold for distinguishing Type A and Type B programs was \$899,811.
5. Management has utilized the Grant Section Auditors Report in preparing the Schedule of Expenditures of Federal Awards.

6. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 24,528,117
Special revenue fund	6,921,885
	31,450,002
Federal revenue not reported in the prior year financial statements due to not being received within 60 days of year end.	(1,456,311)
Federal expenditures on the Schedule of Expenditures of Federal Awards	\$ 29,993,691

7. Program clusters contained within the schedule are as follows:

National School Lunch Cluster consists of CFDA #10.553, #10.555 and #10.559  
Special Education Cluster consists of CFDA #84.027, 84.027A and #84.173  
Title I Cluster consists for CFDA #84.010A and 84.389

8. Total cluster from multiple funding sources

<u>Title I</u>	
84.010	\$ 9,187,229
84.389A	14,276
84.010A	<u>1,077</u>
	<u>\$ 9,202,582</u>

<u>Special Education</u>	
84.027	\$ 9,759,792
84.173A	242,319
84.027A	<u>14,962</u>
	<u>\$ 10,017,073</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Lansing School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Lansing School District's basic financial statements and have issued our report thereon dated October 11, 2013.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Maney Costeiran PC*

October 11, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Lansing School District

**Report on Compliance for Each Major Federal Program**

We have audited Lansing School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lansing School District's major federal programs for the year ended June 30, 2013. Lansing School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Lansing School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

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

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

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

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

*Maney Costerian PC*

October 11, 2013

**LANSING SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: Unmodified

➤ Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

➤ Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over major programs:

➤ Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

➤ Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   No

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

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.027A and 84.173	Special Education
10.553, 10.555, and 10.559	National School Lunch Cluster

Dollar threshold used to distinguish between type A and type B \$ 899,811

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

**LANSING SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2013**

**Finding 2012-1**

**Finding considered a significant deficiency**

**Criteria:** Pupil counts in the Single Record Student Database (SRSD) should be accurate for all pupil counts requested for funding.

**Condition:** During the year, Ingham Intermediate School District's pupil membership auditors found significant errors in the reporting of pupil counts while performing their pupil audit. Errors were discovered primarily at the High School level for part time students.

**Context:** Failure to properly report student counts to the State of Michigan through the SRSD system could result in the District not receiving the appropriate amount of state aid. The District did correct this issue by year-end and did receive the correct amount of state aid. The independent pupil membership auditor noted some improvements; however, numerous errors were still detected.

**Effect:** Inaccurate amount of state aid could be received by the District.

**Cause:** Lack of accurate reporting of pupil rosters to the final pupil membership counts.

**Recommendation:** Membership pupil count procedures need to be revised to ensure accurate counts particularly at the High School level. In addition, improved oversight should be implemented to ensure this process is properly completed.

**Response:** The District is aware of the deficiency and is currently investigating various ways to improve the pupil accounting process.

**Status:** Improvement has been made in the pupil count area and is no longer considered a significant deficiency.