

LANSING SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the Lansing School 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2018, 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 11 to the financial statements, Lansing School District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary 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, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary 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 additional supplementary 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 additional supplementary 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 2, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lansing School District's 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.

Maney Costeiran PC

October 2, 2018

Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

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, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

For the year ended June 30, 2018, Lansing School District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These changes are significant at the government-wide level.

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). The statements are prepared using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded and other long term 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 another financing source. 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, 2018**

Summary of Net Position

The following schedule summarizes the net position for fiscal years ended June 30, 2018 and 2017:

	June 30, 2018	June 30, 2017
Assets:		
Current and other assets	\$ 78,557,042	\$ 100,118,002
Capital assets	101,941,722	83,197,808
Total assets	<u>180,498,764</u>	<u>183,315,810</u>
Deferred outflows of resources	<u>50,456,123</u>	<u>29,425,117</u>
Liabilities:		
Long-term outstanding liabilities	88,631,238	94,906,367
Net other postemployment benefit liability	70,106,536	-
Net pension liability	204,982,644	206,552,440
Other liabilities	<u>22,991,011</u>	<u>21,468,015</u>
Total liabilities	<u>386,711,429</u>	<u>322,926,822</u>
Deferred inflows of resources	<u>35,422,055</u>	<u>17,356,260</u>
Net position:		
Net investment in capital assets	54,075,284	51,184,126
Restricted for debt service	866,899	409,141
Restricted for sinking fund	-	133,570
Unrestricted	<u>(246,120,780)</u>	<u>(179,268,992)</u>
Total net position	<u>\$ (191,178,597)</u>	<u>\$ (127,542,155)</u>

The 2017 figures have not been updated for the adoption of GASB 75.

Analysis of Financial Position

During the fiscal year ended June 30, 2018, the District's net position increased by \$6,398,543. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

GASB Statement 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 position.

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, 2018, \$3,899,477 was recorded for depreciation expense.

**Lansing School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2018, \$22,792,938 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 (\$22,792,938), assets disposed of (\$149,547) and reclassified during the fiscal year, and the current year's depreciation (\$3,899,477) is a net increase to capital assets in the amount of \$18,743,914 for the fiscal year ended June 30, 2018. The net increase in capital assets is due mainly to construction in progress related to the 2016 bond issuance.

3. Heightened Fiscal Responsibility

The District's fund balance is a priority of the Board of Education and the Administration. As such, we implemented earlier spending deadlines, eliminated/significantly reduced overtime and additional hours and we had a hiring freeze on non-instructional positions/openings as a result of staff vacancies.

Results of Operations

For the fiscal years ended June 30, 2018 and 2017, the results of operations, on a District-wide basis, were:

	Year ended June 30, 2018		Year ended June 30, 2017	
General revenues:				
Property taxes	\$ 33,189,518	19.3%	\$ 32,095,974	19.6%
Investment earnings	730,592	0.4%	361,953	0.2%
State sources	69,459,910	40.4%	68,933,002	42.1%
IISD special education allocation	15,939,302	9.3%	15,877,712	9.7%
Other	3,724,244	2.2%	1,084,315	0.7%
Total general revenues	123,043,566	71.6%	118,352,956	72.3%
Program revenues:				
Charges for services	877,431	0.5%	972,998	0.6%
Operating grants	47,927,891	27.9%	44,404,100	27.1%
Total revenues	171,848,888	100.0%	163,730,054	100.0%
Expenses:				
Instruction	78,083,252	47.2%	77,718,419	49.6%
Support services	74,438,767	45.0%	65,455,313	41.8%
Community services	1,055,290	0.6%	990,052	0.6%
Food services	7,069,519	4.3%	7,321,652	4.7%
Interest on long-term debt	3,798,342	2.3%	4,137,130	2.6%
Loss on sale of assets	145,047	0.1%	191,200	0.1%
Unallocated depreciation expense	860,128	0.5%	953,068	0.6%
Total expenses	165,450,345	100.0%	156,766,834	100.0%
Change in net position	\$ 6,398,543		\$ 6,963,220	

The 2017 figures have not been updated for the adoption of GASB 75.

Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

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 2017-2018 fiscal year, the District levied \$22,266,108 in non-principal property taxes. This amount represented an increase of 5.1% from the prior year.

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

Fiscal year	Non-PRE tax levy	% Increase (decrease) from prior year
2017-2018	\$ 22,266,108	5.1%
2016-2017	21,183,533	0.7%
2015-2016	21,030,363	0.3%
2014-2015	20,965,139	3.5%
2013-2014	20,246,638	-5.7%

2. State Sources

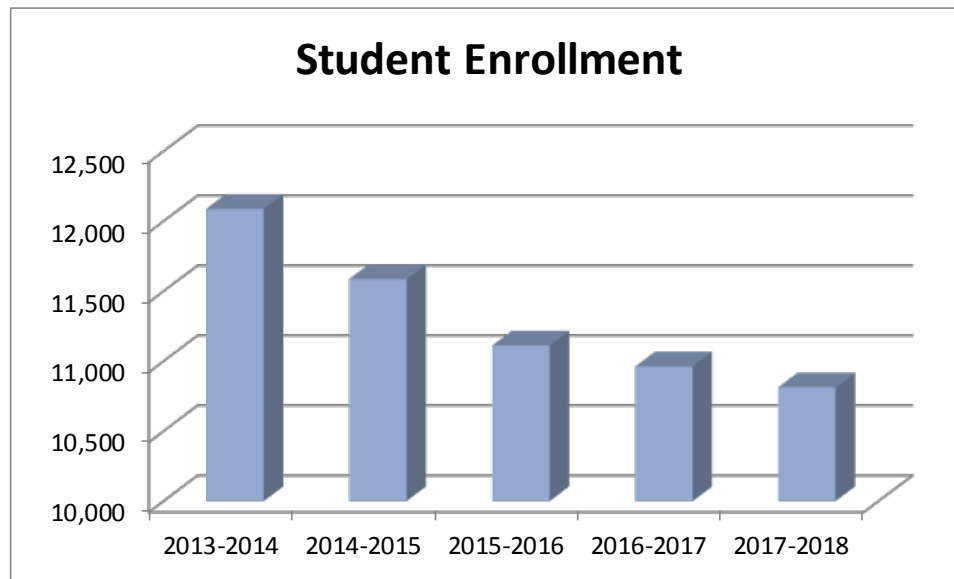
The majority of the state sources of revenue is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment. The blended enrollment consists of 90% of the current year's fall count and 10% of the prior fiscal year's spring count. For the 2018 fiscal year, the District received \$7,776, which represented a \$113 change per pupil from the amount received for the 2016-2017 fiscal year of \$7,663.

**Lansing School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

3. Student Enrollment

Student enrollment has declined by 11% since 2013-2014.

Fiscal year	Actual blended student FTE
2017-2018	10,813
2016-2017	10,962
2015-2016	11,112
2014-2015	11,587
2013-2014	12,088



4. Operating Grants

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2018, federal, state, and other grants accounted for \$47,927,891. This amount was an increase from the total grant sources of \$44,404,100 received for the fiscal year ended June 30, 2017.

5. County Special Education Allocation

For the fiscal year ended June 30, 2018, the District received a net allocation from the Ingham Intermediate School District in the amount of \$15,939,302 to assist with the education of students with special needs. This amount represents an increase of \$61,590 as compared to the allocation of \$15,877,712 received during the fiscal year ended June 30, 2017.

**Lansing School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

6. Interest Earnings

The District received interest on its investment of short-term available cash in the amount of \$730,592 for the fiscal year ended June 30, 2018. Interest revenues are more than the prior fiscal year by \$368,639.

7. Comparative Expenditures

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

	2017 - 2018 fiscal year	2016 - 2017 fiscal year	Increase (decrease)
Instruction	\$ 79,612,544	\$ 78,452,847	\$ 1,159,697
Supporting services	71,713,835	65,790,642	5,923,193
Food service activities	7,079,681	7,459,217	(379,536)
Community service activities	1,079,794	1,012,577	67,217
Capital outlay	25,837,656	7,728,390	18,109,266
Debt service	10,817,750	15,628,495	(4,810,745)
Total expenditures	\$ 196,141,260	\$ 176,072,168	\$ 20,069,092

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 2017-2018 fiscal year, the District amended the general fund budget three times, with the Board adopting the final changes in June 2018.

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	\$149,184,000	\$155,521,000	\$149,972,117	\$ (5,548,883)	(7.3%)
Expenditures:					
Instruction	\$ 79,234,000	\$ 81,044,000	\$ 79,612,544	\$ 1,431,456	1.8%
Supporting services	70,141,000	76,408,000	71,713,835	4,694,165	6.1%
Community services	1,198,000	1,296,000	1,079,794	216,206	16.7%
Total expenditures	\$150,573,000	\$158,748,000	\$152,406,173	\$ 6,341,827	4.0%
Other financing sources (uses)	\$ (1,190,000)	\$ 505,000	\$ 912,952	\$ 407,952	80.8%

**Lansing School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

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 \$5.4 million of the budget variance is accounted for by the variance in grants awarded verses grants expended.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2017-2018 fiscal year, the District had invested approximately \$204.7 million in a broad range of capital assets, including school buildings and facilities, vehicles, and various types of equipment. This represents a net increase of approximately \$22.1 million over the prior fiscal year. Depreciation expense for the year amounted to approximately \$3.9 million, bringing the accumulated depreciation to approximately \$102.7 million as of June 30, 2018.

	Cost	Accumulated depreciation	2018 Net book value	2017 Net book value
Land	\$ 3,967,991	\$ -	\$ 3,967,991	\$ 3,662,891
Construction in progress	20,086,639	-	20,086,639	5,955,525
Land improvements	19,946,358	13,887,206	6,059,152	6,726,593
Buildings and additions	141,090,011	75,473,679	65,616,332	63,883,961
Machinery and equipment	18,522,099	12,860,197	5,661,902	2,384,936
Transportation equipment	1,072,444	522,738	549,706	583,902
	<u>\$ 204,685,542</u>	<u>\$ 102,743,820</u>	<u>\$ 101,941,722</u>	<u>\$ 83,197,808</u>

Long-term Debt

At June 30, 2018, the District had approximately \$83.7 million in bonded debt outstanding. Total outstanding debt decreased as the District continues to pay down its debt.

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 growth of the Fund Balance continues to be a priority of the Board of Education and the Administration. Districts are recommended to have a fund balance of 10% - 15% of operating expenditures. Per Michigan School Business Officials, this level of fund balance is necessary to avoid borrowing during the 2 month period between the August and October State Aid payments. Additionally, it is important to have a sufficient fund balance to allow a district to avoid drastic changes in educational programs and/or employee layoffs during the school year as a result of low enrollment or as a result of reduced funding/mid-year cuts in State Funding.
- Fiscal management is a priority for the District and the Board which has prompted the continuation of an additional budget amendment process in the spring for 2017-18 school year.

Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

- The District continues to address a comprehensive plan for ongoing budget needs. Budget development will continue to be driven by student enrollment and the instructional needs of our student population.
- In school year 2017-18, the District launched intra-district choice, which allowed students to attend any school within the District, regardless of the neighborhood in which they live. The District is encouraged by this initiative and it will continue in school year 2018-19. The District will continue to look towards stabilizing enrollment and promoting a more customer-driven alternative to neighborhood dynamics as the sole data source for determining a school's future.
- In school year 2017-18, the District, in conjunction with the Pathway Promise Bond Project, launched the Lansing Pathway Promise as the District's K - 12 educational program plan and will continue this plan in school year 2018-19. Each pathway represents a career and college preparation journey that promotes STEM/STEAM, Skilled Trades, Advanced Manufacturing; Visual and Performing Arts and New Tech High; International Baccalaureate and Biotechnologies. Students and families choose the pathway that most appeals to their learning interests and which provides options for exploration of careers in those related fields and creates strong partnerships with the business community. The District believes that giving families multiple choices for their child's school experience is another way to stabilize enrollment and increase engagement.
- In May of 2016, the Lansing community passed a \$120 million bond proposal, the Lansing Pathway Promise. The bond projects are focused on upgrading and renovating facilities according to an educational plan that provides students with three distinct pathways towards career and college readiness: Biotechnologies, International Baccalaureate; Visual and Performing Arts and New Tech; and, STEM/STEAM, Skilled Trades, Advanced Manufacturing. Each pathway enlists the support of the business and industry community in Lansing. At the end of the pathway, a student who graduates from the Lansing School District is eligible for a Promise or Hope Scholarship to attend Michigan State University, Lansing Community College, or Olivet College. The District will continue to implement "open choice" in school year 2018-19 so that where a student lives does not dictate the school they can attend. The Lansing Pathway Promise was overwhelmingly supported with a 62% voter approval. With 27 bond projects in the plan, every corner of the District will benefit in some way from taxpayer support.
- In May of 2017, we kicked off the Lansing Pathway Promise "Bond in Motion" by officially breaking ground at Fairview school. Fairview will now be known as Pattengill Biotechnology Magnet when it opens for students in Grades PK-6 in late August of 2018. In June of 2018, the new Eastern High School, the Eastern Athletic fields, Dwight Rich Performing Arts Magnet, and Post Oak began new construction and extensive renovations this summer. We did not stop at construction; nine schools received new classroom furniture. We upgraded our technology infrastructure and started adding additional security equipment.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

**LANSING SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental activities</u>
ASSETS:	
Cash and cash equivalents	\$ 13,460,118
Receivables:	
Accounts receivable	1,760,429
Interest receivable	2,577
Intergovernmental	21,255,124
Inventories	175,564
Prepays	3,305,855
Restricted cash - capital projects	8,634,697
Restricted investments - capital projects	29,962,678
Capital assets not being depreciated	24,054,630
Capital assets, net of accumulated depreciation	77,887,092
TOTAL ASSETS	<u>180,498,764</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding, net of amortization	469,281
Related to other postemployment benefits	5,235,786
Related to pensions	44,751,056
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>50,456,123</u>
LIABILITIES:	
Accounts payable	6,959,374
Accrued salaries and related items	10,492,460
Accrued retirement	3,665,700
Accrued interest	588,717
Unearned revenue	1,284,760
Noncurrent liabilities:	
Due within one year	9,288,369
Due in more than one year	79,342,869
Net other postemployment benefits liability	70,106,536
Net pension liability	204,982,644
TOTAL LIABILITIES	<u>386,711,429</u>
DEFERRED INFLOWS OF RESOURCES:	
Related to other postemployment benefits	2,402,019
Related to pensions	24,855,166
Related to state aid funding for pension benefits	8,164,870
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>35,422,055</u>
NET POSITION:	
Net investment in capital assets	54,075,284
Restricted for debt service	866,899
Unrestricted	(246,120,780)
TOTAL NET POSITION	<u><u>\$ (191,178,597)</u></u>

See notes to financial statements.

**LANSING SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

<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	\$ 78,083,252	\$ 357,399	\$ 20,253,852	\$ (57,472,001)
Support services	74,438,767	80,462	18,929,779	(55,428,526)
Community services	1,055,290	180,984	1,027,482	153,176
Food services	7,069,519	258,586	7,716,778	905,845
Interest on long-term debt	3,798,342	-	-	(3,798,342)
Loss on sale of assets	145,047	-	-	(145,047)
Unallocated depreciation	860,128	-	-	(860,128)
Total governmental activities	<u>\$ 165,450,345</u>	<u>\$ 877,431</u>	<u>\$ 47,927,891</u>	<u>(116,645,023)</u>
General revenues:				
Property taxes, levied for general purposes				22,165,274
Property taxes, levied for debt service				11,020,887
Property taxes, levied for sinking fund				3,357
Investment earnings				730,592
State sources - unrestricted				69,459,910
Intermediate sources				15,939,302
Other				3,724,244
Total general revenues				<u>123,043,566</u>
CHANGE IN NET POSITION				6,398,543
NET POSITION, beginning of year, as restated				<u>(197,577,140)</u>
NET POSITION, end of year				<u><u>\$ (191,178,597)</u></u>

**LANSING SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General fund</u>	<u>2016 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
ASSETS:				
Cash and cash equivalents	\$ 11,089,388	\$ -	\$ 2,370,730	\$ 13,460,118
Receivables:				
Accounts receivable	418,324	-	1,342,105	1,760,429
Interest receivable	-	-	2,577	2,577
Intergovernmental	20,932,111	-	323,013	21,255,124
Due from other funds	-	46,353	4,447,878	4,494,231
Inventories	138,941	-	36,623	175,564
Prepays	3,305,355	-	500	3,305,855
Cash and cash equivalents - restricted	-	8,634,697	-	8,634,697
Restricted investments	-	29,962,678	-	29,962,678
TOTAL ASSETS	<u>\$ 35,884,119</u>	<u>\$ 38,643,728</u>	<u>\$ 8,523,426</u>	<u>\$ 83,051,273</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 3,393,909	\$ 3,275,941	\$ 289,524	\$ 6,959,374
Accrued salaries and related items	10,483,528	-	8,932	10,492,460
Accrued retirement	3,665,017	-	683	3,665,700
Due to other funds	4,494,231	-	-	4,494,231
Unearned revenue	1,211,002	-	73,758	1,284,760
TOTAL LIABILITIES	<u>23,247,687</u>	<u>3,275,941</u>	<u>372,897</u>	<u>26,896,525</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>

See notes to the financial statements

	<u>General fund</u>	<u>2016 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
FUND BALANCES:				
Nonspendable:				
Inventories	\$ 138,941	\$ -	\$ 36,623	\$ 175,564
Prepays	3,305,355	-	500	3,305,855
Restricted:				
Debt service	-	-	1,455,616	1,455,616
Capital projects	-	35,367,787	-	35,367,787
Food service	-	-	1,583,066	1,583,066
Assigned:				
Subsequent year expenditures	240,000	-	-	240,000
Capital projects	-	-	5,074,724	5,074,724
Unassigned:				
General fund	8,852,136	-	-	8,852,136
TOTAL FUND BALANCES	<u>12,536,432</u>	<u>35,367,787</u>	<u>8,150,529</u>	<u>56,054,748</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 35,884,119</u>	<u>\$ 38,643,728</u>	<u>\$ 8,523,426</u>	<u>\$ 83,051,273</u>
Total governmental fund balances				<u>\$ 56,054,748</u>
Amounts reported for governmental activities in the statement of net position are different because:				
Deferred charge on refunding, net of amortization				469,281
Deferred outflows of resources - related to pensions				44,751,056
Deferred outflows of resources - related to other postemployment benefits				5,235,786
Deferred inflows of resources - related to pensions				(24,855,166)
Deferred inflows of resources - related to other postemployment benefits				(2,402,019)
Deferred inflows of resources - related to state funding for pension benefits				(8,164,870)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
Capital assets			\$ 204,685,542	
Accumulated depreciation			(102,743,820)	
				101,941,722
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(83,703,506)
Notes payable				(2,216,476)
Compensated absences, termination benefits, and self-insured workers' compensation plan				(2,711,256)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid				(588,717)
Unavailable revenue - at June 30th expected to be collected after September 1st				100,000
Net other postemployment benefits liability				(70,106,536)
Net pension liability				(204,982,644)
Net position of governmental activities				<u>\$ (191,178,597)</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, 2018**

	<u>General fund</u>	<u>2016 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ 22,165,274	\$ -	\$ 11,024,244	\$ 33,189,518
Investment earnings	66,516	593,303	70,773	730,592
Food sales	-	-	166,003	166,003
Other	2,429,489	-	1,432,705	3,862,194
Total local sources	24,661,279	593,303	12,693,725	37,948,307
State sources	88,453,847	-	335,268	88,789,115
Federal sources	20,644,811	-	7,473,266	28,118,077
Incoming transfers	16,212,180	-	-	16,212,180
Total revenues	149,972,117	593,303	20,502,259	171,067,679
EXPENDITURES:				
Current:				
Instruction	79,612,544	-	-	79,612,544
Supporting services	71,713,835	-	-	71,713,835
Food service activities	-	-	7,079,681	7,079,681
Community service activities	1,079,794	-	-	1,079,794
Capital outlay	-	24,317,900	1,519,756	25,837,656

See notes to the financial statements

	<u>General fund</u>	<u>2016 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):				
Debt service:				
Principal payments	\$ -	\$ -	\$ 6,965,000	\$ 6,965,000
Interest	-	-	3,851,550	3,851,550
Other	-	-	1,200	1,200
Total expenditures	<u>152,406,173</u>	<u>24,317,900</u>	<u>19,417,187</u>	<u>196,141,260</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,434,056)</u>	<u>(23,724,597)</u>	<u>1,085,072</u>	<u>(25,073,581)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from installment purchase	1,936,417	-	-	1,936,417
Transfers in	78,108	-	1,101,573	1,179,681
Transfers out	<u>(1,101,573)</u>	<u>-</u>	<u>(78,108)</u>	<u>(1,179,681)</u>
Total other financing sources	<u>912,952</u>	<u>-</u>	<u>1,023,465</u>	<u>1,936,417</u>
NET CHANGE IN FUND BALANCES	<u>(1,521,104)</u>	<u>(23,724,597)</u>	<u>2,108,537</u>	<u>(23,137,164)</u>
FUND BALANCES:				
Beginning of year	<u>14,057,536</u>	<u>59,092,384</u>	<u>6,041,992</u>	<u>79,191,912</u>
End of year	<u>\$ 12,536,432</u>	<u>\$ 35,367,787</u>	<u>\$ 8,150,529</u>	<u>\$ 56,054,748</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, 2018**

Net change in fund balances total governmental funds	\$ (23,137,164)
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	(3,899,477)
Capital outlay	22,792,938
Unrecovered cost on asset disposal	(149,547)
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	641,925
Accrued interest payable, end of the year	(588,717)
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 in the treatment of long-term debt and related items are as follows:	
Installment purchase	(1,936,417)
Payments on debt	6,965,000
Amortization of deferred charge on refunding	(107,495)
Amortization of bond premium	1,014,336
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	(100,000)
Unavailable revenue, end of the year	100,000
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, other termination benefits and self-insured workers' compensation plan, beginning of the year	2,943,466
Accrued compensated absences, other termination benefits and self-insured workers' compensation plan, end of the year	(2,711,256)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Other postemployment benefits related items	417,562
Pension related items	3,672,780
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension and other postemployment benefits contributions subsequent to the measurement period:	
State aid funding for pension and other postemployment benefits, beginning of year	8,645,479
State aid funding for pension, end of year	(8,164,870)
Change in net position of governmental activities	\$ 6,398,543

**LANSING SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

	Private purpose trust fund	Agency fund
ASSETS:		
Cash and cash equivalents	\$ 2,078,981	\$ 609,217
Accounts receivable	5,033	6,923
TOTAL ASSETS	2,084,014	616,140
LIABILITIES:		
Accounts payable	3,149	128,116
Due to student groups	-	488,024
TOTAL LIABILITIES	3,149	616,140
NET POSITION:		
Restricted for trust activities	\$ 2,080,865	\$ -

**LANSING SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2018**

	Private purpose trust fund
ADDITIONS:	
Donations	\$ 770,343
Interest earnings	36,452
Other	18,906
Total additions	825,701
DEDUCTIONS:	
Scholarships awarded	33,161
Other	104,847
Total deductions	138,008
CHANGE IN NET POSITION	687,693
NET POSITION:	
Beginning of year	1,393,172
End of year	\$ 2,080,865

**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 (GASB) 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.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District reports the following major governmental funds:

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

The *2016 capital projects fund* includes capital project activities funded with bonds issued after May 1994. For these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code.

The following is a summary of the revenue and expenditures for the 2016 capital projects bond activity since inception through the current fiscal year:

	<u>2016 Bond</u>
Revenue and other financing sources	<u>\$ 66,179,135</u>
Expenditures and transfers	<u>\$ 30,811,348</u>

The above revenue amount includes net bond proceeds of \$65,323,618.

Other Nonmajor 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* account 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 non-debt proceeds and transfers from the general fund for the acquisition of capital 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.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 funds* account for assets that are used for scholarships and other programs. These funds are not included in 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).

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.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

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.

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 state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

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.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

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.

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. The capital projects funds are 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.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

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, 2018. The District does not consider these amendments to be significant.

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 3 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.

**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)

3. Inventories and prepaids (Concluded)

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. During 2016, the District entered into an installment agreement for the purpose of financing the acquisition of a premium 6-year package of textbooks for the District. The total purchase price was \$1,206,000 and the amount financed was \$1,105,386. During 2018, the District entered into an installment purchase agreement for the purpose of financing the acquisition of a premium 6-year package of textbooks for the District. The total purchase price was \$2,036,417, and the amount financed was \$1,936,417.

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 2 years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition 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:

Capital Asset Classes	Lives
Buildings and additions	50
Furniture and other equipment	5 - 20
Land improvements	20
Transportation equipment	8

**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. Defined benefit plans

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Deferred outflows

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 has three items that qualify for reporting in this category. They are the deferred charge on refunding, and pension and other postemployment benefits related items 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. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

**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)

7. Deferred inflows

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 four items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. The second item is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period. The third and fourth items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

8. 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.

9. 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)

10. 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.

The District strives to maintain a secure financial position whereby the fund balance in the general fund does not fall below 10% of the preceding year's expenditures. At June 30, 2018, the District's general fund balance was less than 10% of the preceding year's expenditures.

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 (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

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, 2018, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	17.9208
Commercial Personal Property	5.9208
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	4.6800

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.

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.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2018, the District had the following investments:

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Standard & Poor's rating</u>	<u>%</u>
MILAF + Cash Mgmt Class	\$ 10,309,631	0.0027	AAAm	24.77%
MILAF + Max Class	23,756	0.0027	AAAm	0.06%
MILAF Term	1,328,283	0.5342	AAAm	3.19%
U.S. Treasury Notes	29,962,678	0.5295	AA+	71.98%
Total fair value	<u>\$ 41,624,348</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.3988</u>		

1 day maturity equals. 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. Two of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Cash Mgmt Class and Max Class (MILAF). These are external pooled investment funds of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2018, the fair value of the District’s investments is the same as the value of the pool shares.

MILAF Cash Mgmt Class and Max Class funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

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.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2018, \$15,841,768 of the District's bank balance of \$16,095,768 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of all deposits is \$13,121,343.

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.

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District's U.S. Treasury Notes are valued at Level 1. The MILAF Term investments are valued at Level 2.

At June 30, 2018, the carrying amount is as follows:

Deposits - including fiduciary funds of \$613,217	\$ 13,121,343
Investments - including fiduciary funds of \$2,074,981	41,624,348
	<u>\$ 54,745,691</u>

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

Cash - private purpose trust fund	\$ 2,078,981
Cash - agency fund	609,217
Restricted cash - 2016 capital projects	8,634,697
Cash and cash equivalents - District-wide	13,460,118
Restricted investments - 2016 capital projects	29,962,678
	<u>\$ 54,745,691</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2018 consist of the following:

	<u>Governmental funds</u>
Other governmental units:	
State aid	\$ 15,208,931
Federal	5,550,787
Other	495,406
	<u>\$ 21,255,124</u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Reclassifications/ deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 3,662,891	\$ 305,100	\$ -	\$ 3,967,991
Construction in progress	5,955,525	17,596,686	3,465,572	20,086,639
Subtotal	<u>9,618,416</u>	<u>17,901,786</u>	<u>3,465,572</u>	<u>24,054,630</u>
Capital assets, being depreciated				
Land improvements	19,946,358	-	-	19,946,358
Buildings and additions	136,823,404	4,659,366	392,759	141,090,011
Machinery and equipment	15,121,420	3,645,240	244,561	18,522,099
Transportation equipment	1,080,622	52,118	60,296	1,072,444
Subtotal	<u>172,971,804</u>	<u>8,356,724</u>	<u>697,616</u>	<u>180,630,912</u>
Accumulated depreciation:				
Land improvements	13,219,765	667,441	-	13,887,206
Buildings and additions	72,939,443	2,777,448	243,212	75,473,679
Machinery and equipment	12,736,484	368,274	244,561	12,860,197
Transportation equipment	496,720	86,314	60,296	522,738
Subtotal	<u>99,392,412</u>	<u>3,899,477</u>	<u>548,069</u>	<u>102,743,820</u>
Total capital assets being depreciated, net	<u>73,579,392</u>	<u>4,457,247</u>	<u>149,547</u>	<u>77,887,092</u>
Governmental activities capital assets, net	<u>\$ 83,197,808</u>	<u>\$ 22,359,033</u>	<u>\$ 3,615,119</u>	<u>\$ 101,941,722</u>

Depreciation for the fiscal year ended June 30, 2018 amounted to \$3,899,477.

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

Instruction	\$ 2,000,606
Support service	992,016
Food service	46,727
Unallocated	860,128
	<u>\$ 3,899,477</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT

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

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2018:

	Self-insured workers' compensation plan	Compensated absences and termination benefits	Installment purchase agreement	Bonds	Total
Balance, July 1, 2017	\$ 57,228	\$ 2,886,238	\$ 280,059	\$ 91,682,842	\$ 94,906,367
Additions	-	-	1,936,417	-	1,936,417
Deletions	14,081	218,129	-	7,979,336	8,211,546
Balance, June 30, 2018	43,147	2,668,109	2,216,476	83,703,506	88,631,238
Due within one year	-	1,007,838	925,531	7,355,000	9,288,369
Due in more than one year	\$ 43,147	\$ 1,660,271	\$ 1,290,945	\$ 76,348,506	\$ 79,342,869

Bonds payable at June 30, 2018 is comprised of the following issues:

2016 general obligation refunding bonds due in annual installments of \$75,000 to \$4,585,000 through May 1, 2023, with an interest at 2.00% to 4.00%.	\$ 6,920,000
2016 general obligation bond issuance due in annual installments of \$600,000 to \$3,525,000 through May 1 2041, with an interest at 5.00%.	49,725,000
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 5.00%.	15,495,000
Plus: premiums on bond issuance (net)	<u>11,563,506</u>
Total general obligation debt	83,703,506
Installment purchase agreement - textbooks - due in annual installments of \$280,059 through July 15, 2018, with an interest rate of 0.00%	280,059
Installment purchase agreement - textbooks - due in installments of \$645,472 to \$645,473 through July 31, 2021, with an interest rate of 0.00%	1,936,417
Accrued retirement benefits and worker's compensation:	
Obligation for compensated absences and termination benefits	2,668,109
Obligation for workers' compensation claims	<u>43,147</u>
Total debt	<u>\$ 88,631,238</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (Concluded)

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, 2018, \$15,280,000 of bonds outstanding are considered defeased.

At June 30, 2018, \$1,455,616 is available to service the general obligation debt. The annual requirements to amortize bonded debt and notes payable outstanding as of June 30, 2018, including interest payments of \$38,489,100 are as follows:

Year ending June 30,	Principal	Interest	Amounts payable
2019	\$ 8,280,531	\$ 3,532,300	\$ 11,812,831
2020	5,730,472	3,166,800	8,897,272
2021	5,920,473	2,915,550	8,836,023
2022	5,040,000	2,654,800	7,694,800
2023	5,260,000	2,423,400	7,683,400
2024 - 2028	8,700,000	10,205,000	18,905,000
2029 - 2033	11,050,000	7,805,000	18,855,000
2034 - 2038	14,150,000	4,751,250	18,901,250
2039 - 2041	10,225,000	1,035,000	11,260,000
	<u>74,356,476</u>	<u>38,489,100</u>	<u>112,845,576</u>
Premium on bond issuance	11,563,506	-	11,563,506
Compensated absences and termination benefits	2,668,109	-	2,668,109
Workers' compensation claims	43,147	-	43,147
	<u>\$ 88,631,238</u>	<u>\$ 38,489,100</u>	<u>\$ 127,120,338</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2018 are as follows:

Receivable fund		Payable fund	
Special revenue fund	\$ 1,539,473	General fund	\$ 4,494,231
Debt service funds	2,276		
2016 Capital projects fund	46,353		
Capital projects funds	2,906,129		
	\$ 4,494,231		\$ 4,494,231

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.

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) 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. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www://michigan.gov/ors schools.

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian of the System.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

<u>Plan name</u>	<u>Plan type</u>	<u>Plan status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, 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. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

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 Plan member. Pension Plus Plan 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 Plan members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus Plan members.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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 February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

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 terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (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.

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.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Pension Reform 2012 (Concluded)

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 the 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 Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus Plan) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

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, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, 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.

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 February 1, 2013.

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.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Postemployment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 22-year period for fiscal 2017.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other postemployment benefit
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately \$20,797,000, with \$20,540,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB benefits were approximately \$6,032,000, with \$5,750,000 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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

Pension Liabilities

At June 30, 2018, the District reported a liability of \$204,982,644 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was 0.79100% and 0.82789%.

<u>MPERS (Plan) Non-university employers</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Total pension liability	\$ 72,407,218,688	\$ 67,917,445,078
Plan fiduciary net position	\$ 46,492,967,573	\$ 42,968,263,308
Net pension liability	\$ 25,914,251,115	\$ 24,949,181,770
Proportionate share	0.79100%	0.82789%
Net pension liability for the District	\$ 204,982,644	\$ 206,552,440

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

For the year ended June 30, 2018, the District recognized pension expense of \$16,866,867.

At June 30, 2018, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes of assumptions	\$ 22,457,477	\$ -
Net difference between projected and actual earnings on pension plan investments	-	9,799,519
Differences between expected and actual experience	1,781,439	1,005,807
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,156,097	14,049,840
Reporting Unit's contributions subsequent to the measurement date	19,356,043	-
	<u>\$ 44,751,056</u>	<u>\$ 24,855,166</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)

\$19,356,043, reported as deferred outflows of resources related to pensions resulting from district employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Amount
2018	\$ (1,247,250)
2019	2,749,510
2020	499,434
2021	(1,461,847)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Liabilities

At June 30, 2018, the District reported a liability of \$70,106,536 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.79167%.

<i>MPERS (Plan)</i> Non-university employers	September 30, 2017
Total other postemployment benefit liability	\$ 13,920,945,991
Plan fiduciary net position	\$ 5,065,474,948
Net other postemployment benefit liability	\$ 8,855,471,043
Proportionate share	0.79167%
Net other postemployment benefit liability for the District	\$ 70,106,536

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$5,332,653.

At June 30, 2018, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 1,623,684
Differences between expected and actual experience	-	746,428
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	31,907
Reporting Unit's contributions subsequent to the measurement date	5,235,786	-
	\$ 5,235,786	\$ 2,402,019

\$5,235,786, reported as deferred outflows of resources related to OPEB resulting from district employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30,	Amount
2018	\$ (579,874)
2019	(579,874)
2020	(579,874)
2021	(579,874)
2022	(82,523)

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions

Investment rate of return for pension - 7.5% a year, compounded annually net of investment and administrative expenses for the non-hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the hybrid group (Pension Plus Plan).

Investment rate of return for OPEB - 7.5% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 3.0%.

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of living pension adjustments - 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit - 7.5% for year one and graded to 3.5% to year twelve.

Additional assumptions for other postemployment benefit only - applies to individuals hired before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

Additional assumptions for other postemployment benefit only - applies to individuals hired before September 4, 2012: (Concluded)

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

The target asset allocation at September 30, 2017 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment category</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic Equity Pools	28.00%	5.60%
Alternate Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	(0.10)%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short Term Investment Pools	2.00%	(0.90)%
	<u>100.00%</u>	

* Long term rates of return are net of administrative expenses and 2.3% inflation.

Pension discount rate - The discount rate used to measure the total pension liability was 7.5% (7.0% for Pension Plus Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that plan members contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

OPEB discount rate - The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for Pension Plus Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Pension		
	1% Decrease (6.5%/6.0%)	Discount rate (7.5%/7.0%)	1% Increase (8.5%/8.0%)
Reporting Unit's proportionate share of the net pension liability	\$ 267,024,205	\$ 204,982,644	\$ 152,747,600

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease (6.5%)	Discount rate (7.5%)	1% Increase (8.5%)
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 82,115,017	\$ 70,106,536	\$ 59,915,097

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Concluded)

Actuarial Assumptions (Concluded)

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease (6.5% decreasing to 2.5%)	Healthcare cost trend rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 59,370,812	\$ 70,106,536	\$ 82,296,203

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2017 Comprehensive Annual Financial Report.

Payable to the pension and OPEB plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

Other Information

On December 20, 2017, the Michigan Supreme Court affirmed that Public Act 75 of 2010 is unconstitutional as it substantially impaired the employee's employment contracts by involuntarily reducing the employee's wages by 3%. As a result, the funds collected pursuant to Public Act 75 before the effective date of Public Act 300 of 2012, must be refunded to the employees in accordance with the Michigan Court of Claims judgment on the aforementioned court case. Effective September 30, 2017, the 3% contribution collected under Public Act 75, which amounted to approximately \$554 million (including interest), was posted as a liability on the plan's CAFR report.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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 \$1,101,573 to the capital projects funds and \$78,108 was transferred from the food service fund.

The general fund transfer to the capital projects funds was for future capital acquisitions. The transfer from the food service fund to the general fund was to reimburse indirect cost.

NOTE 10 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*.

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Taxes abated
City of Lansing	\$ 1,158,828
City of East Lansing	94,651
	\$ 1,253,479

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District’s section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2018, the District implemented the following new pronouncement: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Summary:

GASB Statement No. 75 requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB 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. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

The restatement of the beginning of the year net position is as follows:

	Governmental activities
Net position as previously stated July 1, 2017	\$ (127,542,155)
Adoption of GASB Statement No. 75:	
Net OPEB liability	(73,946,864)
Deferred outflows	6,256,533
Deferred inflows	(2,344,654)
Net position as restated July 1, 2017	\$ (197,577,140)

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS (Concluded)

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

**LANSING SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 23,392,000	\$ 24,399,000	\$ 24,661,279	\$ 262,279
State sources	87,329,000	88,888,000	88,453,847	(434,153)
Federal sources	21,292,000	26,095,000	20,644,811	(5,450,189)
Incoming transfers	17,171,000	16,139,000	16,212,180	73,180
Total revenues	<u>149,184,000</u>	<u>155,521,000</u>	<u>149,972,117</u>	<u>(5,548,883)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	54,372,000	57,137,000	56,248,857	888,143
Added needs	24,462,000	22,952,000	22,485,237	466,763
Adult and continuing education	400,000	955,000	878,450	76,550
Total instruction	<u>79,234,000</u>	<u>81,044,000</u>	<u>79,612,544</u>	<u>1,431,456</u>
Supporting services:				
Pupil	15,593,000	14,315,000	13,993,389	321,611
Instructional staff	10,330,000	15,287,000	12,989,341	2,297,659
General administration	1,482,000	1,373,000	1,116,970	256,030
School administration	8,047,000	7,471,000	7,414,723	56,277
Business	3,294,000	3,098,000	2,863,499	234,501
Operation and maintenance	14,065,000	15,355,000	15,449,104	(94,104)
Pupil transportation	10,006,000	10,244,000	10,146,459	97,541
Central	5,774,000	7,802,000	5,939,778	1,862,222
Other	1,550,000	1,463,000	1,800,572	(337,572)
Total supporting services	<u>70,141,000</u>	<u>76,408,000</u>	<u>71,713,835</u>	<u>4,694,165</u>
Community service activities	1,198,000	1,296,000	1,079,794	216,206
Total expenditures	<u>150,573,000</u>	<u>158,748,000</u>	<u>152,406,173</u>	<u>6,341,827</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,389,000)</u>	<u>(3,227,000)</u>	<u>(2,434,056)</u>	<u>792,944</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from installment purchase	-	1,936,000	1,936,417	417
Transfers in	350,000	87,000	78,108	(8,892)
Transfers out	(1,540,000)	(1,518,000)	(1,101,573)	416,427
Total other financing sources (uses)	<u>(1,190,000)</u>	<u>505,000</u>	<u>912,952</u>	<u>407,952</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,579,000)</u>	<u>\$ (2,722,000)</u>	<u>(1,521,104)</u>	<u>\$ 1,200,896</u>
FUND BALANCE:				
Beginning of year			<u>14,057,536</u>	
End of year			<u>\$ 12,536,432</u>	

**LANSING SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability (%)	0.79100%	0.82789%	0.84886%	0.89770%
Reporting Unit's proportionate share of net pension liability	\$ 204,982,644	\$ 206,552,440	\$ 207,334,790	\$ 197,731,925
Reporting Unit's covered-employee payroll	\$ 66,264,359	\$ 69,148,387	\$ 68,735,453	\$ 76,163,477
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	309.34%	298.71%	301.64%	259.62%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**LANSING SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 20,539,647	\$ 18,774,913	\$ 18,367,571	\$ 15,524,963
Contributions in relation to statutorily required contributions	<u>20,539,647</u>	<u>18,774,913</u>	<u>18,367,571</u>	<u>15,524,963</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 65,494,078	\$ 69,583,666	\$ 66,526,238	\$ 71,678,853
Contributions as a percentage of covered-employee payroll	31.36%	26.98%	27.61%	21.66%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**LANSING SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2017
Reporting Unit's proportion of net OPEB liability (%)	0.79167%
Reporting Unit's proportionate share of net OPEB liability	\$ 70,106,536
Reporting Unit's covered-employee payroll	\$ 66,264,359
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	105.80%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**LANSING SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	2018
Statutorily required contributions	\$ 5,750,215
Contributions in relation to statutorily required contributions	5,750,215
Contribution deficiency (excess)	\$ -
Reporting Unit's covered-employee payroll	\$ 65,494,078
Contributions as a percentage of covered-employee payroll	8.78%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**LANSING SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

Changes of benefit terms: There were no changes of benefit terms in 2017.

Changes of assumptions: There were no changes of benefit assumptions in 2017.

ADDITIONAL SUPPLEMENTARY INFORMATION

**LANSING SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2018**

	<u>Special revenue fund</u>	<u>Debt service funds</u>	<u>Capital projects funds</u>	<u>Total nonmajor funds</u>
ASSETS:				
Cash and cash equivalents	\$ -	\$ 1,524,521	\$ 846,209	\$ 2,370,730
Accounts receivable	1,983	-	1,340,122	1,342,105
Interest receivable	-	2,577	-	2,577
Intergovernmental	323,013	-	-	323,013
Due from other funds	1,539,473	2,276	2,906,129	4,447,878
Inventories	36,623	-	-	36,623
Prepays	-	500	-	500
TOTAL ASSETS	<u>\$ 1,901,092</u>	<u>\$ 1,529,874</u>	<u>\$ 5,092,460</u>	<u>\$ 8,523,426</u>
LIABILITIES:				
Accounts payable	\$ 271,788	\$ -	\$ 17,736	\$ 289,524
Accrued salaries and related items	8,932	-	-	8,932
Accrued retirement	683	-	-	683
Unearned revenue	-	73,758	-	73,758
TOTAL LIABILITIES	<u>281,403</u>	<u>73,758</u>	<u>17,736</u>	<u>372,897</u>
FUND BALANCES:				
Nonspendable:				
Inventories	36,623	-	-	36,623
Prepays	-	500	-	500
Restricted:				
Debt service	-	1,455,616	-	1,455,616
Food service	1,583,066	-	-	1,583,066
Assigned	-	-	5,074,724	5,074,724
TOTAL FUND BALANCES	<u>1,619,689</u>	<u>1,456,116</u>	<u>5,074,724</u>	<u>8,150,529</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,901,092</u>	<u>\$ 1,529,874</u>	<u>\$ 5,092,460</u>	<u>\$ 8,523,426</u>

**LANSING SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2018**

	<u>Special revenue fund</u>	<u>Debt service funds</u>	<u>Capital projects funds</u>	<u>Total nonmajor funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ -	\$ 11,020,887	\$ 3,357	\$ 11,024,244
Investment earnings	-	68,025	2,748	70,773
Food sales	166,003	-	-	166,003
Other	92,583	-	1,340,122	1,432,705
Total local sources	258,586	11,088,912	1,346,227	12,693,725
State sources	201,880	133,388	-	335,268
Federal sources	7,473,266	-	-	7,473,266
Total revenues	7,933,732	11,222,300	1,346,227	20,502,259
EXPENDITURES:				
Current:				
Food service activities	7,079,681	-	-	7,079,681
Capital outlay	-	-	1,519,756	1,519,756
Debt service:				
Principal payments	-	6,965,000	-	6,965,000
Interest	-	3,851,550	-	3,851,550
Other	-	1,200	-	1,200
Total expenditures	7,079,681	10,817,750	1,519,756	19,417,187
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	854,051	404,550	(173,529)	1,085,072
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,101,573	1,101,573
Transfers out	(78,108)	-	-	(78,108)
Total other financing sources (uses)	(78,108)	-	1,101,573	1,023,465
NET CHANGE IN FUND BALANCES	775,943	404,550	928,044	2,108,537
FUND BALANCES:				
Beginning of year	843,746	1,051,566	4,146,680	6,041,992
End of year	\$ 1,619,689	\$ 1,456,116	\$ 5,074,724	\$ 8,150,529

**LANSING SCHOOL DISTRICT
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	<u>2016 Debt</u>	<u>2016 Refunding</u>	<u>2012 Refunding</u>	<u>Totals</u>
ASSETS:				
Cash and cash equivalents	\$ 752,266	\$ 42,216	\$ 730,039	\$ 1,524,521
Interest receivable	2,577	-	-	2,577
Due from other funds	1,123	63	1,090	2,276
Prepays	500	-	-	500
TOTAL ASSETS	<u>\$ 756,466</u>	<u>\$ 42,279</u>	<u>\$ 731,129</u>	<u>\$ 1,529,874</u>
LIABILITIES:				
Unearned revenue	\$ 38,461	\$ 1,881	\$ 33,416	\$ 73,758
TOTAL LIABILITIES	<u>38,461</u>	<u>1,881</u>	<u>33,416</u>	<u>73,758</u>
FUND BALANCES:				
Nonspendable:				
Prepays	500	-	-	500
Restricted for debt service	717,505	40,398	697,713	1,455,616
TOTAL FUND BALANCES	<u>718,005</u>	<u>40,398</u>	<u>697,713</u>	<u>1,456,116</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 756,466</u>	<u>\$ 42,279</u>	<u>\$ 731,129</u>	<u>\$ 1,529,874</u>

**LANSING SCHOOL DISTRICT
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018**

	<u>2016</u> <u>Debt</u>	<u>2016</u> <u>Refunding</u>	<u>2012</u> <u>Refunding</u>	<u>Totals</u>
REVENUES:				
Local sources:				
Property taxes	\$ 5,742,319	\$ 285,474	\$ 4,993,094	\$ 11,020,887
Investment earnings	34,128	1,304	32,593	68,025
State sources	-	-	133,388	133,388
Total revenues	<u>5,776,447</u>	<u>286,778</u>	<u>5,159,075</u>	<u>11,222,300</u>
EXPENDITURES:				
Principal payments	2,900,000	-	4,065,000	6,965,000
Interest	2,602,250	271,300	978,000	3,851,550
Other	500	500	200	1,200
Total expenditures	<u>5,502,750</u>	<u>271,800</u>	<u>5,043,200</u>	<u>10,817,750</u>
NET CHANGE IN FUND BALANCES	273,697	14,978	115,875	404,550
FUND BALANCES:				
Beginning of year	<u>444,308</u>	<u>25,420</u>	<u>581,838</u>	<u>1,051,566</u>
End of year	<u>\$ 718,005</u>	<u>\$ 40,398</u>	<u>\$ 697,713</u>	<u>\$ 1,456,116</u>

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	<u>Capital projects</u>	<u>BTS capital project</u>	<u>Replacement fund</u>	<u>Sale of assets fund</u>	<u>Totals</u>
ASSETS:					
Cash and cash equivalents	\$ -	\$ 232,416	\$ 613,793	\$ -	\$ 846,209
Accounts receivable	-	-	-	1,340,122	1,340,122
Due from other funds	49,631	347	15,268	2,840,883	2,906,129
TOTAL ASSETS	<u>\$ 49,631</u>	<u>\$ 232,763</u>	<u>\$ 629,061</u>	<u>\$ 4,181,005</u>	<u>\$ 5,092,460</u>
LIABILITIES:					
Accounts payable	\$ 6,552	\$ -	\$ -	\$ 11,184	\$ 17,736
FUND BALANCES:					
Assigned for capital projects	43,079	232,763	629,061	4,169,821	5,074,724
TOTAL FUND BALANCES	<u>43,079</u>	<u>232,763</u>	<u>629,061</u>	<u>4,169,821</u>	<u>5,074,724</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 49,631</u>	<u>\$ 232,763</u>	<u>\$ 629,061</u>	<u>\$ 4,181,005</u>	<u>\$ 5,092,460</u>

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018**

	<u>Capital projects</u>	<u>Sinking fund</u>	<u>BTS capital project</u>	<u>Replacement fund</u>	<u>Sale of assets fund</u>	<u>Totals</u>
REVENUES:						
Investment earnings	\$ -	\$ -	\$ 2,748	\$ -	\$ -	\$ 2,748
Property taxes	-	3,357	-	-	-	3,357
Other	-	-	-	-	1,340,122	1,340,122
Total revenues	<u>-</u>	<u>3,357</u>	<u>2,748</u>	<u>-</u>	<u>1,340,122</u>	<u>1,346,227</u>
EXPENDITURES:						
Capital outlay	<u>634,407</u>	<u>136,927</u>	<u>-</u>	<u>184,470</u>	<u>563,952</u>	<u>1,519,756</u>
Total expenditures	<u>634,407</u>	<u>136,927</u>	<u>-</u>	<u>184,470</u>	<u>563,952</u>	<u>1,519,756</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES						
	<u>(634,407)</u>	<u>(133,570)</u>	<u>2,748</u>	<u>(184,470)</u>	<u>776,170</u>	<u>(173,529)</u>
OTHER FINANCING SOURCES:						
Transfers in	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>401,573</u>	<u>1,101,573</u>
Total other financing sources	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>401,573</u>	<u>1,101,573</u>
NET CHANGE IN FUND BALANCES						
	<u>(134,407)</u>	<u>(133,570)</u>	<u>2,748</u>	<u>15,530</u>	<u>1,177,743</u>	<u>928,044</u>
FUND BALANCES:						
Beginning of year	<u>177,486</u>	<u>133,570</u>	<u>230,015</u>	<u>613,531</u>	<u>2,992,078</u>	<u>4,146,680</u>
End of year	<u>\$ 43,079</u>	<u>\$ -</u>	<u>\$ 232,763</u>	<u>\$ 629,061</u>	<u>\$ 4,169,821</u>	<u>\$ 5,074,724</u>

**LANSING SCHOOL DISTRICT
FIDUCIARY FUND TYPES
STATEMENT OF REVENUES, EXPENDITURES
AND NET POSITION - PRIVATE PURPOSE TRUST FUND
YEAR ENDED JUNE 30, 2018**

	<u>Balance July 1, 2017</u>	<u>Revenues and transfers</u>	<u>Expenditures and transfers</u>	<u>Balance June 30, 2018</u>
Donations:				
Library revolving funds	\$ 102,739	\$ 3,791	\$ -	\$ 106,530
Memorial fund donations	79,428	2,931	-	82,359
Special education donations	1,467	54	-	1,521
Geraldine M. Curtis Trust	274,227	9,897	6,035	278,089
RIF	54,354	63,432	70,324	47,462
Stapleton Reading Material Fund	21,415	790	-	22,205
College tour	373	14	-	387
	<u>534,003</u>	<u>80,909</u>	<u>76,359</u>	<u>538,553</u>
Scholarships:				
Harold Norton Award	294	11	-	305
Carl McLean Award	12,373	467	-	12,840
Grabow Scholarship	249	10	-	259
Windfuhr Scholarship	8,625	63	-	8,688
Putnam Scholarship	43,741	10,503	12,000	42,244
Hinman Award	22,857	692,073	19,741	695,189
Winslow Memorial Fund	12,888	13,147	16,581	9,454
Lett's Scholarship	7,083	261	-	7,344
Elsie A. Maile Award	1,482	7,831	-	9,313
Hebbard Trust	681,260	6,229	-	687,489
	<u>790,852</u>	<u>730,595</u>	<u>48,322</u>	<u>1,473,125</u>
Other:				
Spink - Cable	10,659	393	-	11,052
Administration Pepsi Fund	-	2,430	1,917	513
Physical Plant Pop Fund	5,805	517	-	6,322
Miscellaneous funds	51,853	10,857	11,410	51,300
	<u>68,317</u>	<u>14,197</u>	<u>13,327</u>	<u>69,187</u>
	<u>\$ 1,393,172</u>	<u>\$ 825,701</u>	<u>\$ 138,008</u>	<u>\$ 2,080,865</u>

**LANSING SCHOOL DISTRICT
 FIDUCIARY FUND TYPES
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND LIABILITIES BY SCHOOL - AGENCY FUND
 YEAR ENDED JUNE 30, 2018**

	Balance				Balance
	July 1, 2017	Additions	Deductions		June 30, 2018
Eastern High School	\$ 128,652	\$ 92,835	\$ 97,896		\$ 123,591
Hill Vocational School	18,775	37,648	47,836		8,587
Sexton High School	70,229	31,761	34,611		67,379
Everett High School	71,139	59,614	67,247		63,506
Pattengill Middle School	5,062	7,426	9,197		3,291
Gardner Middle School	41,848	13,178	36,590		18,436
Elementary schools and other	211,212	285,554	293,532		203,234
	<u>\$ 546,917</u>	<u>\$ 528,016</u>	<u>\$ 586,909</u>		<u>\$ 488,024</u>

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2018**

2016 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2019	2.000%	\$ 75,000	\$ 135,650	\$ 135,650	\$ 346,300
2020	2.000%	100,000	134,900	134,900	369,800
2021	2.000%	100,000	133,900	133,900	367,800
2022	4.000%	2,060,000	132,900	132,900	2,325,800
2023	4.000%	4,585,000	91,700	91,700	4,768,400
Total 2016 bonded debt		<u>\$ 6,920,000</u>	<u>\$ 629,050</u>	<u>\$ 629,050</u>	<u>\$ 8,178,100</u>

The above bonds dated February 23, 2016 were issued for the purpose of refunding a portion of the District's 2006 Refunding Bonds.

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2018**

2016 Issuance Bonds

Fiscal year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2019	5.000%	\$ 3,075,000	\$ 1,243,125	\$ 1,243,125	\$ 5,561,250
2020	5.000%	600,000	1,166,250	1,166,250	2,932,500
2021	5.000%	600,000	1,151,250	1,151,250	2,902,500
2022	5.000%	650,000	1,136,250	1,136,250	2,922,500
2023	5.000%	675,000	1,120,000	1,120,000	2,915,000
2024	5.000%	1,575,000	1,103,125	1,103,125	3,781,250
2025	5.000%	1,650,000	1,063,750	1,063,750	3,777,500
2026	5.000%	1,725,000	1,022,500	1,022,500	3,770,000
2027	5.000%	1,825,000	979,375	979,375	3,783,750
2028	5.000%	1,925,000	933,750	933,750	3,792,500
2029	5.000%	2,000,000	885,625	885,625	3,771,250
2030	5.000%	2,100,000	835,625	835,625	3,771,250
2031	5.000%	2,200,000	783,125	783,125	3,766,250
2032	5.000%	2,325,000	728,125	728,125	3,781,250
2033	5.000%	2,425,000	670,000	670,000	3,765,000
2034	5.000%	2,550,000	609,375	609,375	3,768,750
2035	5.000%	2,675,000	545,625	545,625	3,766,250
2036	5.000%	2,825,000	478,750	478,750	3,782,500
2037	5.000%	2,975,000	408,125	408,125	3,791,250
2038	5.000%	3,125,000	333,750	333,750	3,792,500
2039	5.000%	3,275,000	255,625	255,625	3,786,250
2040	5.000%	3,425,000	173,750	173,750	3,772,500
2041	5.000%	3,525,000	88,125	88,125	3,701,250
Total 2016 bonded debt		<u>\$ 49,725,000</u>	<u>\$ 17,715,000</u>	<u>\$ 17,715,000</u>	<u>\$ 85,155,000</u>

The above bonds dated June 29, 2016 were issued for the purpose of remodeling, furnishing and refurbishing and re-equipping school buildings, including security improvements and equipment; erecting, furnishing and equipping additions to school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; erecting, developing, improving, furnishing and equipping athletic facilities and fields; and developing and improving playgrounds, play fields, driveways, parking areas and sites; and paying the costs of issuing the Bonds.

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2018**

2012 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2019	5.000%	\$ 4,205,000	\$ 387,375	\$ 387,375	\$ 4,979,750
2020	5.000%	4,385,000	282,250	282,250	4,949,500
2021	5.000%	4,575,000	172,625	172,625	4,920,250
2022	5.000%	2,330,000	58,250	58,250	2,446,500
Total 2012 bonded debt		<u>\$ 15,495,000</u>	<u>\$ 900,500</u>	<u>\$ 900,500</u>	<u>\$ 17,296,000</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
INSTALLMENT PURCHASES
JUNE 30, 2018**

2016 Installment Purchase of Textbooks

Fiscal year	Interest rate	Principal due July 15
2019	0.00%	\$ 280,059

The above installment purchase debt dated November 10, 2015 was issued for the purpose of financing the acquisition of a premium 6-year package of textbooks for the District. The total purchase price was \$1,206,000, and the amount financed was \$1,105,386.

2018 Installment Purchase of Textbooks

Fiscal year	Interest rate	Principal due July 15
2019	0.000%	\$ 645,472
2020	0.000%	645,472
2021	0.000%	645,473
		\$ 1,936,417

The above installment purchase debt dated April 6, 2018 was issued for the purpose of financing the acquisition of a premium 6-year package of ELA textbooks for the District. The total purchase price was \$2,036,417, and the amount financed was \$1,936,417.

**LANSING SCHOOL DISTRICT
SCHEDULE OF INTEREST BEARING ACCOUNTS
JUNE 30, 2018**

	<u>Maturity date</u>	<u>Interest rate</u>	<u>Amount</u>
Money market fund:			
MILAF + Max Class	various	2.00%	\$ 23,756
MILAF + Cash Mgmt Class	N/A	1.79%	<u>10,309,631</u>
Total interest bearing deposits			<u><u>\$ 10,333,387</u></u>

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA Number</u>	<u>Pass-through number</u>	<u>Approved award</u>	<u>Prior year expenditures (memorandu m only)</u>	<u>Accrued 7/1/2017</u>	<u>Current year expenditures</u>	<u>Current year receipts</u>	<u>Accrued 6/30/2018</u>
U.S. Department of Agriculture:								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
Non-Cash Assistance (donated foods):								
National School Lunch Program - Entitlement	10.555	----	\$ 438,017	\$ 487,938	\$ -	\$ 438,017	\$ 438,017	\$ -
Total non-cash assistance			<u>438,017</u>	<u>487,938</u>	<u>-</u>	<u>438,017</u>	<u>438,017</u>	<u>-</u>
Cash Assistance:								
National School Lunch Program - Section 4	10.555	171980	15,396	15,396	1,305	-	1,305	-
National School Lunch Program - Section 11	10.555	171960	4,320,265	4,320,265	668,696	-	668,696	-
National School Lunch Program - Section 11	10.555	181960	4,211,258	-	-	4,211,258	4,110,822	100,436
			<u>8,546,919</u>	<u>4,335,661</u>	<u>670,001</u>	<u>4,211,258</u>	<u>4,780,823</u>	<u>100,436</u>
Total national school lunch program (including non-cash assistance)			<u>8,984,936</u>	<u>4,823,599</u>	<u>670,001</u>	<u>4,649,275</u>	<u>5,218,840</u>	<u>100,436</u>
Summer Food Service	10.559	170900	204,834	64,495	64,495	140,339	204,834	-
Summer Food Service	10.559	170900	61,589	-	-	69,801	-	69,801
			<u>266,423</u>	<u>64,495</u>	<u>64,495</u>	<u>210,140</u>	<u>204,834</u>	<u>69,801</u>
School Breakfast Program	10.553	171970	2,169,937	2,169,937	367,359	-	367,359	-
School Breakfast Program	10.553	181970	2,193,383	-	-	2,193,383	2,121,572	71,811
			<u>4,363,320</u>	<u>2,169,937</u>	<u>367,359</u>	<u>2,193,383</u>	<u>2,488,931</u>	<u>71,811</u>
Total cash assistance			<u>13,176,662</u>	<u>6,570,093</u>	<u>1,101,855</u>	<u>6,614,781</u>	<u>7,474,588</u>	<u>242,048</u>
Total child nutrition cluster			<u>13,614,679</u>	<u>7,058,031</u>	<u>1,101,855</u>	<u>7,052,798</u>	<u>7,912,605</u>	<u>242,048</u>
Child and Adult Care Food Program	10.558	171920	119,271	119,271	16,432	-	16,432	-
Child and Adult Care Food Program	10.558	181920	281,705	-	-	281,705	242,649	39,056
			<u>400,976</u>	<u>119,271</u>	<u>16,432</u>	<u>281,705</u>	<u>259,081</u>	<u>39,056</u>
Fresh Fruit & Vegetable Program	10.582	170950	86,580	86,580	2,688	-	2,688	-
Fresh Fruit & Vegetable Program	10.582	180950	140,686	-	-	138,762	135,607	3,155
			<u>227,266</u>	<u>86,580</u>	<u>2,688</u>	<u>138,762</u>	<u>138,295</u>	<u>3,155</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, 2018**

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA Number</u>	<u>Pass-through number</u>	<u>Approved award</u>	<u>Prior year expenditures (memorandu m only)</u>	<u>Accrued 7/1/2017</u>	<u>Current year expenditures</u>	<u>Current year receipts</u>	<u>Accrued 6/30/2018</u>
<u>U.S. Department of Agriculture (Concluded):</u>								
Passed through Eaton ISD:								
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	-----	\$ 1,394	\$ -	\$ -	\$ 1,392	\$ 1,392	\$ -
TOTAL U.S. DEPARTMENT OF AGRICULTURE			14,244,315	7,263,882	1,120,975	7,474,657	8,311,373	284,259
<u>U.S. Department of Education:</u>								
Direct programs:								
Indian Education - Grants to Local Educational Agencies	84.060A	S060A140962	23,620	-	-	23,620	22,955	665
Indian Education - Grants to Local Educational Agencies	84.060A	S060A140962	23,525	21,555	69	-	69	-
			47,145	21,555	69	23,620	23,024	665
Magnet Schools Assistance	84.165A	U165A130051	696,843	495,948	46,792	122,600	169,392	-
Magnet Schools Assistance	84.165A	U165A170011	2,999,980	198,590	-	867,631	588,311	279,320
			3,696,823	694,538	46,792	990,231	757,703	279,320
Teacher and School Leader Incentive Grants	84.374A	U374A170037-17A	9,968,591	-	-	3,440,147	787,943	2,652,204
School Safety National Activities	84.184M	S184M140063	62,500	39,154	4,277	7	4,284	-
School Safety National Activities	84.184M	S184M140063	658,436	531,536	73,259	126,900	200,159	-
School Safety National Activities	84.184M	S184M140063	162,322	140,585	45,141	21,736	66,877	-
School Safety National Activities	84.184M	S184M140063	169,232	-	-	139,415	131,465	7,950
School Safety National Activities	84.184M	S184M140063	761,084	119,967	-	628,900	478,211	150,689
			1,813,574	831,242	122,677	916,958	880,996	158,639
Fund for the Improvement of Education	84.215F	S215F140117	333,964	66,591	26,012	266,436	291,164	1,284
Fund for the Improvement of Education	84.215F	S215F140117	409,978	286,364	443	-	443	-
Fund for the Improvement of Education	84.215F	S215F140117	613,202	351,310	(42)	-	(42)	-
			1,357,144	704,265	26,413	266,436	291,565	1,284

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, 2018**

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA Number</u>	<u>Pass-through number</u>	<u>Approved award</u>	<u>Prior year expenditures (memorandu m only)</u>	<u>Accrued 7/1/2017</u>	<u>Current year expenditures</u>	<u>Current year receipts</u>	<u>Accrued 6/30/2018</u>
<u>U.S. Department of Education (Continued):</u>								
Passed through Michigan Department of Education:								
Title I Grants to Local Educational Agencies	84.010	161530/1516	\$ 8,556,051	\$ -	\$ -	\$ 7,617,036	\$ 6,427,246	\$ 1,189,790
Title I Grants to Local Educational Agencies	84.010	181550/601	988,957	-	-	686,483	688,046	(1,563)
Title I Grants to Local Educational Agencies	84.010	181530/1718	8,097,163	6,822,575	1,134,732	602,477	1,737,209	-
			17,642,171	6,822,575	1,134,732	8,905,996	8,852,501	1,188,227
Title I State Agency Program for Neglected & Delinquent Children & Youth	84.013	171700/1617	229,708	169,570	32,287	30,742	63,029	-
Title I State Agency Program for Neglected & Delinquent Children & Youth	84.013	181700/1718	186,783	-	-	101,821	74,301	27,520
			416,491	169,570	32,287	132,563	137,330	27,520
Education for Homeless Children and Youth	84.196A	172320/1617	52,076	38,932	-	2,650	2,650	-
Education for Homeless Children and Youth	84.196A	182320/1718	75,131	-	-	60,753	58,888	1,865
			127,207	38,932	-	63,403	61,538	1,865
Supporting Effective Instruction State Grants	84.367	170520/1617	1,484,051	-	-	1,051,005	882,523	168,482
Supporting Effective Instruction State Grants	84.367	170520/1718	1,907,390	1,516,793	206,190	87,435	293,625	-
			3,391,441	1,516,793	206,190	1,138,440	1,176,148	168,482
School Improvement Grant (SIG)	84.377A	141762/1617	1,572,531	1,202,134	217,747	182,160	399,907	-
School Improvement Grant (SIG)	84.377A	151762/1718	1,396,203	-	-	1,270,628	1,037,089	233,539
School Improvement Grant (SIG)	84.377A	151761/1617	500,000	347,733	34,983	64,835	99,818	-
School Improvement Grant (SIG)	84.377A	131763/1617	2,923,480	2,105,111	243,771	552,152	795,923	-
School Improvement Grant (SIG)	84.377A	151763/1718	837,433	-	-	676,932	581,847	95,085
			7,229,647	3,654,978	496,501	2,746,707	2,914,584	328,624
Adult Education - Basic Grants to States	84.002	171120/175057	38,370	38,135	109	-	109	-
Adult Education - Basic Grants to States	84.002	171130/171057	65,520	64,744	4,847	-	4,847	-
Adult Education - Basic Grants to States	84.002	171190/171057	42,351	42,285	5,162	-	5,162	-
			146,241	145,164	10,118	-	10,118	-
Student Support & Academic Enrichment	84.424	180750/1718	111,656	-	-	32,839	25,500	7,339

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, 2018**

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA Number</u>	<u>Pass-through number</u>	<u>Approved award</u>	<u>Prior year expenditures (memorandu m only)</u>	<u>Accrued 7/1/2017</u>	<u>Current year expenditures</u>	<u>Current year receipts</u>	<u>Accrued 6/30/2018</u>
<u>U.S. Department of Education (Continued):</u>								
Passed through Michigan Department of Education (Concluded):								
English Language Acquisition State Grants	84.365A	160580/1516	\$ 212,572	\$ -	\$ -	\$ 155,970	\$ 146,803	\$ 9,167
English Language Acquisition State Grants	84.365A	170580/1617	220,129	181,402	7,104	14,556	21,660	-
English Language Acquisition State Grants	84.365A	180570/1718	144,605	-	-	55,624	51,187	4,437
Passed through Okemos Public Schools:								
English Language Acquisition State Grants	84.365A	170570/1617	58,811	50,037	4,553	2,305	6,858	-
			<u>636,117</u>	<u>231,439</u>	<u>11,657</u>	<u>228,455</u>	<u>226,508</u>	<u>13,604</u>
Passed through Ingham Intermediate School District:								
Special Education Cluster:								
Special Education Preschool Grants	84.173A	170460/1617	154,202	106,212	19,841	-	19,841	-
Special Education Preschool Grants	84.173A	170460/1718	115,654	-	-	94,539	73,878	20,661
			<u>269,856</u>	<u>106,212</u>	<u>19,841</u>	<u>94,539</u>	<u>93,719</u>	<u>20,661</u>
Special Education Grants to States	84.027		959,909	817,371	278,079	-	278,079	-
Special Education Grants to States	84.027		859,854	-	-	859,854	582,530	277,324
			<u>1,819,763</u>	<u>817,371</u>	<u>278,079</u>	<u>859,854</u>	<u>860,609</u>	<u>277,324</u>
Total Special Education Cluster			<u>2,089,619</u>	<u>923,583</u>	<u>297,920</u>	<u>954,393</u>	<u>954,328</u>	<u>297,985</u>
Passed through Clinton County RESA:								
Career and Technical Education - Basic Grants to States	84.048A	----	52,079	-	5,525	-	5,525	-
Career and Technical Education - Basic Grants to States	84.048A	----	46,290	-	-	45,791	37,370	8,421
			<u>98,369</u>	<u>-</u>	<u>5,525</u>	<u>45,791</u>	<u>42,895</u>	<u>8,421</u>
Passed through Western Michigan University:								
School Leader Recruitment and Support	84.363A	----	32,200	10,307	3,404	13,699	14,123	2,980
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>48,804,436</u>	<u>15,764,941</u>	<u>2,394,285</u>	<u>19,899,678</u>	<u>17,156,804</u>	<u>5,137,159</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, 2018**

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA Number</u>	<u>Pass-through number</u>	<u>Approved award</u>	<u>Prior year expenditures (memorandu m only)</u>	<u>Accrued 7/1/2017</u>	<u>Current year expenditures</u>	<u>Current year receipts</u>	<u>Accrued 6/30/2018</u>
<u>U.S. Department of Transportation</u>								
Passed through Eaton County RESA								
Highway Research and Development Program	20.200	----	\$ 34,503	\$ 16,945	\$ 7,503	\$ -	\$ 7,503	\$ -
Highway Research and Development Program	20.200	----	20,000	-	-	18,753	-	18,753
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>54,503</u>	<u>16,945</u>	<u>7,503</u>	<u>18,753</u>	<u>7,503</u>	<u>18,753</u>
<u>U.S. Department of Health and Human Services:</u>								
Passed through Ingham ISD:								
Medicaid Assistance Program	93.778	----	35,550	63,437	-	35,550	35,550	-
Passed through Eaton County RESA:								
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	----	38,730	34,590	10,331	3,141	13,472	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	----	40,305	-	-	34,905	24,157	10,748
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>79,035</u>	<u>34,590</u>	<u>10,331</u>	<u>38,046</u>	<u>37,629</u>	<u>10,748</u>
			<u>114,585</u>	<u>98,027</u>	<u>10,331</u>	<u>73,596</u>	<u>73,179</u>	<u>10,748</u>
<u>U.S. Department of Labor:</u>								
WIOA Program Cluster:								
Passed through Capital Area Michigan Works:								
WIOA Youth Activities	17.259	----	718,826	686,930	108,462	-	108,462	-
WIOA Youth Activities	17.259	----	658,771	4,664	4,664	643,726	556,189	92,201
WIOA Youth Activities	17.259	----	7,667	-	-	7,667	-	7,667
TOTAL U.S. DEPARTMENT OF LABOR			<u>1,385,264</u>	<u>691,594</u>	<u>113,126</u>	<u>651,393</u>	<u>664,651</u>	<u>99,868</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 64,603,103</u>	<u>\$ 23,835,389</u>	<u>\$ 3,646,220</u>	<u>\$ 28,118,077</u>	<u>\$ 26,213,510</u>	<u>\$ 5,550,787</u>

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, 2018**

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Lansing School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 financial 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 the Uniform Guidance, 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. Lansing School District has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Management has utilized the Cash Management System (CMS) and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal funds.

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

General fund	\$ 20,644,811
Special revenue fund	<u>7,473,266</u>
Federal expenditures on the Schedule of Expenditures of Federal Awards	<u><u>\$ 28,118,077</u></u>

**INDEPENDENT AUDITOR’S 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***

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, 2018, 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 2, 2018.

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.

Manes Costeiran PC

October 2, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 unmodified opinions on compliance for major federal programs. 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, 2018.

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 the Uniform Guidance, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Manes Costeiran PC

October 2, 2018

**LANSING SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's 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 None reported

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

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.367	Supporting Effective Instruction State Grants
84.377A	School Improvement Grant
84.374	Teacher and School Leader Incentive Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 843,542

Auditee qualified as low-risk auditee? X Yes _____ 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, 2018**

There were no audit findings in the prior year.