

LANSING SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2011

CONTENTS

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

CONTENTS

	<u>Page</u>
Additional information	33
Nonmajor governmental fund types	
Combining balance sheet	34
Combining statement of revenues, expenditures, and changes in fund balances	35
Debt service funds	
Combining balance sheet	36
Combining statement of revenues, expenditures and changes in fund balances	37
Capital projects funds	
Combining balance sheet	38
Combining statement of revenues, expenditures and changes in fund balances.....	39
Fiduciary funds	
Combining balance sheet	40
Statement of revenues, expenditures and fund balances - private purpose trust fund	41
Statement of cash receipts, disbursements and liabilities by school - agency fund	42
Long-term debt	
Bonded debt	43 - 49
Lease purchase - principal and interest requirements	50
Schedule of investments and certificates of deposit	51

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Lansing School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lansing School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of June 30, 2011 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 1 and 12 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2011, on our consideration of Lansing School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xvi and 32, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lansing School District's basic financial statements. The additional information on pages 34 through 51 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Manes Costeiran PC

October 11, 2011

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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, 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section.

District-Wide Financial Statements

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

Fund Financial Statements

The fund financial statements are comparable to financial statements for the previous year, except that in the current year the athletic activities are recorded in the general fund to comply with Government Accounting Standards Board Statement #54. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

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

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

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Summary of Net Assets

The following schedule summarizes the net assets for fiscal years ended June 30, 2011 and 2010:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Assets		
Current assets	\$ 57,403,549	\$ 50,490,631
Capital assets	179,568,484	178,994,376
Less: Accumulated depreciation	(90,434,742)	(86,679,828)
Capital assets, net book value	89,133,742	92,314,548
Other noncurrent assets	319,727	354,243
Total assets	<u>\$ 146,857,018</u>	<u>\$ 143,159,422</u>
Liabilities		
Current liabilities	\$ 37,635,937	\$ 32,950,855
Long-term liabilities	59,289,348	62,819,855
Total liabilities	<u>96,925,285</u>	<u>95,770,710</u>
Net Assets		
Invested in capital assets, net of related debt	30,347,358	30,341,034
Restricted for debt service	3,751,772	3,460,576
Restricted for food service	9,398	-
Unrestricted	15,823,205	13,587,102
Total net assets	<u>49,931,733</u>	<u>47,388,712</u>
Total liabilities and net assets	<u>\$ 146,857,018</u>	<u>\$ 143,159,422</u>

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Analysis of Financial Position

During the fiscal year ended June 30, 2011, the District's net assets increased by \$2,543,021. A few of the more significant factors affecting net assets during the year are discussed below:

1. Depreciation Expense

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the assets less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2011, \$4,370,222 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2011, \$1,377,353 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 (\$1,377,353), assets disposed and reclassified of during the fiscal year (\$187,937), and the current year's depreciation (\$4,370,222) is a net decrease to capital assets in the amount of \$3,180,806 for the fiscal year ended June 30, 2011. The net decrease in capital assets is due mainly to depreciation offset by capital acquisition.

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Results of Operations

For the fiscal years ended June 30, 2011 and 2010, the results of operations, on a District-wide basis, were:

	Year ended June 30, 2011		Year ended June 30, 2010	
General Revenues				
Property taxes	\$ 27,467,652	15.7%	\$ 29,806,360	16.5%
Investment earnings	160,206	0.1%	142,853	0.1%
State sources	86,752,192	49.7%	89,637,966	49.7%
Federal-unrestricted-ARRA	1,637,219	0.9%	4,102,636	2.3%
Federal-unrestricted-EduJobs	2,691,175	1.5%		
County special education allocation	10,298,259	5.9%	8,061,189	4.5%
Other	1,334,359	0.8%	1,516,746	0.8%
Total general revenues	130,341,062	74.7%	133,267,750	73.9%
Program Revenues				
Charges for services	2,369,647	1.4%	2,573,911	1.4%
Operating grants	41,800,645	24.7%	44,585,269	24.7%
Total revenues	174,511,354	100.0%	180,426,930	100.0%
Expenses				
Instruction	93,970,533	54.6%	97,484,567	53.8%
Support services	66,266,876	38.5%	71,314,737	39.3%
Community services	637,267	0.4%	537,029	0.3%
Food services	7,027,363	4.1%	6,931,184	3.8%
Interest on long-term debt	2,529,666	1.5%	2,717,444	1.9%
Unallocated depreciation expense	1,536,628	0.9%	1,619,416	0.9%
Total expenses	171,968,333	100.0%	180,604,377	100.0%
Increase (decrease) in net assets	\$ 2,543,021		\$ (177,447)	

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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 2010-2011 fiscal year, the District levied \$21,831,230 in non-principal property taxes. This amount represented a decrease of 7.9% from the prior year.

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

Fiscal year	Non-homestead tax levy	% Increase (decrease) from prior year
2010-2011	\$ 21,831,230	(7.9)%
2009-2010	23,709,232	2.2%
2008-2009	23,203,833	(6.1)%
2007-2008	24,704,452	3.4%
2006-2007	23,899,051	1.4%

2. State Sources

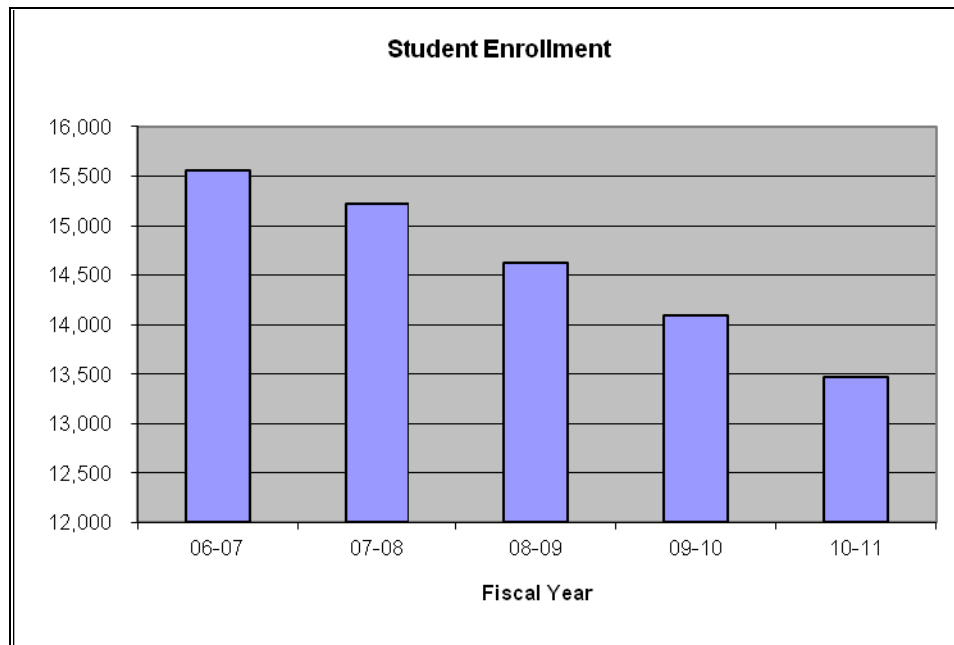
The majority of the state sources of revenue is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior fiscal year's spring count. For the 2010-2011 fiscal year, the District received \$7,835 per student (FTE) inclusive of the \$163 per pupil received for class size reduction, which represented no change per pupil from the amount received for the 2009-2010 fiscal year. In lieu of reducing the per pupil allocation, the State assessed the District \$170 per pupil reduction (Section 11d) that was applied against the District's categorical 31A funds.

**Lansing School District
 Management Discussion and Analysis
 For the Fiscal Year Ended June 30, 2011**

3. Student Enrollment

Student enrollment has declined by 11.9% during the last 5 years.

Fiscal year	Actual Blended student FTE
2010-2011	13,465
2009-2010	14,098
2008-2009	14,630
2007-2008	15,215
2006-2007	15,561



4. Operating Grants

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2011, federal, state, and other grants accounted for \$41,800,645 (excludes \$1,637,219 ARRA Stabilization funds & \$2,691,175 EduJobs Funds). This amount represents an 6% decrease from the total grant sources of \$44,585,269 received for the 2009-2010 fiscal year.

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

5. County Special Education Allocation

For the fiscal year ended June 30, 2011, the District received a net allocation from the Ingham Intermediate School District in the amount of \$11,649,880 to assist with the education of students with special needs. This amount represents an increase of \$2,582,234 as compared to the allocation of \$9,067,646 received during the 2009-2010 Fiscal Year.

6. Interest Earnings

The District received interest on its investment of short-term available cash in the amount of \$160,207 for the fiscal year ended June 30, 2011. Interest revenues are greater than the prior fiscal year by \$17,354 due in part to a shift in investment tools to better secure our funds – including the utilization of NOW accounts. NOW accounts provided interest rates that were typically less than 0.50%, yet our funds were 100% insured.

7. Comparative Expenditures

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

	2010-2011 fiscal year	2009-2010 fiscal year	Increase (decrease)
Instruction	\$ 91,944,217	\$ 95,563,586	\$ (3,619,369)
Supporting services	67,282,047	70,371,023	(3,088,976)
Food service activities	7,015,016	6,886,295	128,721
Community service activities	637,368	541,074	96,294
Capital outlay	859,866	2,929,273	(2,069,407)
Debt service	6,367,150	9,185,530	(2,818,380)
Total expenditures	<u>\$ 174,105,664</u>	<u>\$ 185,476,781</u>	<u>\$ (11,371,117)</u>

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

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 2010-2011 fiscal year, the District amended the general fund budget twice, with the Board adopting the final changes in June, 2011.

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	\$ 178,102,000	\$ 177,308,000	\$ 161,466,935	\$ (15,841,065)	-8.9%
Expenditures:					
Instruction	\$ 107,714,000	\$ 106,115,000	\$ 91,944,217	\$ 14,170,783	13.4%
Supporting Services	75,768,000	74,869,000	67,282,047	7,586,953	10.1%
Community Services	1,411,000	1,100,000	637,368	462,632	42.1%
Total expenditures	\$ 184,893,000	\$ 182,084,000	\$ 159,863,632	\$ 22,220,368	12.2%
Other financing sources (uses) – transfers out	\$ 959,000	\$ 859,000	\$ 1,516,841	\$ 657,841	76.6%

The original revenue budget of \$178.1 million was decreased to \$177.3 million to recognize the effect of additional State categorical grant funding. 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 \$16 million of the budget variance is accounted for by the variance in grants awarded verses grants expended. The remaining variance is accounted related to unused salary/benefits (approximately \$4.5 million) primarily due to the utilization of ARRA Stabilization and EduJobs funds, open/unfilled positions and unused building and departmental discretionary budgets (approximately \$2 million).

**Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

Capital Asset and Debt Administration

Capital Assets

By the end of the 2010-2011 fiscal year, the District had invested approximately \$179 million in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net change of approximately \$0 over the prior fiscal year. Depreciation expense for the year amounted to approximately \$4.39 million, bringing the accumulated depreciation to approximately \$90.4 million as of June 30, 2011.

	Cost	Accumulated depreciation	2011 Net book value	2010 Net book value
Land	\$ 4,507,517	\$ -	\$ 4,507,517	\$ 4,516,617
Construction in progress	1,968,181	-	1,968,181	1,104,501
Land improvements	19,018,286	10,582,987	8,435,299	9,175,581
Buildings and additions	133,947,950	64,155,030	69,792,920	72,764,375
Machinery and equipment	13,651,504	9,810,169	3,841,335	221,943
Buses	5,087,566	4,519,353	568,213	32,629
Transportation equipment	1,387,480	1,367,203	20,277	4,498,902
	<u>\$ 179,568,484</u>	<u>\$ 90,434,742</u>	<u>\$ 89,133,742</u>	<u>\$ 92,314,548</u>

Long-term Debt

At June 30, 2011, the District had approximately \$62 million in bonded debt outstanding. Total outstanding debt decreased as the District continued to pay down its debt, retiring \$4 million of outstanding bonds and incurring an additional \$3 million in debt for the Sinking Fund and \$441,500 for the purchase of ten school buses.

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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 District received a student foundation allowance from the State of Michigan of \$7,835 per pupil for the 2010-2011 school year. (Effective for fiscal year 2007-2008 the State has included the reduced class size allocation in the student foundation allowance, giving the appearance that the student foundation allowance increased more than it really had. The inclusion of the reduced class size allocation accounts for \$163 of the increase in the foundation allowance.) Adjusted for the inclusion of the reduced class allocation, the District received \$7,672 from the student foundation allowance, an increase of \$0 from the \$7,672 received in the 2009-2010 & 2008-2009 fiscal years. The State assessed a \$170 per pupil reduction, in order to maintain the per pupil allocation and to attempt to minimize the effect on the classroom, the District elected to apply the \$170 per pupil reduction to the categorical funds received from the State – i.e. Section 31A – At Risk. Although the threat of pro-ration or reduction of this initial allocation and other categorical grants was under consideration throughout the fiscal year, the State was able to maintain the level of payment that was originally authorized at the beginning of the school year. However, the economic difficulties faced by Michigan are expected to continue through at least the next five years and funding for education is uncertain at this point.
- Future funding levels for education are expected to reflect the long-range outlook for the state economy. A number of factors have been identified that will affect the overall financial health of the state as well as that of the residents of Michigan. Continuing population loss, decreasing birth rates, erosion of the automobile and other manufacturing bases and the resulting decline in tax revenue will have a direct effect on the District's ability to provide a quality education for the students of the Lansing School District. The Citizens Research Council is predicting a 14.3% decline over the next ten years in the population within the 5 to 17 year age range that makes up the student base across the state. This alarming downward trend and the resulting expected decrease in funding levels will make it difficult to continue existing educational programs and to plan and implement innovative programs to meet the needs of the students of the District.
- A number of initiatives which were introduced by the District's Superintendent, Dr. T. C. Wallace Jr., and subsequently were approved by the board, that are designed to provide direction and focus for achievement in the District were implemented during the 2007-2008 fiscal year. Based on the theme of Accountability-Attitude-Achievement, eleven goals have been set that established the school system's educational priorities for 2008-09 and future years. In addition to goals that directly relate to the education of students, other goals call for the development of a comprehensive strategic plan to cover the period 2008-2012 and the establishment and maintenance of sound fiscal management and accountability systems that maximize financial resources through performance-based systems. The development of a comprehensive five-year financial plan will enable administrators to ensure that financial resources are used in the most efficient and effective manner. As a result of these initiatives, the District has achieved "AYP" (Adequate Yearly Progress) status for the 2010-2011 school year. Twenty-three of the District's thirty schools made AYP as required under the No Child Left Behind act (NCLB).

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

- The District adopted a modified zero based budgeting process in the 2008-2009 fiscal year in which the building budget allocations are based on a per pupil amount. The modified zero based budgeting process is a three year process, fiscal year 2009-2010 marked the second phase of the process, fiscal year 2010-2011 marked the third and final phase of the process. Through the modified zero based budgeting process, the budget is driven directly by student enrollment and student programming needs.
- For the last two years the Lansing Promise Authority Board which was appointed by the Lansing School Board of Education has been preparing to implement a guaranteed college scholarship program for graduates of the Lansing Public Schools. This program is scheduled to take effect with the graduating class of 2012 and has promised a full tuition to Lansing Community College on a associates degree program (\$2,500 per year with a cap of \$5,000) and the same portion of tuition to Michigan State University. The Lansing Promise Zone was established by the Granholm Administration and is currently being developed in ten other school districts across Michigan. It is intended to address high risk urban areas of our state to improve graduation and give higher education opportunities. It will also serve as an economic development tool in each of the communities. The Lansing Promise was approved by the Michigan Department of Treasury and has established a Lansing Promise Foundation Board of Directors with the sole intention of raising approximately \$5 million which will later be funded with the Promise being totally funded by a local tax capture. The Foundation was established in August of 2011 and that is when fund-raising began.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

**LANSING SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<u>Governmental activities</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 29,057,459
Receivables:	
Accounts receivable	796,877
Taxes receivable	73,606
Due from other governmental units	25,069,139
Inventories	303,242
Prepaid expenditures	782,581
Restricted cash - capital projects	<u>1,320,645</u>
TOTAL CURRENT ASSETS	<u>57,403,549</u>
 NONCURRENT ASSETS:	
Capital assets	179,568,484
Less accumulated depreciation	<u>(90,434,742)</u>
Capital assets net of accumulated depreciation	89,133,742
Deferred charges, net of amortization	<u>319,727</u>
TOTAL NONCURRENT ASSETS	<u>89,453,469</u>
TOTAL ASSETS	<u><u>\$ 146,857,018</u></u>

	Governmental activities
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 4,648,783
Accrued salaries and related items	13,625,803
Accrued interest	408,403
Accrued expenses	200,000
Deferred revenue	10,337,358
Current portion of long-term obligations	5,988,123
Current portion of compensated absences	2,427,467
	<hr/>
TOTAL CURRENT LIABILITIES	37,635,937
	<hr/>
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	57,055,572
Compensated absences	2,233,776
	<hr/>
TOTAL NONCURRENT LIABILITIES	59,289,348
	<hr/>
TOTAL LIABILITIES	96,925,285
	<hr/>
NET ASSETS:	
Invested in capital assets net of related debt	30,347,358
Restricted for debt service	3,751,772
Restricted for food service	9,398
Unrestricted	15,823,205
	<hr/>
TOTAL NET ASSETS	49,931,733
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 146,857,018
	<hr/> <hr/>

**LANSING SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 93,970,533	\$ 1,160,708	\$24,303,781	\$ (68,506,044)
Support services	66,266,876	409,029	9,093,339	(56,764,508)
Community services	637,267	-	1,669,165	1,031,898
Food services	7,027,363	799,910	6,734,360	506,907
Interest on long-term debt	2,529,666	-	-	(2,529,666)
Unallocated depreciation	1,536,628	-	-	(1,536,628)
Total governmental activities	<u>\$ 171,968,333</u>	<u>\$ 2,369,647</u>	<u>\$41,800,645</u>	<u>(127,798,041)</u>
General revenues:				
Property taxes, levied for general purposes				21,988,251
Property taxes, levied for debt service				5,479,401
Investment earnings				160,206
State sources				86,752,192
Federal - ARRA sources - unrestricted				1,637,219
Federal - EduJob sources - unrestricted				2,691,175
Ingham ISD special education allocation				10,298,259
Other				1,334,359
Total general revenues				<u>130,341,062</u>
CHANGE IN NET ASSETS				2,543,021
NET ASSETS, beginning of year				<u>47,388,712</u>
NET ASSETS, end of year				<u>\$ 49,931,733</u>

**LANSING SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General fund	2003 bond capital projects fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 25,946,261	\$ -	\$ 3,111,198	\$ 29,057,459
Receivables:				
Property taxes receivable	57,884	-	15,722	73,606
Accounts receivable	794,207	-	2,670	796,877
Due from other governmental units	24,102,596	-	966,543	25,069,139
Due from other funds	-	-	6,635,827	6,635,827
Inventories	137,188	-	166,054	303,242
Prepaid expenditures	782,581	-	-	782,581
Restricted cash - capital projects	-	1,320,645	-	1,320,645
TOTAL ASSETS	\$ 51,820,717	\$ 1,320,645	\$ 10,898,014	\$ 64,039,376
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 4,252,461	\$ 84,328	\$ 311,994	\$ 4,648,783
Accrued salaries and related items	13,612,070	-	13,733	13,625,803
Due to other funds	5,560,312	362,239	713,276	6,635,827
Accrued expenses	200,000	-	-	200,000
Deferred revenue	10,462,558	-	10,866	10,473,424
TOTAL LIABILITIES	34,087,401	446,567	1,049,869	35,583,837

See notes to financial statements.

	General fund	2003 bond capital projects fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:				
Nonspendable:				-
Prepaid expenditures	\$ 782,581	\$ -	\$ -	\$ 782,581
Inventories	137,188	-	-	137,188
Restricted:				
Special revenue	-	-	175,452	175,452
Capital projects	-	874,078	3,063,506	3,937,584
Debt service	-	-	4,160,175	4,160,175
Assigned:				
Subsequent years' expenditures	10,517,836	-	-	10,517,836
Capital projects	-	-	2,449,012	2,449,012
Unassigned	6,295,711	-	-	6,295,711
TOTAL FUND BALANCES	<u>17,733,316</u>	<u>874,078</u>	<u>9,848,145</u>	<u>28,455,539</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 51,820,717</u>	<u>\$ 1,320,645</u>	<u>\$ 10,898,014</u>	<u>\$ 64,039,376</u>
Total governmental fund balances				<u>\$ 28,455,539</u>

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

Capital assets	\$ 179,568,484	
Accumulated depreciation	<u>(90,434,742)</u>	89,133,742
The value of amortized bond issuance costs	565,379	
Accumulated amortization	<u>(245,652)</u>	319,727

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds payable		(62,137,724)
Notes payable		(905,971)
Compensated absences		(4,661,243)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(408,403)
Deferred due from other governmental units at June 30, 2011 expected to be collected after September 1, 2011		133,008
Deferred property taxes receivable at June 30, 2011 expected to be collected after September 1, 2011		3,058
Net assets of governmental activities		<u>\$ 49,931,733</u>

See notes to financial statements.

LANSING SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>General fund</u>	<u>2003 Bond capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ 22,466,125	\$ -	\$ 5,486,218	\$ 27,952,343
Investment earnings	61,292	222	98,693	160,207
Food sales			799,568	799,568
Other	1,983,047		342	1,983,389
Total local sources	24,510,464	222	6,384,821	30,895,507
State sources	93,146,767	-	965,814	94,112,581
Federal sources	32,159,825	-	6,255,826	38,415,651
Incoming transfers	11,649,880	-	-	11,649,880
Total revenues	161,466,936	222	13,606,461	175,073,619
EXPENDITURES:				
Current:				
Instruction	91,944,217	-	-	91,944,217
Supporting services	67,282,047	-	-	67,282,047
Food service activities	-	-	7,015,016	7,015,016
Community service activities	637,368	-	-	637,368
Capital outlay	-	481,768	378,098	859,866

See notes to financial statements.

	<u>General fund</u>	<u>2003 Bond capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):				
Debt service:				
Principal repayment	\$ -	\$ -	\$ 3,823,817	\$ 3,823,817
Interest expense	-	-	2,542,343	2,542,343
Other expense	-	-	990	990
Total expenditures	<u>159,863,632</u>	<u>481,768</u>	<u>13,760,264</u>	<u>174,105,664</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,603,304</u>	<u>(481,546)</u>	<u>(153,803)</u>	<u>967,955</u>
OTHER FINANCING SOURCES (USES):				
Proceed from issuance of debt	441,500	-	3,000,000	3,441,500
Proceeds from sale of capital assets	148,838	-	-	148,838
Transfers from other funds	1,506,052	-	579,550	2,085,602
Transfers to other funds	<u>(579,550)</u>	<u>-</u>	<u>(1,506,052)</u>	<u>(2,085,602)</u>
Total other financing sources	<u>1,516,840</u>	<u>-</u>	<u>2,073,498</u>	<u>3,590,338</u>
NET CHANGE IN FUND BALANCES	3,120,144	(481,546)	1,919,695	4,558,293
FUND BALANCES:				
Beginning of year	<u>14,613,172</u>	<u>1,355,624</u>	<u>7,928,450</u>	<u>23,897,246</u>
End of year	<u>\$ 17,733,316</u>	<u>\$ 874,078</u>	<u>\$ 9,848,145</u>	<u>\$ 28,455,539</u>

See notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Net change in fund balances total governmental funds \$ 4,558,293

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

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

Depreciation expense	(4,370,222)
Capital outlay	1,377,353
Value of fixed asset disposals not depreciated	(187,937)

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	421,080
Accrued interest payable end of the year	(408,403)

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

Proceeds from issuance of debt	(3,441,500)
Payments on debt	4,327,593
Amortization expense	(34,516)
Amortized premium	192,887

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

Deferred revenue, beginning of the year	(256,832)
Deferred revenue, end of the year	136,066

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

Accrued compensated absences beginning of the year	4,890,402
Accrued compensated absences end of the year	(4,661,243)

Change in net assets of governmental activities \$ 2,543,021

**LANSING SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	Private purpose trust fund	Agency fund
ASSETS	<u> </u>	<u> </u>
ASSETS:		
Cash	\$ 4,000	\$ 116,944
Accounts receivable	856,886	764,777
	<u> </u>	<u> </u>
TOTAL ASSETS	<u> </u>	<u> </u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 5,347	\$ 30,974
Accrued expenses	6,865	395
Due to student groups	-	850,352
	<u> </u>	<u> </u>
TOTAL LIABILITIES	12,212	881,721
 NET ASSETS:		
Restricted for trust activities	<u>848,674</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u> </u>	<u> </u>

**LANSING SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2011**

	Private purpose trust fund
ADDITIONS:	
Donations	\$ 139,893
Interest earnings	1,999
Other	34,262
Total additions	176,154
DEDUCTIONS:	
Scholarships awarded	36,505
Other	146,448
Total deductions	182,953
CHANGE IN NET ASSETS	(6,799)
NET ASSETS:	
Beginning of year	855,473
End of year	\$ 848,674

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Lansing School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District first utilizes restricted resources to finance qualifying activities.

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

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

The District does not allocate indirect costs.

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

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

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

The District reports the following major governmental funds:

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Revenue	<u>\$ 4,896,519</u>
Expenditures and transfers	<u>\$ 71,577,390</u>

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

Other Non-major Funds

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

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

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

The capital projects sinking fund accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District has complied with the applicable provisions of section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accrual Method

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

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

Modified Accrual Method

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

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

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2011, the foundation allowance was based on pupil membership counts taken in February and September of 2010.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

State Revenue (Concluded)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October 2010 to August 2011. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

D. Other Accounting Policies

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

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2011, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	17.9262
Commercial Personal Property	5.9262
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	2.0189

3. Inventories and prepaid expenditures

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

4. Receivables and payables

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

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

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

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

6. Compensated absences

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

7. Long-term obligations

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

7. Long-term obligations (Concluded)

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

8. Fund Balance

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's Special Revenue, Capital Projects and Debt Service fund balances are considered restricted.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

E. Other Accounting Policies (Concluded)

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

9. Use of estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, for the general fund are noted in the required supplementary information section.
4. The Deputy Superintendent of Business is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2011. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2011 the District had no investments.

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2011, \$32,743,037 of the District's bank balance of \$34,495,911 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of all deposits is \$30,499,048.

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

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

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

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$120,944	<u><u>\$ 30,499,048</u></u>
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The above amounts are reported in the financial statements as follows:

Cash - private purpose trust fund	\$ 4,000
Cash - agency fund	116,944
Cash - district-wide	29,057,459
Cash - restricted	<u>1,320,645</u>
	<u><u>\$ 30,499,048</u></u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2010	Additions	Reclassifications/ Deletions	Balance June 30, 2011
Assets not being depreciated:				
Land	\$ 4,516,617	\$ -	\$ 9,100	\$ 4,507,517
Construction in progress	1,104,501	873,318	9,638	1,968,181
Subtotal	<u>5,621,118</u>	<u>873,318</u>	<u>18,738</u>	<u>6,475,698</u>
Other capital assets:				
Land improvements	19,225,859	-	207,573	19,018,286
Buildings and additions	134,514,312	9,638	576,000	133,947,950
Machinery and equipment	13,599,541	62,535	10,572	13,651,504
Buses	4,646,066	441,500	-	5,087,566
Transportation equipment	1,387,480	-	-	1,387,480
Subtotal	<u>173,373,258</u>	<u>513,673</u>	<u>794,145</u>	<u>173,092,786</u>
Accumulated depreciation:				
Land improvements	10,050,278	597,522	64,813	10,582,987
Buildings and additions	61,749,937	2,951,844	546,751	64,155,030
Machinery and equipment	9,100,639	713,274	3,744	9,810,169
Buses	4,424,123	95,230	-	4,519,353
Transportation equipment	1,354,851	12,352	-	1,367,203
Subtotal	<u>86,679,828</u>	<u>4,370,222</u>	<u>615,308</u>	<u>90,434,742</u>
Net other capital assets	<u>86,693,430</u>	<u>(3,856,549)</u>	<u>178,837</u>	<u>82,658,044</u>
Net capital assets	<u>\$ 92,314,548</u>	<u>#####</u>	<u>\$ 197,575</u>	<u>\$ 89,133,742</u>

Depreciation for the fiscal year ended June 30, 2011 amounted to \$4,370,222.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (Concluded)

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

Instruction	\$ 2,146,428
Support service	664,040
Food service	23,126
Unallocated	<u>1,536,628</u>
	<u><u>\$ 4,370,222</u></u>

NOTE 5 - LONG-TERM DEBT

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

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2011:

	Self-insured workers compensation plan	Termination benefits and compensated absences	Notes payable	Bonds	Total
Balance, July 1, 2010	\$ 724,688	\$ 4,165,714	\$ 968,246	\$ 63,154,429	\$ 69,013,077
Additions	-	-	441,500	3,000,000	3,441,500
Deletions	<u>39,220</u>	<u>189,939</u>	<u>503,775</u>	<u>4,016,705</u>	<u>4,749,639</u>
Balance, June 30, 2011	685,468	3,975,775	905,971	62,137,724	67,704,938
Less current portion	<u>-</u>	<u>2,427,467</u>	<u>514,152</u>	<u>5,473,971</u>	<u>8,415,590</u>
Total due after one year	<u><u>\$ 685,468</u></u>	<u><u>\$ 1,548,308</u></u>	<u><u>\$ 391,819</u></u>	<u><u>\$ 56,663,753</u></u>	<u><u>\$ 59,289,348</u></u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (Continued):

Bonds payable at June 30, 2011 is comprised of the following issues:

2006 general obligation refunding bonds due in annual installments of \$55,000 to \$5,065,000 through May 1, 2023, with interest at 4.00%	\$ 7,760,000
2003 general obligation and refunding bonds due in annual installments of \$2,480,000 to \$4,800,000 through May 1, 2022 with interest at 3.550% to 5.000%	43,005,000
2011 school improvement bonds due in annual installments of \$1,500,000 through May 1, 2013 with interest at 1.350%	3,000,000
2002 energy conservation improvement bonds due in annual installment of \$130,000 through May 1, 2012 with interest at 3.625% to 3.750%	130,000
2002 QZAB bond due in one installment of \$5,000,000 in September 2016 with interest of 0%	5,000,000
Plus: premium on 2003 bond issuance (net)	2,611,460
Less: deferred loss on refundings (net)	<u>(277,811)</u>
Total general obligation debt	61,228,649
1998 Limited obligation bonds (Durant bonds) due in annual installments of \$443,971 to \$465,104 through May 2013 with interest at 4.76%	909,075
Note payable - buses - due in annual installments of \$65,842 to \$120,672 through January 1, 2013, with an interest rate of 3.16%	311,000
Note payable - Phone system - due in quarterly installments of \$88,563 to \$109,444 through September 1, 2013, with an interest rate of 5.31%	594,971
Accrued retirement benefits and worker's compensation:	
Obligation for compensated absences and termination benefits	3,975,775
Obligation for worker's compensation claims	<u>685,468</u>
Total debt	<u><u>\$ 67,704,938</u></u>

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (Continued)

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2011, \$7,520,000 of bonds outstanding are considered defeased.

The annual requirements to amortize bonded debt and notes payable outstanding as of June 30, 2011, including interest payments of \$16,684,199 are as follows: At June 30, 2011, \$4,160,175 is available to service the general obligation debt.

Year ending June 30,	Principal	Interest	Amounts payable
2011	\$ 5,988,123	\$ 2,462,019	\$ 8,450,142
2012	5,816,081	2,263,265	8,079,346
2013	3,715,842	2,063,265	5,779,107
2014	3,775,000	1,931,900	5,706,900
2015	3,925,000	1,743,150	5,668,150
2016-2020	27,250,000	5,590,400	32,840,400
2021-2023	10,240,000	630,200	10,870,200
	<u>60,710,046</u>	<u>16,684,199</u>	<u>77,394,245</u>
Premium on bond issuance	2,611,460	-	2,611,460
Deferred amount on bond refunding	(277,811)	-	(277,811)
Compensated absences and termination benefits	3,975,775	-	3,975,775
Workers' compensation claims	685,468	-	685,468
	<u>\$ 67,704,938</u>	<u>\$ 16,684,199</u>	<u>\$ 84,389,137</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2011 are as follows:

Receivable fund	Payable fund												
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Other nonmajor funds</td> <td style="text-align: right; border-bottom: 1px solid black;">\$ 6,635,827</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 6,635,827</td> </tr> </table>	Other nonmajor funds	\$ 6,635,827		\$ 6,635,827	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">2003 Capital projects</td> <td style="text-align: right;">\$ 362,239</td> </tr> <tr> <td>General fund</td> <td style="text-align: right;">5,560,312</td> </tr> <tr> <td>Other nonmajor funds</td> <td style="text-align: right; border-bottom: 1px solid black;">713,276</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 6,635,827</td> </tr> </table>	2003 Capital projects	\$ 362,239	General fund	5,560,312	Other nonmajor funds	713,276		\$ 6,635,827
Other nonmajor funds	\$ 6,635,827												
	\$ 6,635,827												
2003 Capital projects	\$ 362,239												
General fund	5,560,312												
Other nonmajor funds	713,276												
	\$ 6,635,827												

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 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

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

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members joining the system on or after July 1, 2008 contribute at the following graduated rate: 3% of the first \$5,000, 3.6% of \$5,001 through \$15,000 and 6.4% of all wages over \$15,000.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

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

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPSERS who became a member of MPSERS after June 30, 2010 is a Pension Plus Member. The Pension Plus Plan pairs a guaranteed retirement income (defined benefit pension) with a flexible and transferable retirement savings (defined contribution) account.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate through September 30, 2010 was 16.94% of payroll and increased to 19.41% for the base plan and 17.91% for pension plus members effective October 1, 2010 through October 31, 2010 at which time it increased again due to the number of retirees associated with the early retirement incentive to 20.66% for basic plan members and 19.16% for pension plus members for the period November 1, 2010 through June 30, 2011. In addition, the District is required to match 50% up to 1% of the employees contribution in the pension plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The health care portion is 5.5% before the 3% for the injunction. The District contributions to MPSERS for the year ended June 30, 2011, 2010 and 2009 were \$17,321,548, \$15,796,371, and \$15,773,020, respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit and were paid less than \$18,000 in the prior school year and members who were hired on or after July 1, 2010, with a starting salary of less than \$18,000 are required to contribute 1.5% of the members' compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account. Effective April 1, 2011, a court order eliminated this requirement. The court order is being appealed by the State of Michigan.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

Pension recipients are generally eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing coverage.

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

NOTE 8 - RISK MANAGEMENT

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

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2011 or any of the prior three years.

NOTE 9 - CONTINGENCIES

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

NOTE 10 - TRANSFERS

The general fund transferred \$579,550 to the debt service funds, the food service funds transferred \$566,969 to general fund, and the general capital projects fund transferred \$939,083 to the general fund.

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - COMMITMENTS

The District has active capital projects outstanding at June 30, 2011. Approximately \$874,000 is restricted and recorded as fund balance in the 2003 capital projects fund.

NOTE 12 - GASB 54 ADOPTION

Beginning July 1, 2010, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which redefined the definition of a special revenue fund. As a result, the athletics activities are now included in the general fund rather than a separate fund. As of June 30, 2010 the athletics fund had a fund balance of \$0.

REQUIRED SUPPLEMENTARY INFORMATION

**LANSING SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES:				
Local sources	\$ 26,533,000	\$24,172,000	\$ 24,510,463	\$ 338,463
State sources	104,805,000	101,120,000	93,146,767	(7,973,233)
Federal sources	38,943,400	40,233,000	32,159,825	(8,073,175)
Incoming transfers	7,820,600	11,783,000	11,649,880	(133,120)
Total revenues	<u>178,102,000</u>	<u>177,308,000</u>	<u>161,466,935</u>	<u>(15,841,065)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	68,979,000	69,055,000	59,837,977	9,217,023
Added needs	38,134,000	36,660,000	31,755,577	4,904,423
Adult and continuing education	601,000	400,000	350,663	49,337
Total instruction	<u>107,714,000</u>	<u>106,115,000</u>	<u>91,944,217</u>	<u>14,170,783</u>
Supporting services:				
Pupil	14,571,000	15,690,000	14,815,028	874,972
Instructional staff	11,813,000	12,732,000	9,919,850	2,812,150
General administration	1,032,000	953,000	800,964	152,036
School administration	9,199,000	8,911,000	8,410,408	500,592
Business	4,306,000	4,251,000	3,503,947	747,053
Operation/maintenance	17,341,000	17,139,000	15,913,976	1,225,024
Pupil transportation	11,988,000	9,901,000	9,069,730	831,270
Central	3,961,000	3,769,000	3,402,821	366,179
Other	1,557,000	1,523,000	1,445,323	77,677
Total supporting services	<u>75,768,000</u>	<u>74,869,000</u>	<u>67,282,047</u>	<u>7,586,953</u>
Community service activities	1,411,000	1,100,000	637,368	462,632
Total expenditures	<u>184,893,000</u>	<u>182,084,000</u>	<u>159,863,632</u>	<u>22,220,368</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,791,000)</u>	<u>(4,776,000)</u>	<u>1,603,303</u>	<u>6,379,303</u>
OTHER FINANCING SOURCES (USES):				
Proceed from issuance of debt	-	-	441,500	441,500
Proceeds from sale of capital assets	-	-	148,838	148,838
Transfers from other funds	1,539,000	1,439,000	1,506,053	67,053
Transfers to other funds	(580,000)	(580,000)	(579,550)	450
Total other financing sources	<u>959,000</u>	<u>859,000</u>	<u>1,516,841</u>	<u>657,841</u>
NET CHANGE IN FUND BALANCE	<u>\$ (5,832,000)</u>	<u>\$ (3,917,000)</u>	<u>3,120,144</u>	<u>\$ 7,037,144</u>
FUND BALANCE:				
Beginning of year			<u>14,613,172</u>	
End of year			<u>\$ 17,733,316</u>	

ADDITIONAL INFORMATION

**LANSING SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2011**

	<u>Special revenue fund</u>	<u>Debt service funds</u>	<u>Capital projects funds</u>	<u>Total nonmajor governmental funds</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ -	\$ 2,647,740	\$ 463,458	\$ 3,111,198
Accounts receivable	2,670	-	-	2,670
Taxes receivable	-	15,722	-	15,722
Due from other governmental units	966,543	-	-	966,543
Due from other funds	-	1,507,579	5,128,248	6,635,827
Inventories	166,054	-	-	166,054
	<u>\$ 1,135,267</u>	<u>\$ 4,171,041</u>	<u>\$ 5,591,706</u>	<u>\$ 10,898,014</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 232,806	\$ -	\$ 79,188	\$ 311,994
Accrued salaries and related items	13,733	-	-	13,733
Due to other funds	713,276	-	-	713,276
Deferred revenue	-	10,866	-	10,866
	<u>959,815</u>	<u>10,866</u>	<u>79,188</u>	<u>1,049,869</u>
FUND BALANCES:				
Nonspendable for inventories	166,054	-	-	166,054
Restricted:				
Debt service	-	4,160,175	-	4,160,175
Capital projects	-	-	3,063,506	3,063,506
Food service	9,398	-	-	9,398
Assigned for capital projects	-	-	2,449,012	2,449,012
	<u>175,452</u>	<u>4,160,175</u>	<u>5,512,518</u>	<u>9,848,145</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,135,267</u>	<u>\$ 4,171,041</u>	<u>\$ 5,591,706</u>	<u>\$ 10,898,014</u>

LANSING SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2011

	<u>Special revenue fund</u>	<u>Debt service funds</u>	<u>Capital projects funds</u>	<u>Total nonmajor governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ -	\$5,486,218	\$ -	\$ 5,486,218
Investment earnings	-	92,621	6,072	98,693
Food sales	799,568	-	-	799,568
Other	342	-	-	342
Total local sources	799,910	5,578,839	6,072	6,384,821
State sources	478,534	487,280	-	965,814
Federal sources	6,255,826	-	-	6,255,826
Total revenues	7,534,270	6,066,119	6,072	13,606,461
EXPENDITURES:				
Current:				
Food service activities	7,015,016	-	-	7,015,016
Capital outlay	-	-	378,098	378,098
Debt service:				
Principal repayment	-	3,823,817	-	3,823,817
Interest expense	-	2,542,343	-	2,542,343
Other expense	-	990	-	990
Total expenditures	7,015,016	6,367,150	378,098	13,760,264
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	519,254	(301,031)	(372,026)	(153,803)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of debt	-	-	3,000,000	3,000,000
Transfers from other funds	-	579,550	-	579,550
Transfers to other funds	(566,969)	-	(939,083)	(1,506,052)
Total other financing sources (uses)	(566,969)	579,550	2,060,917	2,073,498
NET CHANGE IN FUND BALANCES	(47,715)	278,519	1,688,891	1,919,695
FUND BALANCES:				
Beginning of year	223,167	3,881,656	3,823,627	7,928,450
End of year	\$ 175,452	\$4,160,175	\$ 5,512,518	\$ 9,848,145

**LANSING SCHOOL DISTRICT
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011**

	<u>QZAB</u>	<u>2002 Energy</u>	<u>2003</u>	<u>2006 Refunding</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 2,647,740	\$ -	\$ -	\$ -	\$ 2,647,740
Taxes receivable	-	-	14,047	1,675	15,722
Due from other funds	446,792	13,818	701,945	345,024	1,507,579
TOTAL ASSETS	<u>\$ 3,094,532</u>	<u>\$ 13,818</u>	<u>\$ 715,992</u>	<u>\$ 346,699</u>	<u>\$ 4,171,041</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Deferred revenue	\$ -	\$ -	\$ 10,184	\$ 682	\$ 10,866
FUND BALANCES:					
Reserved for debt service	3,094,532	13,818	705,808	346,017	4,160,175
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,094,532</u>	<u>\$ 13,818</u>	<u>\$ 715,992</u>	<u>\$ 346,699</u>	<u>\$ 4,171,041</u>

**LANSING SCHOOL DISTRICT
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2011**

	1998		2002		2006	
	Durant	QZAB	Energy	2003	Refunding	Totals
REVENUES:						
Local sources:						
Current property taxes	\$ -	\$ -	\$ -	\$ 5,141,883	\$ 344,335	\$ 5,486,218
Interest on investments		91,361	151	-	1,109	92,621
State sources	487,280	-	-	-	-	487,280
Total revenues	487,280	91,361	151	5,141,883	345,444	6,066,119
EXPENDITURES:						
Redemption of serial bonds	423,817	-	125,000	3,275,000	-	3,823,817
Interest on bonded debt	63,463	-	9,406	2,159,075	310,399	2,542,343
Other	-	-	500	250	240	990
Total expenditures	487,280	-	134,906	5,434,325	310,639	6,367,150
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES						
	-	91,361	(134,755)	(292,442)	34,805	(301,031)
OTHER FINANCING SOURCES:						
Transfers from other funds	-	431,000	148,550	-	-	579,550
NET CHANGE IN FUND BALANCES	-	522,361	13,795	(292,442)	34,805	278,519
FUND BALANCES:						
Beginning of year	-	2,572,171	23	998,250	311,212	3,881,656
End of year	\$ -	\$ 3,094,532	\$ 13,818	\$ 705,808	\$ 346,017	\$ 4,160,175

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011**

	Sinking Fund	BTS capital project	Replacement fund	QZAB	Technology fund	Southside Hill Center Fund	Totals
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 463,458	\$ 463,458
Due from other funds	2,829,925	225,060	1,637,904	82,977	229,792	122,590	5,128,248
TOTAL ASSETS	\$ 2,829,925	\$ 225,060	\$ 1,637,904	\$ 82,977	\$ 229,792	\$ 586,048	\$ 5,591,706
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	\$ 46,473	\$ -	\$ -	\$ -	\$ 32,715	\$ -	\$ 79,188
FUND BALANCES:							
Restricted for capital projects	2,783,452	-	-	82,977	197,077	-	3,063,506
Assigned for capital projects	-	225,060	1,637,904	-	-	586,048	2,449,012
TOTAL FUND BALANCE	2,783,452	225,060	1,637,904	82,977	197,077	586,048	5,512,518
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,829,925	\$ 225,060	\$ 1,637,904	\$ 82,977	\$ 229,792	\$ 586,048	\$ 5,591,706

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2011**

	<u>Capital projects</u>	<u>Sinking Fund</u>	<u>BTS capital project</u>	<u>Replacement fund</u>	<u>QZAB</u>	<u>Technology fund</u>	<u>Southside Hill Center Fund</u>	<u>Totals</u>
REVENUES:								
Interest on investments	\$ -	\$ -	\$ 570	\$ 4,141	\$ 195	\$ -	\$ 1,166	\$ 6,072
EXPENDITURES:								
Capital outlay			-	-	(10,953)	170,388	-	159,435
Other	-	216,548	-	-	-	-	2,115	218,663
Total expenditures	-	216,548	-	-	(10,953)	170,388	2,115	378,098
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(216,548)	570	4,141	11,148	(170,388)	(949)	(372,026)
OTHER FINANCING SOURCES (USES):								
Proceeds from issuance of debt	-	3,000,000	-	-	-	-	-	3,000,000
Transfers to other funds	(939,083)							(939,083)
Total other financing sources (uses)	(939,083)	3,000,000	-	-	-	-	-	2,060,917
NET CHANGE IN FUND BALANCES	(939,083)	2,783,452	570	4,141	11,148	(170,388)	(949)	1,688,891
FUND BALANCES:								
Beginning of year	939,083		224,490	1,633,763	71,829	367,465	586,997	3,823,627
End of year	\$ -	\$ 2,783,452	\$ 225,060	\$ 1,637,904	\$ 82,977	\$ 197,077	\$ 586,048	\$ 5,512,518

**LANSING SCHOOL DISTRICT
FIDUCIARY FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2011**

	<u>Private purpose trust fund</u>	<u>Agency fund</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 4,000	\$ 116,944	\$ 120,944
Accounts receivable	856,886	764,777	1,621,663
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 860,886</u>	<u>\$ 881,721</u>	<u>\$ 1,742,607</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 5,347	\$ 30,974	\$ 36,321
Accrued expenses	6,865	395	7,260
Due to student groups	-	850,352	850,352
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>12,212</u>	<u>881,721</u>	<u>893,933</u>
 FUND BALANCES:			
Reserved for trust activities	<u>848,674</u>	<u>-</u>	<u>848,674</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 860,886</u>	<u>\$ 881,721</u>	<u>\$ 1,742,607</u>

**LANSING SCHOOL DISTRICT
FIDUCIARY FUND TYPES
STATEMENT OF REVENUES, EXPENDITURES
AND FUND BALANCES - PRIVATE PURPOSE TRUST FUND
YEAR ENDED JUNE 30, 2011**

	<u>Balance 07/01/10</u>	<u>Revenues and transfers</u>	<u>Expenditures and transfers</u>	<u>Balance 06/30/11</u>
Donations:				
Library revolving funds	\$ 99,097	\$ 242	\$ -	\$ 99,339
Memorial fund donations	7,932	59,104	-	67,036
Special education donations	1,532	4	-	1,536
Geraldine M. Curtis Trust	495,157	1,143	69,748	426,552
RIF	30,590	45,462	48,437	27,615
Stapleton Reading Material Fund	20,644	56	-	20,700
College Tour	2,288	721	2,649	360
	<u>657,240</u>	<u>106,732</u>	<u>120,834</u>	<u>643,138</u>
Scholarships:				
Harold Norton award	583	1	150	434
Carl McLean award	12,109	168	-	12,277
Grabow Scholarship	241	-	-	241
Windfuhr Scholarship	22	1	-	23
Putnam Scholarship	49,661	6,124	-	55,785
Hinman Award	37,566	27,082	16,405	48,243
Winslow Memorial Fund	15,438	4,618	16,615	3,441
Lett's Scholarship	6,828	18	-	6,846
Elsie A/ Maile Award	6,388	15,011	15,000	6,399
	<u>128,836</u>	<u>53,023</u>	<u>48,170</u>	<u>133,689</u>
Other:				
Spink - Cable	10,275	28	-	10,303
Administration Pepsi Fund	9,005	1,243	959	9,289
Physical Plant Pop Fund	5,740	280	-	6,020
Miscellaneous funds	44,377	14,848	12,990	46,235
	<u>69,397</u>	<u>16,399</u>	<u>13,949</u>	<u>71,847</u>
	<u>\$ 855,473</u>	<u>\$ 176,154</u>	<u>\$ 182,953</u>	<u>\$ 848,674</u>

**LANSING SCHOOL DISTRICT
 FIDUCIARY FUND TYPES
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND LIABILITIES BY SCHOOL - AGENCY FUND
 YEAR ENDED JUNE 30, 2011**

	Balance 07/01/10	Additions	Deductions	Balance 06/30/11
Eastern High School	\$ 179,069	\$ 157,603	\$ 151,786	\$ 184,886
Hill Vocational School	53,377	4,783	4,804	53,356
Sexton High School	55,566	74,824	73,176	57,214
Everett High School	117,782	146,246	164,838	99,190
Pattengill Middle School - new	10,101	10,747	8,493	12,355
Gardner Middle School	72,587	37,667	29,293	80,961
Otto Middle School	25,729	28,639	23,592	30,776
Rich Middle School	41,983	5,711	10,535	37,159
Elementary schools and other	355,325	319,334	380,204	294,455
	<u>\$ 911,519</u>	<u>\$ 785,554</u>	<u>\$ 846,721</u>	<u>\$ 850,352</u>

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2011**

2006 Refunding Bonds

Calendar year	Interest rate	Principal	Interest due		Total
		due May 1	May 1	November 1	due annually
2011		\$ -	\$ -	\$ 155,200	\$ 155,200
2012		-	155,200	155,200	310,400
2013		-	155,200	155,200	310,400
2014		-	155,200	155,200	310,400
2015		-	155,200	155,200	310,400
2016		-	155,200	155,200	310,400
2017		-	155,200	155,200	310,400
2018		-	155,200	155,200	310,400
2019	4.000%	55,000	155,200	154,100	364,300
2020	4.000%	55,000	154,100	153,000	362,100
2021	4.000%	60,000	153,000	151,800	364,800
2022	4.000%	2,525,000	151,800	101,300	2,778,100
2023	4.000%	5,065,000	101,300	-	5,166,300
Total 2006 bonded debt		<u>\$ 7,760,000</u>	<u>\$ 1,801,800</u>	<u>\$ 1,801,800</u>	<u>\$ 11,363,600</u>

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

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2011**

2003 School Building and Site and Refunding Bonds

Calendar year	Interest rate	Principal	Interest due		Total
		due May 1	May 1	November 1	due annually
2011	4.000%	\$ -	\$ -	\$ 1,014,038	\$ 1,014,038
2012	4.000%	3,400,000	1,014,037	946,037	5,360,074
2013	4.000%	3,525,000	946,038	875,538	5,346,576
2014	3.550%	3,650,000	875,537	810,750	5,336,287
2015	5.000%	3,775,000	810,750	716,375	5,302,125
2016	5.000%	3,925,000	716,375	618,250	5,259,625
2017	5.000%	4,100,000	618,250	515,750	5,234,000
2018	5.000%	4,275,000	515,750	408,875	5,199,625
2019	5.000%	4,450,000	408,875	297,625	5,156,500
2020	5.000%	4,625,000	297,625	182,000	5,104,625
2021	5.000%	4,800,000	182,000	62,000	5,044,000
2022	5.000%	2,480,000	62,000	-	2,542,000
Total 2003 bonded debt		<u>\$ 43,005,000</u>	<u>\$ 6,447,237</u>	<u>\$ 6,447,238</u>	<u>\$ 55,899,475</u>

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

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2011**

2011 School Improvement Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2011	1.350%	\$ -	\$ -	\$ 15,188	\$ 15,188
2012	1.350%	1,500,000	20,250	10,125	1,530,375
2013	1.350%	1,500,000	10,125	-	1,510,125
Total 2011 bonded debt		<u>\$3,000,000</u>	<u>\$ 30,375</u>	<u>\$ 25,313</u>	<u>\$3,055,688</u>

The above bonds dated June 16, 2011 were issued for the purpose of paying the cost of certain energy conservation improvement projects for the school district facilities. The amount of the original bond issue was \$3,000,000.

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2011**

2002 Energy Conservation Improvement Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2011	3.625%	\$ -	\$ -	\$ 2,438	\$ 2,438
2012	3.750%	130,000	2,438	-	132,438
Total 2002 bonded debt		<u>\$ 130,000</u>	<u>\$ 2,438</u>	<u>\$ 2,438</u>	<u>\$ 134,876</u>

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

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

**LANSING SCHOOL DISTRICT
BONDED DEBT - PRINCIPAL REQUIREMENTS
JUNE 30, 2011**

2002 Qualified Zone Academy Bonds

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

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

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

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2011**

1998 School Improvement Bonds (Durant Bonds)

Calendar year	Interest rate	Principal due May 15	Interest due May 15	Total due annually
2012	4.76%	\$ 443,971	\$ 43,284	\$ 487,255
2013	4.76%	465,104	22,145	487,249
Total 1998 bonded debt		<u>\$ 909,075</u>	<u>\$ 65,429</u>	<u>\$ 974,504</u>

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

**LANSING SCHOOL DISTRICT
 BUS INSTALLMENT PURCHASE - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2011**

2010 Installment Purchase of Buses

<u>Calendar year</u>	<u>Interest rate</u>	<u>Principal Due September 24</u>	<u>Interest Due September 24</u>	<u>Total due annually</u>
2011	3.16%	\$ 120,672	\$ 9,828	\$ 130,500
2012	3.16%	124,486	6,014	130,500
2013	3.16%	<u>65,842</u>	<u>2,081</u>	<u>67,923</u>
Total 2010 Installment Purchase Debt		<u><u>\$ 311,000</u></u>	<u><u>\$ 17,923</u></u>	<u><u>\$ 328,923</u></u>

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

**LANSING SCHOOL DISTRICT
LEASE PURCHASE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2011**

2006 Lease Purchase of Telephone Equipment

Calendar year	Interest rate	Principal	Principal	Principal	Principal	Interest due				Total due annually
		Due January 1	Due March 1	Due July 1	Due September 1	January 1	March 1	July 1	September 1	
2011	5.31%	\$ -	\$ -	\$ -	\$ 88,563	\$ -	\$ -	\$ -	\$ 5,266	\$ 93,829
2012	5.31%	105,584	90,282	109,051	92,046	8,964	3,547	5,495	1,783	416,752
2013	5.31%	109,445	-	-	-	5,102	-	-	-	114,547
Total 2006 Lease Purchase Debt		<u>\$ 215,029</u>	<u>\$ 90,282</u>	<u>\$ 109,051</u>	<u>\$ 180,609</u>	<u>\$ 14,066</u>	<u>\$ 3,547</u>	<u>\$ 5,495</u>	<u>\$ 7,049</u>	<u>\$ 625,128</u>

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

**LANSING SCHOOL DISTRICT
SCHEDULE OF INVESTMENTS AND CERTIFICATES OF DEPOSIT
JUNE 30, 2011**

	<u>Maturity date</u>	<u>Interest rate</u>	<u>Amount</u>
Pooled Funds:			
Bank of New York	N/A	0.01%	\$ 955,895
Money market fund:			
Fifth Third Bank	N/A	0.00%	15,351,216
Huntington Bank	N/A	0.37%	467,935
Flagstar Bank	N/A	0.65%	10,549
PNC Bank (National City)	N/A	0.30%	3,910,173
Comerica Bank	N/A	0.40%	8,946,054
Independent Bank	N/A	0.25%	463,459
Citizens Bank	N/A	0.30%	100,138
Bank of America	N/A	0.28%	173
Bank of New York	N/A	3.26%	<u>2,647,740</u>
Total investments and certificates of deposit			32,853,332
Less:			
Certificates of deposit and money markets classified as cash and cash equivalents.			<u>32,853,332</u>
Total investments shown in district-wide statements			<u><u>\$ -</u></u>