

LANSING SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Lansing School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Lansing School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lansing School District basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2021 on our consideration of Lansing School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lansing School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lansing School District's internal control over financial reporting and compliance.

Maney Costeiran PC

October 7, 2021

**LANSING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021. 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). The statements are prepared using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded and other long-term debt of the District.

Fund Financial Statements

The fund financial statements are comparable to financial statements for the previous year. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

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

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 other financing sources. 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.

Fiduciary funds are for assets that belong to others, such as certain student activities funds where the District is the trustee or fiduciary. The District cannot use these assets to finance its operations, but it is responsible to ensure that these funds are used for their intended purposes. Only measurable and currently available funds are reported. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

**LANSING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Summary of Net Position

The following schedule summarizes the net position for fiscal years ended June 30, 2021 and 2020:

	June 30, 2021	June 30, 2020
Assets		
Current and other assets	\$ 68,833,946	\$ 82,562,058
Capital assets	166,454,995	145,394,078
Total assets	<u>235,288,941</u>	<u>227,956,136</u>
Deferred outflows of resources	<u>78,266,442</u>	<u>94,043,166</u>
Liabilities		
Long-term outstanding liabilities	116,962,256	125,925,927
Net other postemployment benefit liability	40,459,348	55,667,077
Net pension liability	261,231,339	255,804,289
Other liabilities	<u>26,050,722</u>	<u>24,616,360</u>
Total liabilities	<u>444,703,665</u>	<u>462,013,653</u>
Deferred inflows of resources	<u>51,328,924</u>	<u>51,392,451</u>
Net position		
Net investment in capital assets	67,328,260	57,874,193
Restricted for debt service	1,605,689	1,170,562
Restricted for sinking fund	4,884,490	4,917,030
Restricted nonexpendable endowment corpus	1,407,694	1,407,694
Restricted expendable endowment earnings	84,135	99,771
Unrestricted	<u>(257,787,474)</u>	<u>(256,876,052)</u>
Total net position	<u>\$ (182,477,206)</u>	<u>\$ (191,406,802)</u>

Analysis of Financial Position

During the fiscal year ended June 30, 2021, the District's net position increased by \$8,929,596. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the assets less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2021, \$6,079,929 was recorded for depreciation expense.

**LANSING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2021, \$27,298,867 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 (\$27,298,867), assets disposed of and reclassified during the fiscal year, and the current year's depreciation (\$6,079,929) is a net increase to capital assets in the amount of \$21,060,917 for the fiscal year ended June 30, 2021. The net increase in capital assets is due mainly to construction related to the 2019 bond issuance.

3. Heightened Fiscal Responsibility

The District's fund balance is a priority of the Board of Education and the Administration. Due to the unanticipated closure of schools and unprecedented times we are in, the District was able to implement and recognize expenditure savings by reducing non-essential costs during the last quarter of the fiscal year.

Results of Operations

For the fiscal years ended June 30, 2021 and 2020, the results of operations, on a District-wide basis, were:

	Year Ended June 30, 2021		Year Ended June 30, 2020	
General revenues				
Property taxes	\$ 43,512,721	22.6%	\$ 41,805,564	22.5%
Investment earnings	145,412	0.1%	1,481,603	0.8%
State sources	66,253,902	34.4%	68,439,329	36.9%
IISD special education allocation	15,314,188	8.0%	15,387,030	8.3%
Other	2,169,442	1.1%	1,607,839	0.9%
Total general revenues	127,395,665	66.2%	128,721,365	69.4%
Program revenues				
Charges for services	631,941	0.3%	944,834	0.5%
Operating grants and contributions	64,507,278	33.5%	55,877,643	30.1%
Total revenues	192,534,884	100.0%	185,543,842	100.0%
Expenses				
Instruction	87,309,657	47.6%	86,553,686	46.4%
Support services	83,026,507	45.2%	85,237,295	45.6%
Community services	2,344,182	1.3%	1,191,644	0.6%
Food services	4,998,816	2.7%	7,790,807	4.2%
Interest on long-term debt	5,048,175	2.7%	5,240,543	2.8%
Loss on sale of assets	158,021	0.1%	-	0.0%
Unallocated depreciation expense	719,930	0.4%	734,484	0.4%
Total expenses	183,605,288	100.0%	186,748,459	100.0%
Change in net position	\$ 8,929,596		\$ (1,204,617)	

**LANSING SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 2020-2021 fiscal year, the District levied \$23,990,317 in non-principal property taxes. This amount represented an increase of 3.1% from the prior year.

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

Fiscal Year	Non-PRE Tax Levy	% Increase (Decrease) from Prior Year
2020-2021	\$ 23,990,317	3.1%
2019-2020	23,278,538	3.8%
2018-2019	22,425,621	0.7%
2017-2018	22,266,108	5.1%
2016-2017	21,183,533	0.7%

2. State Sources

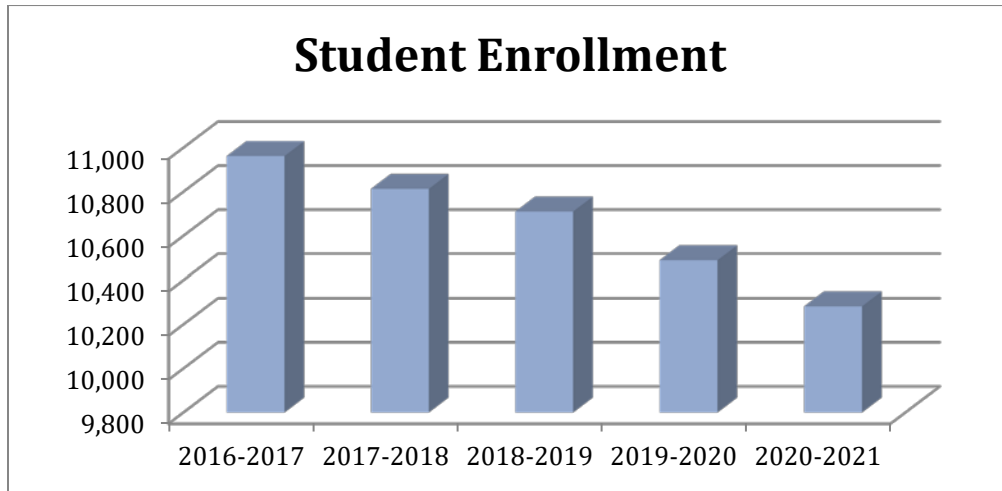
The majority of the state sources of revenue is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment. The blended enrollment consists of 90% of the current year’s fall count and 10% of the prior fiscal year’s spring count. The State of Michigan implemented a “super blend” for the fiscal year ending June 30, 2021 only, which is calculated using the 90/10 blend for 2019-2020 multiplied by .75 plus the 90/10 blend for 2020-2021 multiplied by .25. For the 2021 fiscal year, the District received \$8,227, was the same per pupil as the amount received for the 2019-2020 fiscal year.

**LANSING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

3. Student Enrollment

Student enrollment has declined by 6.2% since 2016-2017.

Fiscal Year	Actual Blended Student FTE
2020-2021	10,282
2019-2020	10,498
2018-2019	10,710
2017-2018	10,813
2016-2017	10,962



4. Operating Grants and Contributions

The District receives a significant portion of its operating revenue from categorical grants and contributions. For the fiscal year ended June 30, 2021, federal, state, and other grants accounted for \$64,507,278. This amount was an increase from the total grant sources of \$8,629,635 received for the fiscal year ended June 30, 2020.

5. County Special Education Allocation

For the fiscal year ended June 30, 2021, the District received a net allocation from the Ingham Intermediate School District in the amount of \$15,314,188 to assist with the education of students with special needs. This amount represents a decrease of \$72,842 as compared to the allocation of \$15,387,030 received during the fiscal year ended June 30, 2020.

6. Interest Earnings

The District received interest on its investment of short-term available cash in the amount of \$145,412 for the fiscal year ended June 30, 2021. Interest revenues are less than the prior fiscal year by \$1,336,191.

**LANSING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

7. Comparative Expenditures

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

	2020 - 2021 Fiscal Year	2019 - 2020 Fiscal Year	Increase (Decrease)
Instruction	\$ 83,281,240	\$ 78,801,174	\$ 4,480,066
Supporting services	76,943,270	77,485,511	(542,241)
Food service activities	5,867,725	7,766,222	(1,898,497)
Community service activities	2,202,156	1,123,566	1,078,590
Capital outlay	28,662,689	20,009,547	8,653,142
Debt service	11,947,801	11,874,966	72,835
Total expenditures	<u>\$ 208,904,881</u>	<u>\$ 197,060,986</u>	<u>\$ 11,843,895</u>

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 2020-2021 fiscal year, the District amended the general fund budget three times, with the Board adopting the final changes in June 2021.

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	<u>\$ 154,214,000</u>	<u>\$ 168,884,000</u>	<u>\$ 166,549,052</u>	<u>\$ (2,334,948)</u>	-1.4%
Expenditures					
Instruction	\$ 74,991,000	\$ 83,714,000	\$ 83,281,240	\$ 432,760	0.5%
Supporting services	83,299,000	78,446,000	76,926,956	1,519,044	1.9%
Community services	1,318,000	2,210,000	2,202,156	7,844	0.4%
Total expenditures	<u>\$ 159,608,000</u>	<u>\$ 164,370,000</u>	<u>\$ 162,410,352</u>	<u>\$ 1,959,648</u>	1.2%
Other Financing Sources (Uses)	<u>\$ (702,000)</u>	<u>\$ (1,077,000)</u>	<u>\$ (227,983)</u>	<u>\$ 849,017</u>	-78.8%

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 \$2.1 million of the budget variance is accounted for by the variance in grants awarded verses grants expended.

**LANSING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Capital Asset and Debt Administration

Capital Assets

By the end of the 2020-2021 fiscal year, the District had invested approximately \$282.4 million in a broad range of capital assets, including school buildings and facilities, vehicles, and various types of equipment. This represents a net increase of approximately \$26.2 million over the prior fiscal year. Depreciation expense for the year amounted to approximately \$6.1 million, bringing the accumulated depreciation to approximately \$116.0 million as of June 30, 2021.

	Cost	Accumulated Depreciation	2021 Net Book Value	2020 Net Book Value
Land	\$ 3,960,791	\$ -	\$ 3,960,791	\$ 3,960,791
Construction in progress	22,584,215	-	22,584,215	49,264,391
Land improvements	19,981,162	14,606,366	5,374,796	5,104,118
Buildings and additions	209,615,521	86,125,963	123,489,558	65,506,912
Machinery and equipment	25,030,946	14,433,940	10,597,006	7,626,084
Transportation equipment	1,256,727	808,098	448,629	470,747
	<u>\$ 282,429,362</u>	<u>\$ 115,974,367</u>	<u>\$ 166,454,995</u>	<u>\$ 131,933,043</u>

Long-term Debt

At June 30, 2021, the District had approximately \$114.0 million in bonded debt outstanding. Total outstanding debt decreased as the District made principal payment of approximately \$6.8 million in the current year.

Factors Bearing on the District's Future

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

- The growth/maintenance of the Fund Balance continues to be a priority of the Board of Education and the Administration. Districts are recommended to have a fund balance of 10% - 15% of operating expenditures. Per Michigan School Business Officials, this level of fund balance is necessary to avoid borrowing during the two-month period between the August and October State Aid payments. The District continues to adjust and adapt to issues around the Covid-19 pandemic. Strategic use of ESSER funds have helped the district with other revenue reductions and only budgeted approximately 14% of its estimated fund balance for the Fiscal Year Ended June 30, 2021. The district will continue to work at increasing our fund balance during Fiscal Year 2022.
- Fiscal management is a priority for the district and the Board which has prompted the continuation of an additional budget amendment process in the spring for 2020-21 school year and future fiscal years.
- The District continues to address a comprehensive plan for ongoing budget needs. Budget development will continue to be driven by student enrollment and the instructional needs of our student population. Escalation of health care costs is a high priority to address in 2021-22 and the future to ensure staff receive quality insurance but also protect the district's financial stability.

**LANSING SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- For the 2021-22 school year the district announced two exciting initiatives that will help address learning at young ages and those who would benefit from a non-traditional school setting. The district announced universal Pre-K allowing any student who is four years old by December 1 to enroll in our Pre-K program. The district also announced a new online school, Capital Area K-12 Online.
- In school year 2017-18, the district launched intra-district choice, which allowed students to attend any school within the district, regardless of the neighborhood in which they live. The district is encouraged by this initiative and it will continue in school year 2021-22. The district will continue to look towards stabilizing enrollment and promoting a more customer-driven alternative to neighborhood dynamics as the sole data source for determining a school's future.
- In school year 2017-2018, the district, in conjunction with the Pathway Promise Bond Project, launched the Lansing Pathway Promise as the district's K - 12 educational program plan will also continue in school year 2021-2022. Each pathway represents a career and college preparation journey that promotes STEM/STEAM, Skilled Trades, Advanced Manufacturing; Visual and Performing Arts and New Tech High; International Baccalaureate and Biotechnologies. Students and families choose the pathway that most appeals to their learning interests and which provide options for exploration of careers in those related fields along with strong partnerships with the business community. The district believes that by giving families multiple choices for their child's school experience is another way to stabilize enrollment and increase engagement.
- In May of 2016, the Lansing community passed a \$120 million bond proposal, the Lansing Pathway Promise. In the Fall 2021 the district will finish off the bond projects that are focused on upgrading and renovating facilities according to an educational plan that provides students with three distinct pathways towards career and college readiness: Biotechnologies, International Baccalaureate; Visual and Performing Arts and New Tech; and, STEM/STEAM, Skilled Trades, Advanced Manufacturing. Major projects to be completed at the end of the bond are renovations and additions at Everett HS, Sexton HS, North Elementary and Wexford Montessori. All of our schools received new classroom furniture, upgraded technology infrastructure and hardware, and additional security equipment.
- In May of 2019, the community supported a 10-year 3.0 mil sinking fund millage proposal which will generate funds in order to address infrastructure and increased safety that are not covered in the 2016 Lansing Pathway Promise Bond projects. These funds helped supplement and expand the major bond work at Everett, Sexton, North and Wexford along with new secure entrances at Gier Park Elementary and Sheridan Road Elementary, replacing the boiler at Sexton HS and Cavanaugh Elementary, and replacing roofs at Cavanaugh Elementary and the section of roof at Pattengill (formerly the original Fairview building).
- The District is expecting additional federal funding this year with ESSER II and ESSER III.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

**LANSING SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 19,470,022
Receivables	
Accounts receivable	1,460,978
Taxes receivable	15,180
Interest receivable	33,954
Intergovernmental	21,374,119
Inventories	121,021
Prepays	1,762,736
Cash and cash equivalents - restricted	19,094,288
Restricted investments - capital projects	5,501,648
Capital assets not being depreciated	26,545,006
Capital assets, net of accumulated depreciation	139,909,989
TOTAL ASSETS	235,288,941
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net of amortization	146,796
Related to other postemployment benefits	21,711,104
Related to pensions	56,408,542
TOTAL DEFERRED OUTFLOWS OF RESOURCES	78,266,442
LIABILITIES	
Accounts payable	8,472,116
Accrued salaries and related items	8,619,086
Accrued retirement	4,182,303
IBNR reserves	1,752,840
Accrued interest	796,675
Unearned revenue	2,227,702
Noncurrent liabilities	
Due within one year	7,515,305
Due in more than one year	109,446,951
Net other postemployment benefits liability	40,459,348
Net pension liability	261,231,339
TOTAL LIABILITIES	444,703,665
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	34,463,637
Related to pensions	7,414,914
Related to state aid funding for pension benefits	9,450,373
TOTAL DEFERRED INFLOWS OF RESOURCES	51,328,924
NET POSITION	
Net investment in capital assets	67,328,260
Restricted for debt service	1,605,689
Restricted for capital projects - sinking fund	4,884,490
Restricted nonexpendable endowment corpus	1,407,694
Restricted expendable endowment earnings	84,135
Unrestricted	(257,787,474)
TOTAL NET POSITION	\$ (182,477,206)

See notes to financial statements.

**LANSING SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental activities				
Instruction	\$ 87,309,657	\$ 354,205	\$ 26,931,301	\$ (60,024,151)
Support services	83,026,507	79,933	29,438,955	(53,507,619)
Community services	2,344,182	150,641	2,439,414	245,873
Food services	4,998,816	47,162	5,697,608	745,954
Interest on long-term debt	5,048,175	-	-	(5,048,175)
Loss on sale of assets	158,021	-	-	(158,021)
Unallocated depreciation	719,930	-	-	(719,930)
Total governmental activities	<u>\$ 183,605,288</u>	<u>\$ 631,941</u>	<u>\$ 64,507,278</u>	<u>(118,466,069)</u>
General revenues				
Property taxes, levied for general purposes				23,563,934
Property taxes, levied for debt service				12,104,533
Property taxes, levied for sinking fund				7,844,254
Investment earnings				145,412
State sources - unrestricted				66,253,902
Intermediate sources				15,314,188
Other				2,169,442
Total general revenues				<u>127,395,665</u>
CHANGE IN NET POSITION				8,929,596
NET POSITION, beginning of year				<u>(191,406,802)</u>
NET POSITION, end of year				<u><u>\$(182,477,206)</u></u>

See notes to financial statements.

**LANSING SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General Fund	2019 Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 14,856,647	\$ -	\$ 4,613,375	\$ 19,470,022
Receivables				
Accounts receivable	1,460,978	-	-	1,460,978
Taxes receivable	8,804	-	6,376	15,180
Interest receivable	-	33,954	-	33,954
Intergovernmental	20,432,282	-	941,837	21,374,119
Due from other funds	-	58,680	5,231,265	5,289,945
Inventories	48,455	-	72,566	121,021
Prepays	1,748,864	-	13,872	1,762,736
Cash and cash equivalents - restricted	-	13,251,124	5,843,164	19,094,288
Restricted investments	-	5,501,648	-	5,501,648
	<u>\$ 38,556,030</u>	<u>\$ 18,845,406</u>	<u>\$ 16,722,455</u>	<u>\$ 74,123,891</u>
TOTAL ASSETS				
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,018,235	\$ 4,124,316	\$ 1,329,565	\$ 8,472,116
Accrued salaries and related items	8,619,086	-	-	8,619,086
Accrued retirement	4,182,303	-	-	4,182,303
Due to other funds	5,069,779	-	220,166	5,289,945
Unearned revenue	2,227,702	-	-	2,227,702
	<u>23,117,105</u>	<u>4,124,316</u>	<u>1,549,731</u>	<u>28,791,152</u>
TOTAL LIABILITIES				
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	1,011,693	-	-	1,011,693
FUND BALANCES				
Nonspendable				
Inventories	48,455	-	72,566	121,021
Prepays	1,748,864	-	13,872	1,762,736
Endowment corpus	-	-	1,407,694	1,407,694
Restricted				
Debt service	-	-	2,402,364	2,402,364
Capital projects	-	14,721,090	4,884,490	19,605,580
Food service	-	-	2,402,721	2,402,721
Endowment earnings	-	-	84,135	84,135
Assigned				
Subsequent year expenditures	1,967,000	-	-	1,967,000
Capital projects	-	-	3,904,882	3,904,882
Student/school activities	426,770	-	-	426,770
Unassigned				
General fund	10,236,143	-	-	10,236,143
	<u>14,427,232</u>	<u>14,721,090</u>	<u>15,172,724</u>	<u>44,321,046</u>
TOTAL FUND BALANCES				
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
	<u>\$ 38,556,030</u>	<u>\$ 18,845,406</u>	<u>\$ 16,722,455</u>	<u>\$ 74,123,891</u>

See notes to financial statements.

**LANSING SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total governmental fund balances \$ 44,321,046

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

Deferred charge on refunding, net of amortization	146,796
Deferred outflows of resources - related to pensions	56,408,542
Deferred outflows of resources - related to other postemployment benefits	21,711,104
Deferred inflows of resources - related to pensions	(7,414,914)
Deferred inflows of resources - related to other postemployment benefits	(34,463,637)
Deferred inflows of resources - related to state funding for pension benefits	(9,450,373)

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

Capital assets	\$ 282,429,362	
Accumulated depreciation	<u>(115,974,367)</u>	
		166,454,995

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

Bonds payable	(113,994,621)
Compensated absences, termination benefits, and self-insured workers' compensation plan	(2,967,635)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid	(796,675)
Unavailable revenue - at June 30th expected to be collected after September 1st	1,011,693
IBNR reserves	(1,752,840)
Net other postemployment benefits liability	(40,459,348)
Net pension liability	<u>(261,231,339)</u>

Net position of governmental activities \$ (182,477,206)

LANSING SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>2019 Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources				
Property taxes	\$ 23,563,934	\$ -	\$ 19,948,787	\$ 43,512,721
Investment earnings	4,055	129,089	12,268	145,412
Food sales	-	-	47,162	47,162
Other	1,827,853	341,431	60,000	2,229,284
Total local sources	25,395,842	470,520	20,068,217	45,934,579
State sources	89,075,916	-	266,740	89,342,656
Federal sources	36,411,513	-	5,605,753	42,017,266
Incoming transfers	15,665,781	-	-	15,665,781
TOTAL REVENUES	166,549,052	470,520	25,940,710	192,960,282
EXPENDITURES				
Current				
Instruction	83,281,240	-	-	83,281,240
Supporting services	76,926,956	-	16,314	76,943,270
Food service activities	-	-	5,867,725	5,867,725
Community service activities	2,202,156	-	-	2,202,156
Capital outlay	-	20,152,122	8,510,567	28,662,689
Debt service				
Principal payments	-	-	6,800,000	6,800,000
Interest	-	-	5,101,800	5,101,800
Other	-	42,045	3,956	46,001
TOTAL EXPENDITURES	162,410,352	20,194,167	26,300,362	208,904,881
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,138,700	(19,723,647)	(359,652)	(15,944,599)
OTHER FINANCING SOURCES (USES)				
Transfers in	72,017	-	300,000	372,017
Transfers out	(300,000)	-	(72,017)	(372,017)
TOTAL OTHER FINANCING SOURCES (USES)	(227,983)	-	227,983	-
NET CHANGE IN FUND BALANCES	3,910,717	(19,723,647)	(131,669)	(15,944,599)
FUND BALANCES				
Beginning of year	10,516,515	34,444,737	15,304,393	60,265,645
End of year	\$ 14,427,232	\$ 14,721,090	\$ 15,172,724	\$ 44,321,046

See notes to financial statements.

**LANSING SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net change in fund balances total governmental funds \$ (15,944,599)

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	(6,079,929)
Capital outlay	27,298,867
Unrecovered cost on asset disposal	(158,021)

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	850,300
Accrued interest payable, end of the year	(796,675)

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

Payments on installment purchase	645,473
Payments on debt	6,800,000
Amortization of deferred charge on refunding	(107,495)
Amortization of bond premium	1,424,292

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

Unavailable revenue, beginning of the year	(537,850)
Unavailable revenue, end of the year	1,011,693

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, termination benefits and self-insured workers' compensation plan, beginning of the year	3,061,541
Accrued compensated absences, termination benefits and self-insured workers' compensation plan, end of the year	(2,967,635)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental

Other postemployment benefits related items	7,070,081
Pension related items	(11,995,864)
IBNR expenses	254,657

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period:

Pension related items, beginning of year	8,551,133
Pension related items, end of year	(9,450,373)

Change in net position of governmental activities \$ 8,929,596

**LANSING SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	\$ 146,992
Accounts receivable	<u>367,644</u>
TOTAL ASSETS	<u>514,636</u>
LIABILITIES	
Accrued expenses	<u>702</u>
NET POSITION	
Restricted for student organizations	<u><u>\$ 513,934</u></u>

**LANSING SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021**

	Custodial Funds
ADDITIONS	
Student activity income	\$ 25,751
DEDUCTIONS	
Payment made on behalf of student organizations	17,867
CHANGE IN NET POSITION	7,884
NET POSITION	
Beginning of year	506,050
End of year	\$ 513,934

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *Major Governmental Funds*:

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

The *2019 Capital Projects Fund* includes capital project activities funded with bonds issued after May 1994. For these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Beginning with the year of bond issuance, the District has reported annual construction activity in the 2019 capital projects fund. The projects for which the 2019 bonds were issued were in process as of June 30, 2021. The following is a summary of the revenue and expenditures for the capital projects bond activity since inception through the current fiscal year:

	<u>2019 Bond</u>
Revenue and other financing sources	<u>\$ 56,520,272</u>
Expenditures and other financing uses	<u>\$ 41,799,182</u>

Revenue and other financing sources for the 2019 capital projects fund include the net bond proceeds of \$45,875,000.

Other Nonmajor Funds

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

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Funds* account for the receipt of non-debt proceeds and transfers from the general fund for the acquisition of capital assets or construction of major capital projects.

The *Permanent Fund* is accounted for using the accrual method of accounting. It is used to account for monies held in a perpetual trust, the earnings of which may be used for specified educational purposes.

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

The *Custodial Fund* consists of assets for the benefit of individuals and the District does not have administrative involvement with the assets or a direct financial involvement with the assets. In addition, the assets are not derived from the District's provision of goods or services to those individuals. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

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

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

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

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

Budgetary Information

Budgetary Basis of Accounting

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

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

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

- a. 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.
- b. Public hearings are conducted to obtain taxpayer comments.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2021. The District does not consider these amendments to be significant.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition.

Investments

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. 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.
- d. The United States government or federal agency obligations repurchase agreements.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Investments (continued)

- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Inventories and Prepays

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

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

Capital Assets

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

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Defined Benefit Plans

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

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension, and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. The second item is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period. The third and fourth items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position Flow Assumption

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

The District strives to maintain a secure financial position whereby the fund balance in the general fund does not fall below 10% of the preceding year's expenditures. At June 30, 2021, the District's general fund balance was less than 10% of the preceding year's expenditures.

Revenues and Expenditures/Expenses

Program Revenues

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

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, 2021, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	17.5214
Commercial Personal Property	5.5214
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	4.6000
Capital projects (sinking fund)	
PRE, Non-PRE, Commercial Personal Property	2.9829

Compensated Absences and Termination Benefits

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2021, the District had deposits and investments subject to the following risk:

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, 2021, \$15,067,027 of the District's bank balance of \$15,317,027 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of all deposits is \$13,797,748.

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.

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.

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury Notes	\$ 5,501,648	0.1689
MILAF External Investment pool - CMC	1,501,211	N/A
MILAF External Investment pool - Max	21,912,343	N/A
MILAF External Investment pool - Term	1,500,000	0.0117
Total fair value	<u>\$ 30,415,202</u>	
Portfolio weighted average maturity		<u>0.1445</u>

One day maturity equals approximately 0.0027 years.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
U.S. Treasury Notes	\$ 5,501,648	AA+	Standard & Poor's
MILAF External Investment pool - CMC	1,501,211	AAAm	Standard & Poor's
MILAF External Investment pool - Max	21,912,343	AAAm	Standard & Poor's
MILAF External Investment pool - Term	<u>1,500,000</u>	AAAm	Standard & Poor's
Total fair value	<u><u>\$ 30,415,202</u></u>		

Foreign Currency Risk

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

Fair Value Measurement

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

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance at June 30, 2021</u>
Investments by fair value				
U.S. Treasury Notes	<u>\$ 5,501,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,501,648</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

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

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. Two of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Cash Management Class and Max Class (MILAF). These are external pooled investment funds of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2021, the fair value of the District's investments is the same as the value of the pool shares.

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

	<u>Amortized Cost</u>
MILAF External Investment pool - CMC	\$ 1,501,211
MILAF External Investment pool - Max	21,912,343
	\$ 23,413,554

Investments in Entities that Calculate Net Asset Value per share

The District holds shares or interests in the Michigan Liquid Asset Fund (MILAF) Term Series, where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The MILAF Term Series includes investments that the District does not control. The investment pool invests primarily in high-quality money market instruments, including certificates of deposit, commercial paper, and U.S. government and agency obligations, to protect the investment principal and provide liquidity.

At the year ended June 30, 2021, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
MILAF External Investment pool - Term	\$ 1,500,000	\$ -	No restrictions	None

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of June 30, 2021:

	Primary Government	Custodial Fund	Total
Cash and cash equivalents	\$ 19,470,022	\$ 146,992	\$ 19,617,014
Restricted cash and cash equivalents	19,094,288	-	19,094,288
Restricted investments	5,501,648	-	5,501,648
	\$ 44,065,958	\$ 146,992	\$ 44,212,950

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2021 consist of the following:

	Governmental Funds
Other governmental units	
State aid	\$ 16,321,233
Federal	4,505,952
Other	546,934
	\$ 21,374,119

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

No allowance for doubtful accounts is considered necessary based on previous experience.

**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, 2020	Reclassifications/ Additions	Reclassifications/ Deletions	Balance June 30, 2021
Capital assets not being depreciated				
Land	\$ 3,960,791	\$ -	\$ -	\$ 3,960,791
Construction in progress	4,529,666	19,454,190	1,399,641	22,584,215
Subtotal	<u>8,490,457</u>	<u>19,454,190</u>	<u>1,399,641</u>	<u>26,545,006</u>
Capital assets, being depreciated				
Land improvements	20,183,696	-	202,534	19,981,162
Buildings and additions	203,575,179	6,057,588	17,246	209,615,521
Machinery and equipment	22,881,590	3,007,204	857,848	25,030,946
Transportation equipment	1,082,704	179,526	5,503	1,256,727
Subtotal	<u>247,723,169</u>	<u>9,244,318</u>	<u>1,083,131</u>	<u>255,884,356</u>
Accumulated depreciation				
Land improvements	14,130,104	678,796	202,534	14,606,366
Buildings and additions	81,948,811	4,178,877	1,725	86,125,963
Machinery and equipment	14,037,022	1,112,266	715,348	14,433,940
Transportation equipment	703,611	109,990	5,503	808,098
Subtotal	<u>110,819,548</u>	<u>6,079,929</u>	<u>925,110</u>	<u>115,974,367</u>
Total capital assets being depreciated, net	<u>136,903,621</u>	<u>3,164,389</u>	<u>158,021</u>	<u>139,909,989</u>
Governmental activities capital assets, net	<u>\$ 145,394,078</u>	<u>\$ 22,618,579</u>	<u>\$ 1,557,662</u>	<u>\$ 166,454,995</u>

Depreciation for the fiscal year ended June 30, 2021 amounted to \$6,079,929.

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

Instruction	\$ 2,790,362
Support service	2,500,385
Food service	69,252
Unallocated	<u>719,930</u>
	<u>\$ 6,079,929</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2021:

	Self-insured Workers' Compensation Plan	Compensated Absences and Termination Benefits	Notes from Direct Borrowings and Direct Placements	General Obligation Bonds	Total
Balance, July 1, 2020	\$ 42,361	\$ 3,019,180	\$ 645,473	\$ 122,218,913	\$ 125,925,927
Deletions	7,376	86,530	645,473	8,224,292	8,963,671
Balance, June 30, 2021	34,985	2,932,650	-	113,994,621	116,962,256
Due within one year	-	750,305	-	6,765,000	7,515,305
Due in more than one year	\$ 34,985	\$ 2,182,345	\$ -	\$ 107,229,621	\$ 109,446,951

Long-term obligations at June 30, 2021 are comprised of the following issues:

General Obligation Bonds

2019 general obligation bond issuance due in annual installments of \$1,725,000 to \$2,525,000 through May 1, 2041, with interest at 4.00% to 5.00%.	\$ 42,850,000
2016 general obligation refunding bonds due in annual installments of \$2,060,000 to \$4,585,000 through May 1, 2023, with interest at 4.00%.	6,645,000
2016 general obligation bond issuance due in annual installments of \$650,000 to \$3,525,000 through May 1 2041, with interest rate at 5.00%.	45,450,000
2012 general obligation refunding bonds due in an annual installment of \$2,330,000 on May 1, 2022, with an interest at 5.00%.	2,330,000
Plus issuance premium	<u>16,719,621</u>
Total general obligation bonds	<u>113,994,621</u>
Compensated absences and termination benefits	2,932,650
Workers' compensation claims	<u>34,985</u>
Total general long-term obligations	<u><u>\$ 116,962,256</u></u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The District has 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, 2021, \$15,110,000 of bonds outstanding are considered defeased.

The annual requirements to amortize long-term obligations exclusive of compensated absences and termination benefits and workers' compensation claims as of June 30, 2021 are as follows:

Year Ending June 30,	General Obligation Bonds		Compensated Absences and Termination Benefits	Workers' Compensation Claims	Total
	Principal	Interest			
2022	\$ 6,765,000	\$ 4,780,050	\$ -	\$ -	\$ 11,545,050
2023	7,160,000	4,479,650	-	-	11,639,650
2024	3,475,000	4,167,500	-	-	7,642,500
2025	3,575,000	3,993,750	-	-	7,568,750
2026	3,675,000	3,815,000	-	-	7,490,000
2027 - 2031	20,175,000	16,197,500	-	-	36,372,500
2032 - 2036	23,925,000	10,807,500	-	-	34,732,500
2037 - 2041	28,525,000	4,370,000	-	-	32,895,000
	97,275,000	52,610,950	-	-	149,885,950
Issuance premium	16,719,621	-	-	-	16,719,621
Compensated absences and termination benefits	-	-	2,932,650	-	2,932,650
Workers' compensation claims	-	-	-	34,985	34,985
	<u>\$ 113,994,621</u>	<u>\$ 52,610,950</u>	<u>\$ 2,932,650</u>	<u>\$ 34,985</u>	<u>\$ 169,573,206</u>

Interest expense (all funds) for the year ended June 30, 2021 was approximately \$5,102,000.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2021 are as follows:

Receivable Fund		Payable Fund	
Special revenue fund	\$ 1,805,948	General fund	\$ 5,069,779
2019 Capital projects fund	58,680	Capital projects funds	120,438
Capital projects funds	3,425,213	Permanent fund	99,728
Debt service funds	104		
	<u>\$ 5,289,945</u>		<u>\$ 5,289,945</u>

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/orsschools.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

Benefits Provided - Overall

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

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

Employees who first work on or after September 4, 2012 choose between two retirement plans: The Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

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

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

Pension and OPEB contributions made in the fiscal year ending September 30, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017 are amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

The District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Total pension contributions were approximately \$22,481,000. Of the total pension contributions approximately \$21,769,000 was contributed to fund the Defined Benefit Plan and approximately \$712,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB contributions were approximately \$6,289,000. Of the total OPEB contributions approximately \$5,850,000 was contributed to fund the Defined Benefit Plan and approximately \$439,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total pension liability	\$ 85,290,583,799	\$ 83,442,507,212
Plan fiduciary net position	\$ 50,939,496,006	\$ 50,325,869,388
Net pension liability	\$ 34,351,087,793	\$ 33,116,637,824
Proportionate share	0.76047%	0.77243%
Net pension liability for the District	\$ 261,231,339	\$ 255,804,289

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

For the year ended June 30, 2021, the District recognized pension expense of \$33,765,278.

At June 30, 2021, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 28,946,951	\$ -
Net difference between projected and actual earnings on pension plan investments	1,097,577	-
Differences between expected and actual experience	3,991,401	557,560
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,842,268	6,857,354
Reporting Unit's contributions subsequent to the measurement date	20,530,345	-
	<u>\$ 56,408,542</u>	<u>\$ 7,414,914</u>

\$20,530,345, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended September 30,	Amount
2021	\$ 12,333,733
2022	9,632,531
2023	5,153,707
2024	1,343,312

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total other postemployment benefits liability	\$ 13,206,903,534	\$ 13,925,860,688
Plan fiduciary net position	\$ 7,849,636,555	\$ 6,748,112,668
Net other postemployment benefits liability	\$ 5,357,266,979	\$ 7,177,748,020
Proportionate share	0.75522%	0.77555%
Net other postemployment benefits liability for the District	\$ 40,459,348	\$ 55,667,077

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

For the year ended June 30, 2021, the District recognized OPEB benefit of \$1,220,019.

At June 30, 2021, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 13,340,251	\$ -
Net difference between projected and actual earnings on other postemployment benefits plan investments	337,679	-
Differences between expected and actual experience	-	30,145,996
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,726,664	4,317,641
Reporting Unit's contributions subsequent to the measurement date	<u>5,306,510</u>	<u>-</u>
	<u>\$ 21,711,104</u>	<u>\$ 34,463,637</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

\$5,306,510, reported as deferred outflows of resources related to OPEB resulting from district employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<u>Year Ended September 30,</u>	<u>Amount</u>
2021	\$ (5,112,684)
2022	(4,638,061)
2023	(3,485,565)
2024	(2,406,188)
2025	(2,416,545)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

Investment Rate of Return for OPEB - 6.95% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

Mortality Assumptions:

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for morality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for morality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for morality improvements using projection scale MP-2017 from 2006.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Comprehensive Annual Financial Report.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit - 7.0% for year one and graded to 3.5% in year fifteen.

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

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

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

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2020 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.6%
International Equity Pools	15.0%	7.4%
Private Equity Pools	16.0%	9.3%
Real Estate and Infrastructure Pools	10.0%	4.9%
Fixed Income Pools	10.5%	0.5%
Absolute Return Pools	9.0%	3.2%
Real Return and Opportunistic Pools	12.5%	6.6%
Short Term Investment Pools	2.0%	-0.1%
	<u>100.0%</u>	

* Long term rates of return are net of administrative expenses and 2.1% inflation.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate - A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 338,119,654	\$ 261,231,339	\$ 197,508,063

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 51,974,631	\$ 40,459,348	\$ 30,764,445

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefits		
		Current	
	1% Trend Decrease	Healthcare Cost Trend Rates	1% Trend Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 30,393,245	\$ 40,459,348	\$ 51,908,299

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2020 Comprehensive Annual Financial Report.

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

NOTE 8 - TRANSFERS

The general fund transferred \$300,000 to the capital projects funds and the food service fund transferred \$72,017 to the general fund. The general fund transfer to the capital projects funds was for future capital acquisitions. The transfer from the food service fund to the general fund was to reimburse indirect cost.

NOTE 9 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - RISK MANAGEMENT

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.

A self-funded health insurance program was approved by the Board of Education and implemented for all personnel. All plans have limits on amounts for expenditures that will be reimbursed. This program is recorded in the general fund. The District has estimated, and recorded, a liability for any incurred but not yet reported (IBNR) claims on the statement of net position.

NOTE 11 - TAX ABATEMENTS

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

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

Municipality	Taxes Abated
City of Lansing	\$ 704,690
City of East Lansing	6,961
Watertown Township	667
DeWitt Charter Township	5,779
	\$ 718,097

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

There are no abatements made by the District.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**LANSING SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 24,943,000	\$ 25,608,000	\$ 25,395,842	\$ (212,158)
State sources	81,061,000	87,627,000	89,075,916	1,448,916
Federal sources	32,606,000	39,958,000	36,411,513	(3,546,487)
Incoming transfers	15,604,000	15,691,000	15,665,781	(25,219)
TOTAL REVENUES	154,214,000	168,884,000	166,549,052	(2,334,948)
EXPENDITURES				
Current				
Instruction				
Basic programs	50,296,000	57,212,000	56,722,699	489,301
Added needs	23,515,000	25,024,000	25,669,003	(645,003)
Adult and continuing education	1,180,000	1,478,000	889,538	588,462
Total instruction	74,991,000	83,714,000	83,281,240	432,760
Supporting services				
Pupil	14,048,000	13,883,000	13,751,155	131,845
Instructional staff	22,010,000	19,729,000	18,691,763	1,037,237
General administration	945,000	1,121,000	1,139,011	(18,011)
School administration	7,291,000	7,755,000	8,040,519	(285,519)
Business	2,876,000	2,937,000	2,920,028	16,972
Operation and maintenance	15,067,000	17,670,000	17,471,022	198,978
Pupil transportation	11,100,000	7,265,000	6,670,315	594,685
Central	7,932,000	6,476,000	6,088,894	387,106
Other	2,030,000	1,610,000	2,154,249	(544,249)
Total supporting services	83,299,000	78,446,000	76,926,956	1,519,044
Community service activities	1,318,000	2,210,000	2,202,156	7,844
TOTAL EXPENDITURES	159,608,000	164,370,000	162,410,352	1,959,648
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,394,000)	4,514,000	4,138,700	(375,300)
OTHER FINANCING SOURCES (USES)				
Transfers in	122,000	92,000	72,017	(19,983)
Transfers out	(824,000)	(1,169,000)	(300,000)	869,000
TOTAL OTHER FINANCING SOURCES (USES)	(702,000)	(1,077,000)	(227,983)	849,017
NET CHANGE IN FUND BALANCE	\$ (6,096,000)	\$ 3,437,000	3,910,717	\$ 473,717
FUND BALANCE				
Beginning of year			10,516,515	
End of year			<u>14,427,232</u>	

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

	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.76047%	0.77243%	0.75929%	0.79100%	0.82789%	0.84886%	0.89770%
Reporting Unit's proportionate share of net pension liability	\$ 261,231,339	\$ 255,804,289	\$ 228,255,569	\$ 204,982,644	\$ 206,552,440	\$ 207,334,790	\$ 197,731,925
Reporting Unit's covered-employee payroll	\$ 66,762,148	\$ 67,602,581	\$ 65,473,081	\$ 66,264,359	\$ 69,148,387	\$ 68,735,453	\$ 76,163,477
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	391.29%	378.39%	348.63%	309.34%	298.71%	301.64%	259.62%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 21,769,413	\$ 20,510,124	\$ 20,263,330	\$ 20,539,647	\$ 18,774,913	\$ 18,367,571	\$ 15,524,963
Contributions in relation to statutorily required contributions	<u>21,769,413</u>	<u>20,510,124</u>	<u>20,263,330</u>	<u>20,539,647</u>	<u>18,774,913</u>	<u>18,367,571</u>	<u>15,524,963</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 67,609,692	\$ 68,129,766	\$ 66,125,706	\$ 65,494,078	\$ 69,583,666	\$ 66,526,238	\$ 71,678,853
Contributions as a percentage of covered-employee payroll	32.20%	30.10%	30.64%	31.36%	26.98%	27.61%	21.66%

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.75522%	0.77555%	0.72836%	0.79167%
Reporting Unit's proportionate share of net OPEB liability	\$ 40,459,348	\$ 55,667,077	\$ 57,896,761	\$ 70,106,536
Reporting Unit's covered-employee payroll	\$ 66,762,148	\$ 67,602,581	\$ 65,473,081	\$ 66,264,359
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	60.60%	82.34%	88.43%	105.80%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	59.44%	48.46%	42.95%	36.39%

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 5,850,062	\$ 5,649,373	\$ 5,599,211	\$ 5,750,215
Contributions in relation to statutorily required contributions	<u>5,850,062</u>	<u>5,649,373</u>	<u>5,599,211</u>	<u>5,750,215</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 67,609,692	\$ 68,129,766	\$ 66,125,706	\$ 65,494,078
Contributions as a percentage of covered-employee payroll	8.65%	8.29%	8.47%	8.78%

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

**LANSING SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - PENSION INFORMATION

Benefit changes - there were no changes of benefit terms in 2020.

Changes of assumptions - there were no changes of assumptions in 2020.

NOTE 2 - OPEB INFORMATION

Benefit changes - there were no changes of benefit terms in 2020.

Changes of assumptions - the assumption changes for 2020 were:

Healthcare cost trend rate decreased to 7.00% Year 1 graded to 3.50% Year 15 from 7.50% Year 1 graded to 3.50% Year 12.

ADDITIONAL SUPPLEMENTARY INFORMATION

**LANSING SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2021**

	Special Revenue Fund	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ 2,408,025	\$ 613,793	\$ 1,591,557	\$ 4,613,375
Cash and cash equivalents - restricted	-	-	5,843,164	-	5,843,164
Taxes receivable	-	3,947	2,429	-	6,376
Intergovernmental	941,837	-	-	-	941,837
Due from other funds	1,805,948	104	3,425,213	-	5,231,265
Inventories	72,566	-	-	-	72,566
Prepays	13,372	500	-	-	13,872
	<u>2,833,723</u>	<u>2,412,576</u>	<u>9,884,599</u>	<u>1,591,557</u>	<u>16,722,455</u>
TOTAL ASSETS	\$ 2,833,723	\$ 2,412,576	\$ 9,884,599	\$ 1,591,557	\$ 16,722,455
LIABILITIES					
Accounts payable	\$ 345,064	\$ 9,712	\$ 974,789	\$ -	\$ 1,329,565
Due to other funds	-	-	120,438	99,728	220,166
	<u>345,064</u>	<u>9,712</u>	<u>1,095,227</u>	<u>99,728</u>	<u>1,549,731</u>
TOTAL LIABILITIES	345,064	9,712	1,095,227	99,728	1,549,731
FUND BALANCES					
Nonspendable					
Inventories	72,566	-	-	-	72,566
Prepays	13,372	500	-	-	13,872
Endowment corpus	-	-	-	1,407,694	1,407,694
Restricted					
Debt service	-	2,402,364	-	-	2,402,364
Capital projects	-	-	4,884,490	-	4,884,490
Food service	2,402,721	-	-	-	2,402,721
Endowment earnings	-	-	-	84,135	84,135
Assigned	-	-	3,904,882	-	3,904,882
	<u>2,488,659</u>	<u>2,402,864</u>	<u>8,789,372</u>	<u>1,491,829</u>	<u>15,172,724</u>
TOTAL FUND BALANCES	2,488,659	2,402,864	8,789,372	1,491,829	15,172,724
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,833,723	\$ 2,412,576	\$ 9,884,599	\$ 1,591,557	\$ 16,722,455

**LANSING SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2021**

	Special Revenue Fund	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Funds
REVENUES					
Local sources					
Property taxes	\$ -	\$ 12,104,533	\$ 7,844,254	\$ -	\$ 19,948,787
Investment earnings	-	5,582	6,008	678	12,268
Food sales	47,162	-	-	-	47,162
Other	-	-	60,000	-	60,000
Total local sources	47,162	12,110,115	7,910,262	678	20,068,217
State sources	91,855	174,885	-	-	266,740
Federal sources	5,605,753	-	-	-	5,605,753
TOTAL REVENUES	5,744,770	12,285,000	7,910,262	678	25,940,710
EXPENDITURES					
Current					
Food service activities	5,867,725	-	-	-	5,867,725
Other support services	-	-	-	16,314	16,314
Capital outlay	-	-	8,510,567	-	8,510,567
Debt service					
Principal payments	-	6,800,000	-	-	6,800,000
Interest	-	5,101,800	-	-	5,101,800
Other	-	1,698	2,258	-	3,956
TOTAL EXPENDITURES	5,867,725	11,903,498	8,512,825	16,314	26,300,362
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(122,955)	381,502	(602,563)	(15,636)	(359,652)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	300,000	-	300,000
Transfers out	(72,017)	-	-	-	(72,017)
TOTAL OTHER FINANCING SOURCES (USES)	(72,017)	-	300,000	-	227,983
NET CHANGE IN FUND BALANCES	(194,972)	381,502	(302,563)	(15,636)	(131,669)
FUND BALANCES					
Beginning of year	2,683,631	2,021,362	9,091,935	1,507,465	15,304,393
End of year	<u>\$ 2,488,659</u>	<u>\$ 2,402,864</u>	<u>\$ 8,789,372</u>	<u>\$ 1,491,829</u>	<u>\$ 15,172,724</u>

**LANSING SCHOOL DISTRICT
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021**

	2019 Debt	2016 Debt	2016 Refunding	2012 Refunding	Totals
ASSETS					
Cash and cash equivalents	\$ 712,763	\$ 576,911	\$ 414,633	\$ 703,718	\$ 2,408,025
Taxes receivable	1,270	944	223	1,510	3,947
Due from other funds	31	25	18	30	104
Prepays	500	-	-	-	500
TOTAL ASSETS	\$ 714,564	\$ 577,880	\$ 414,874	\$ 705,258	\$ 2,412,576
LIABILITIES					
Accounts payable	\$ 3,125	\$ 2,322	\$ 549	\$ 3,716	\$ 9,712
FUND BALANCES					
Nonspendable					
Prepays	500	-	-	-	500
Restricted for debt service	710,939	575,558	414,325	701,542	2,402,364
TOTAL FUND BALANCES	711,439	575,558	414,325	701,542	2,402,864
TOTAL LIABILITIES AND FUND BALANCES	\$ 714,564	\$ 577,880	\$ 414,874	\$ 705,258	\$ 2,412,576

**LANSING SCHOOL DISTRICT
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021**

	2019 Debt	2016 Debt	2016 Refunding	2012 Refunding	Totals
REVENUES					
Local sources					
Property taxes	\$ 3,894,769	\$ 2,894,341	\$ 683,886	\$ 4,631,537	\$ 12,104,533
Investment earnings	1,614	1,265	334	2,369	5,582
State sources	-	-	-	174,885	174,885
TOTAL REVENUES	3,896,383	2,895,606	684,220	4,808,791	12,285,000
EXPENDITURES					
Principal payments	1,525,000	600,000	100,000	4,575,000	6,800,000
Interest	2,186,250	2,302,500	267,800	345,250	5,101,800
Other	500	498	499	201	1,698
TOTAL EXPENDITURES	3,711,750	2,902,998	368,299	4,920,451	11,903,498
NET CHANGE IN FUND BALANCES	184,633	(7,392)	315,921	(111,660)	381,502
FUND BALANCES					
Beginning of year	526,806	582,950	98,404	813,202	2,021,362
End of year	<u>\$ 711,439</u>	<u>\$ 575,558</u>	<u>\$ 414,325</u>	<u>\$ 701,542</u>	<u>\$ 2,402,864</u>

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021**

	Capital Projects	Sinking Fund	Replacement Fund	Sale of Assets Fund	Totals
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 613,793	\$ -	\$ 613,793
Cash and cash equivalents - restricted	-	5,843,164	-	-	5,843,164
Taxes receivable	-	2,429	-	-	2,429
Due from other funds	172,269	251	-	3,252,693	3,425,213
TOTAL ASSETS	\$ 172,269	\$ 5,845,844	\$ 613,793	\$ 3,252,693	\$ 9,884,599
LIABILITIES					
Accounts payable	\$ 11,955	\$ 961,354	\$ 400	\$ 1,080	\$ 974,789
Due to other funds	-	-	120,438	-	120,438
TOTAL LIABILITIES	11,955	961,354	120,838	1,080	1,095,227
FUND BALANCES					
Restricted for capital projects	-	4,884,490	-	-	4,884,490
Assigned for capital projects	160,314	-	492,955	3,251,613	3,904,882
TOTAL FUND BALANCES	160,314	4,884,490	492,955	3,251,613	8,789,372
TOTAL LIABILITIES AND FUND BALANCES	\$ 172,269	\$ 5,845,844	\$ 613,793	\$ 3,252,693	\$ 9,884,599

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021**

	Capital Projects	Sinking Fund	Replacement Fund	Sale of Assets Fund	Totals
REVENUES					
Property taxes	\$ -	\$ 7,844,254	\$ -	\$ -	\$ 7,844,254
Investment earnings	-	6,008	-	-	6,008
Other	60,000	-	-	-	60,000
TOTAL REVENUES	60,000	7,850,262	-	-	7,910,262
EXPENDITURES					
Capital outlay	272,952	7,880,544	213,460	143,611	8,510,567
Other	-	2,258	-	-	2,258
TOTAL EXPENDITURES	272,952	7,882,802	213,460	143,611	8,512,825
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(212,952)	(32,540)	(213,460)	(143,611)	(602,563)
OTHER FINANCING SOURCES (USES)					
Transfers in	100,000	-	200,000	-	300,000
NET CHANGE IN FUND BALANCES	(112,952)	(32,540)	(13,460)	(143,611)	(302,563)
FUND BALANCES					
Beginning of year	273,266	4,917,030	506,415	3,395,224	9,091,935
End of year	<u>\$ 160,314</u>	<u>\$ 4,884,490</u>	<u>\$ 492,955</u>	<u>\$ 3,251,613</u>	<u>\$ 8,789,372</u>

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2021**

2019 Building and Site Bonds

Fiscal Year	Interest Rate	Principal Due May 1	Interest Due		Total Due Annually
			May 1	November 1	
2022	4.000%	\$ 1,725,000	\$ 1,062,625	\$ 1,062,625	\$ 3,850,250
2023	5.000%	1,900,000	1,028,125	1,028,125	3,956,250
2024	5.000%	1,900,000	980,625	980,625	3,861,250
2025	5.000%	1,925,000	933,125	933,125	3,791,250
2026	5.000%	1,950,000	885,000	885,000	3,720,000
2027	5.000%	1,975,000	836,250	836,250	3,647,500
2028	5.000%	2,000,000	786,875	786,875	3,573,750
2029	5.000%	2,025,000	736,875	736,875	3,498,750
2030	5.000%	2,050,000	686,250	686,250	3,422,500
2031	5.000%	2,075,000	635,000	635,000	3,345,000
2032	5.000%	2,125,000	583,125	583,125	3,291,250
2033	5.000%	2,175,000	530,000	530,000	3,235,000
2034	5.000%	2,225,000	475,625	475,625	3,176,250
2035	5.000%	2,275,000	420,000	420,000	3,115,000
2036	5.000%	2,325,000	363,125	363,125	3,051,250
2037	5.000%	2,350,000	305,000	305,000	2,960,000
2038	5.000%	2,400,000	246,250	246,250	2,892,500
2039	5.000%	2,450,000	186,250	186,250	2,822,500
2040	5.000%	2,475,000	125,000	125,000	2,725,000
2041	5.000%	2,525,000	63,125	63,125	2,651,250
Total 2019 bonded debt		<u>\$ 42,850,000</u>	<u>\$ 11,868,250</u>	<u>\$ 11,868,250</u>	<u>\$ 66,586,500</u>

The above bonds dated May 30, 2019 were issued for the purpose of remodeling, furnishing and refurbishing and re-equipping school buildings, including security improvements and equipment; erecting, furnishing and equipping additions to school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; erecting, developing, improving, furnishing and equipping athletic facilities and fields; and developing and improving playgrounds, play fields, driveways, parking areas and sites; and paying the costs of issuing the Bonds.

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2021**

2016 Refunding Bonds

Fiscal Year	Interest Rate	Principal Due May 1	Interest Due		Total Due Annually
			May 1	November 1	
2022	4.000%	\$ 2,060,000	\$ 132,900	\$ 132,900	\$ 2,325,800
2023	4.000%	<u>4,585,000</u>	<u>91,700</u>	<u>91,700</u>	<u>4,768,400</u>
Total 2016 bonded debt		<u>\$ 6,645,000</u>	<u>\$ 224,600</u>	<u>\$ 224,600</u>	<u>\$ 7,094,200</u>

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

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2021**

2016 Building and Site Bonds

Fiscal Year	Interest Rate	Principal Due May 1	Interest Due		Total Due Annually
			May 1	November 1	
2022	5.000%	\$ 650,000	\$ 1,136,250	\$ 1,136,250	\$ 2,922,500
2023	5.000%	675,000	1,120,000	1,120,000	2,915,000
2024	5.000%	1,575,000	1,103,125	1,103,125	3,781,250
2025	5.000%	1,650,000	1,063,750	1,063,750	3,777,500
2026	5.000%	1,725,000	1,022,500	1,022,500	3,770,000
2027	5.000%	1,825,000	979,375	979,375	3,783,750
2028	5.000%	1,925,000	933,750	933,750	3,792,500
2029	5.000%	2,000,000	885,625	885,625	3,771,250
2030	5.000%	2,100,000	835,625	835,625	3,771,250
2031	5.000%	2,200,000	783,125	783,125	3,766,250
2032	5.000%	2,325,000	728,125	728,125	3,781,250
2033	5.000%	2,425,000	670,000	670,000	3,765,000
2034	5.000%	2,550,000	609,375	609,375	3,768,750
2035	5.000%	2,675,000	545,625	545,625	3,766,250
2036	5.000%	2,825,000	478,750	478,750	3,782,500
2037	5.000%	2,975,000	408,125	408,125	3,791,250
2038	5.000%	3,125,000	333,750	333,750	3,792,500
2039	5.000%	3,275,000	255,625	255,625	3,786,250
2040	5.000%	3,425,000	173,750	173,750	3,772,500
2041	5.000%	3,525,000	88,125	88,125	3,701,250
Total 2016 bonded debt		<u>\$ 45,450,000</u>	<u>\$ 14,154,375</u>	<u>\$ 14,154,375</u>	<u>\$ 73,758,750</u>

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

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2021**

2012 Refunding Bonds

Fiscal Year	Interest Rate	Principal Due May 1	Interest Due		Total Due Annually
			May 1	November 1	
2022	5.000%	\$ 2,330,000	\$ 58,250	\$ 58,250	\$ 2,446,500

The above bonds dated June 20, 2012 were issued for the purpose of refunding a portion of the District's 2004 School Building and Site and Refunding Bonds.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-through Number	Approved Award	Prior Year Expenditures (Memorandum Only)	Accrued 7/1/2020	Current Year Expenditures	Current Year Receipts	Accrued 6/30/2021
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-Cash Assistance (donated foods)								
National School Lunch Program	10.555	-----	\$ 175,163	\$ 419,293	\$ -	\$ 175,163	\$ 175,163	\$ -
Cash Assistance								
COVID-19 - National School Lunch Program	10.555	200902	1,787,821	1,787,821	413,256	-	413,256	-
Total CFDA #10.555			1,962,984	2,207,114	413,256	175,163	588,419	-
COVID-19 - Summer Food Service Program for Children	10.559	210904	3,599,806	-	-	3,599,806	2,860,275	739,531
COVID-19 - Summer Food Service Program for Children		200900	950,597	-	-	950,597	950,597	-
Total CFDA #10.559			4,550,403	-	-	4,550,403	3,810,872	739,531
Total cash assistance			6,338,224	1,787,821	413,256	4,550,403	4,224,128	739,531
Total child nutrition cluster			6,513,387	2,207,114	413,256	4,725,566	4,399,291	739,531
Child and Adult Care Food Program	10.558	212010	692,636	-	-	692,636	560,656	131,980
Fresh Fruit and Vegetable Program	10.582	210950	271,750	-	-	187,551	145,891	41,660
TOTAL U.S. DEPARTMENT OF AGRICULTURE			7,477,773	2,207,114	413,256	5,605,753	5,105,838	913,171

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-through Number	Approved Award	Prior Year Expenditures (Memorandum Only)	Accrued 7/1/2020	Current Year Expenditures	Current Year Receipts	Accrued 6/30/2021
U.S. Department of Education								
Direct Programs								
Indian Education - Grants to Local Educational Agencies	84.060A	S060A140962	\$ 17,868	\$ -	\$ -	\$ 7,533	\$ 7,491	\$ 42
Indian Education - Grants to Local Educational Agencies		S060A140962	16,864	16,864	135	-	135	-
Total CFDA #84.060			34,732	16,864	135	7,533	7,626	42
Magnet Schools Assistance	84.165A	U165A170011	2,999,780	-	-	1,835,389	1,527,675	307,714
Magnet Schools Assistance		U165A170011	2,372,709	1,964,626	305,172	408,083	713,255	-
Magnet Schools Assistance		U165A130051	966,075	-	-	483,014	414,724	68,290
Magnet Schools Assistance		U165A130051	555,355	449,226	33,741	106,129	139,870	-
Total CFDA #84.165			6,893,919	2,413,852	338,913	2,832,615	2,795,524	376,004
School Safety National Activities	84.184G	S184G190342	739,344	-	-	532,523	462,782	69,741
School Safety National Activities		S184G190342	247,515	-	-	171,074	150,430	20,644
School Safety National Activities		S184G190342	501,493	160,720	69,441	340,773	410,214	-
Total CFDA #84.184			1,488,352	160,720	69,441	1,044,370	1,023,426	90,385
Teacher and School Leader Incentive Grants	84.374A	U374A170037-17A	4,262,335	-	-	4,016,137	3,463,349	552,788
Teacher and School Leader Incentive Grants		U374A170037-17A	2,203,029	1,673,619	337,360	529,410	866,770	-
Teacher and School Leader Incentive Grants		U374A170037-17A	5,927,278	4,451,197	804,922	1,476,081	2,281,003	-
Total CFDA #84.374			12,392,642	6,124,816	1,142,282	6,021,628	6,611,122	552,788
Innovative Approaches to Literacy	84.215G	S215G180072	355,661	-	-	205,505	183,039	22,466
Innovative Approaches to Literacy		S215G180072	131,214	115,048	30,639	16,166	46,805	-
Innovative Approaches to Literacy		S215G180072	749,159	-	-	458,118	434,489	23,629
Innovative Approaches to Literacy		S215G180072	508,922	485,760	51,009	23,162	74,171	-
Total CFDA #84.215			1,744,956	600,808	81,648	702,951	738,504	46,095

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-through Number	Approved Award	Prior Year Expenditures (Memorandum Only)	Accrued 7/1/2020	Current Year Expenditures	Current Year Receipts	Accrued 6/30/2021
U.S. Department of Education (continued)								
Passed through Michigan Department of Education								
Adult Education - Basic Grants to States	84.002	211120/215005	\$ 145,000	\$ -	\$ -	\$ 19,288	\$ 17,180	\$ 2,108
Adult Education - Basic Grants to States		211130/211250	150,000	-	-	112,905	97,572	15,333
Adult Education - Basic Grants to States		211190/211250	30,000	-	-	12,435	8,240	4,195
Total CFDA #84.002			<u>325,000</u>	<u>-</u>	<u>-</u>	<u>144,628</u>	<u>122,992</u>	<u>21,636</u>
Title I Grants to Local Educational Agencies	84.010	211530/2021	9,914,955	-	-	7,600,624	6,381,117	1,219,507
Title I Grants to Local Educational Agencies		201530/1920	9,023,740	6,814,423	954,209	925,802	1,880,011	-
Total CFDA #84.010			<u>18,938,695</u>	<u>6,814,423</u>	<u>954,209</u>	<u>8,526,426</u>	<u>8,261,128</u>	<u>1,219,507</u>
Title I State Agency Program for Neglected & Delinquent Children & Youth	84.013	211700/2021	210,641	-	-	139,945	125,786	14,159
Title I State Agency Program for Neglected & Delinquent Children & Youth		201700/1920	246,059	183,091	35,733	11,766	47,499	-
Total CFDA #84.013			<u>456,700</u>	<u>183,091</u>	<u>35,733</u>	<u>151,711</u>	<u>173,285</u>	<u>14,159</u>
Education for Homeless Children and Youth	84.196A	212320/2021	94,551	-	-	28,841	26,344	2,497
Education for Homeless Children and Youth		202320/1920	68,085	51,080	570	9,463	10,033	-
Total CFDA #84.196			<u>162,636</u>	<u>51,080</u>	<u>570</u>	<u>38,304</u>	<u>36,377</u>	<u>2,497</u>
Supporting Effective Instruction State Grants	84.367	210520/2021	1,521,256	-	-	1,338,297	1,106,871	231,426
Supporting Effective Instruction State Grants		200520/1920	1,946,227	1,451,199	168,937	40,138	209,075	-
Total CFDA #84.367			<u>3,467,483</u>	<u>1,451,199</u>	<u>168,937</u>	<u>1,378,435</u>	<u>1,315,946</u>	<u>231,426</u>
School Improvement Grant (SIG)	84.377A	171762/2021	743,240	-	-	492,019	360,914	131,105
School Improvement Grant (SIG)		171765/1920	445,036	404,043	66,905	40,992	107,897	-
School Improvement Grant (SIG)		171761/1920	730,126	630,899	146,648	99,227	245,875	-
Total CFDA #84.377			<u>1,918,402</u>	<u>1,034,942</u>	<u>213,553</u>	<u>632,238</u>	<u>714,686</u>	<u>131,105</u>
Student Support & Academic Enrichment Program	84.424	210750/2021	644,158	-	-	566,411	461,984	104,427
Student Support & Academic Enrichment Program		200750/1920	702,656	421,621	72,949	211,906	284,855	-
Total CFDA #84.424			<u>1,346,814</u>	<u>421,621</u>	<u>72,949</u>	<u>778,317</u>	<u>746,839</u>	<u>104,427</u>
English Language Acquisition State Grants	84.365A	210570/2021	137,983	-	-	76,295	70,374	5,921
English Language Acquisition State Grants		200570/1920	190,616	136,560	1,561	11,547	13,108	-
English Language Acquisition State Grants		210580/2021	273,967	-	-	177,801	156,276	21,525
English Language Acquisition State Grants		200580/1920	233,820	129,620	14,354	10,370	24,724	-
Total CFDA #84.365			<u>836,386</u>	<u>266,180</u>	<u>15,915</u>	<u>276,013</u>	<u>264,482</u>	<u>27,446</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-through Number	Approved Award	Prior Year Expenditures (Memorandum Only)	Accrued 7/1/2020	Current Year Expenditures	Current Year Receipts	Accrued 6/30/2021
U.S. Department of Education (continued)								
Passed through Michigan Department of Education (continued)								
Education Stabilization Fund								
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) - Formula	84.425D	213712/2021	\$ 13,029,772	\$ -	\$ -	\$ 121,447	\$ -	\$ 121,447
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I) - Education Equity	84.425D	203720/1920	1,292,587	-	-	223,056	201,631	21,425
COVID-19 - Elementary and Secondary School Emergency Relief Fund (GEER) - Formula	84.425C	201200/2021	1,039,152	-	-	1,027,552	1,024,511	3,041
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I) - Formula	84.425D	203710/1920	6,462,933	204,978	204,417	6,138,508	6,202,578	140,347
Total CFDA #84.425			<u>21,824,444</u>	<u>204,978</u>	<u>204,417</u>	<u>7,510,563</u>	<u>7,428,720</u>	<u>286,260</u>
Passed through Ingham Intermediate School District								
Special Education Cluster								
Special Education Preschool Grants	84.173A	210460/2021	142,553	-	-	142,145	96,777	45,368
Special Education Preschool Grants		200460/1920	116,241	116,241	23,358	-	23,358	-
Total CFDA #84.173			<u>258,794</u>	<u>116,241</u>	<u>23,358</u>	<u>142,145</u>	<u>120,135</u>	<u>45,368</u>
Special Education Grants to States	84.027	210450-2021	1,610,182	-	-	1,610,182	1,281,655	328,527
Special Education Grants to States		200450-1920	1,608,333	1,608,332	346,279	-	346,279	-
Total CFDA #84.027			<u>3,218,515</u>	<u>1,608,332</u>	<u>346,279</u>	<u>1,610,182</u>	<u>1,627,934</u>	<u>328,527</u>
Total Special Education Cluster			<u>3,477,309</u>	<u>1,724,573</u>	<u>369,637</u>	<u>1,752,327</u>	<u>1,748,069</u>	<u>373,895</u>
Passed through Clinton County RESA								
Career and Technical Education - Basic Grants to States	84.048A	----	49,528	-	-	49,528	44,254	5,274
Career and Technical Education - Basic Grants to States		----	57,103	55,842	5,002	-	5,002	-
Total CFDA #84.048			<u>106,631</u>	<u>55,842</u>	<u>5,002</u>	<u>49,528</u>	<u>49,256</u>	<u>5,274</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>75,415,101</u>	<u>21,524,989</u>	<u>3,673,341</u>	<u>31,847,587</u>	<u>32,037,982</u>	<u>3,482,946</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-through Number	Approved Award	Prior Year Expenditures (Memorandum Only)	Accrued 7/1/2020	Current Year Expenditures	Current Year Receipts	Accrued 6/30/2021
<u>U.S. Department of Health and Human Services</u>								
Passed through Eaton County RESA								
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	----	\$ 42,785	\$ 3,610	\$ -	\$ 38,836	\$ 28,714	\$ 10,122
Affordable Care Act (ACA) Personal Responsibility Education Program		----	42,350	35,692	9,159	6,658	15,817	-
Total CFDA #93.092			85,135	39,302	9,159	45,494	44,531	10,122
Passed through Ingham ISD Medicaid Cluster								
Medicaid Assistance Program	93.778	----	56,463	-	-	56,463	56,463	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			141,598	39,302	9,159	101,957	100,994	10,122
<u>U.S. Department of Labor</u>								
WIOA Program Cluster								
Passed through Capital Area Michigan Works								
WIOA Youth Activities	17.259	----	52,329	-	-	9,528	-	9,528
WIOA Youth Activities		----	884,944	-	-	647,327	557,142	90,185
WIOA Youth Activities		----	625,813	536,500	86,615	-	86,615	-
TOTAL U.S. DEPARTMENT OF LABOR			1,563,086	536,500	86,615	656,855	643,757	99,713
<u>U.S. Department of Treasury</u>								
Passed through the Michigan Department of Education								
COVID-19 - Coronavirus Relief Funds	21.019	11(p)	3,674,311	-	-	3,674,310	3,674,310	-
COVID-19 - Coronavirus Relief Funds		103(2)	129,335	-	-	129,335	129,335	-
Total passed through Michigan Department of Education			3,803,646	-	-	3,803,645	3,803,645	-
Passed through MAISA/Copper County ISD								
COVID-19 - Coronavirus Relief Funds - MiConnect Connectivity Funding	21.019	----	1,469	-	-	1,469	1,469	-
Total CFDA #21.019			3,805,115	-	-	3,805,114	3,805,114	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 88,402,673	\$ 24,307,905	\$ 4,182,371	\$ 42,017,266	\$ 41,693,685	\$ 4,505,952

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Lansing School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lansing School District, it is not intended to and does not present the financial position or changes in net position of Lansing School District.

The District qualifies for low-risk auditee status. Management has utilized the Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Lansing School District has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

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

General fund	\$ 36,411,513
Special revenue fund	<u>5,605,753</u>
Federal expenditures on the schedule of expenditures of federal awards	<u><u>\$ 42,017,266</u></u>

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

To the Board of Education
Lansing School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Lansing School District's basic financial statements and have issued our report thereon dated October 7, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Maney Costeiran PC

October 7, 2021

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

To the Board of Education
Lansing School District

Report on Compliance for Each Major Federal Program

We have audited Lansing School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lansing School District's major federal programs for the year ended June 30, 2021. Lansing School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lansing School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lansing School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Lansing School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Maney Costerian PC

October 7, 2021

**LANSING SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

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

Unmodified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.367	Improving Teacher Quality State Grants
84.374	Teacher and School Leader Incentive Grants
84.425	Elementary and Secondary School Emergency Relief Fund
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: _____ \$1,260,518

Auditee qualified as low-risk auditee? _____ X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**LANSING SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2021**

There were no audit findings in the prior year.

October 7, 2021

To the Board of Education
Lansing School District

In planning and performing our audit of the financial statements of Lansing School District as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Lansing School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted one matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated October 7, 2021 on the financial statements of Lansing School District. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

Food Service Fund Balance - Prior Year Carryforward

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that Lansing School District develop a plan to spend down the excess by June 30, 2022.

This report is intended solely for the information and use of management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner Costerisan PC

October 7, 2021

To the Board of Education
Lansing School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lansing School District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2021. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management’s estimate in calculating the liability for employee compensated absences.

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s determination of the estimated life span of the capital assets.

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 7, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Lansing School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC