

LANSING SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2005

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Lansing School District
Lansing, Michigan

September 23, 2005

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, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lansing School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, 2005 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2005, on our consideration of Lansing School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xvi and 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lansing School District's basic financial statements. The additional information on pages 28 to 47 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mamer, Costenaro & Ellis, P.C." The signature is written in a cursive style with a large initial 'M' and a distinct ampersand symbol.

Certified Public Accountants

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

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, 2005. 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 accounting principles generally accepted in the United States of America (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

Fund Financial Statements

For the most part, the fund financial statements are comparable to financial statements for fiscal years prior to the adoption of GASB 34. The primary difference is that the Account Groups (General Fixed Asset and General Long-term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

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

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

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

Summary of Net Assets

The following schedule summarizes the net assets for fiscal years ended June 30, 2005 and 2004:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Assets		
Current assets	\$ 104,074,704	\$ 115,723,182
Capital assets	114,265,019	103,129,495
Less: accumulated depreciation	<u>(70,898,248)</u>	<u>(69,478,920)</u>
Capital assets, net book value	43,366,771	33,650,575
Other noncurrent assets	<u>344,144</u>	<u>367,707</u>
Total assets	<u><u>\$ 147,785,619</u></u>	<u><u>\$ 149,741,464</u></u>
Liabilities		
Current liabilities	\$ 31,317,153	\$ 26,725,610
Long-term liabilities	<u>88,860,218</u>	<u>87,984,226</u>
Total liabilities	<u>120,177,371</u>	<u>114,709,836</u>
Net assets		
Invested in capital assets, net of related debt	17,742,902	15,628,097
Restricted for debt service	535,953	
Unrestricted	<u>7,329,393</u>	<u>19,403,531</u>
Total net assets	<u>25,608,248</u>	<u>35,031,628</u>
Total liabilities and net assets	<u><u>\$ 145,785,619</u></u>	<u><u>\$ 149,741,464</u></u>

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Analysis of Financial Position

During the fiscal year ended June 30, 2005, the District's net assets decreased by \$7,423,380. A few of the more significant factors affecting net assets during the year are discussed below:

1. Depreciation Expense

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the assets less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2005, \$3,207,880 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2005, \$12,932,431 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, assets disposed of during the fiscal year, and the current year's depreciation is a net increase to capital assets in the amount of \$9,716,196 for the fiscal year ended June 30, 2005. Approximately \$5.8 million of this increase was due to the construction in progress for the new Pattengill Middle School and renovations to all other secondary schools.

3. Change in Net Assets

The total net assets of the District as of June 30, 2005, showed a decrease of \$7,423,380. This decrease was a direct result of a one-time charge of \$8,994,473, that represents the full cost of the early severance plan incentive which will be paid out in three annual installments beginning in September, 2005. This cost will be recovered through the savings to be realized from the lower wages and benefits to be paid to the teachers who replaced the plan participants.

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

Results of Operations

For the fiscal years ended June 30, 2005 and 2004, the results of operations, on a District-wide basis, were:

	Year ended June 30, 2005		Year ended June 30, 2004	
	Amount	% of total	Amount	% of total
General revenues:				
Property taxes	\$ 29,181,772	15.3	\$ 24,250,184	13.2
Investment earnings	1,830,669	1.0	358,112	0.2
State sources	103,248,512	54.2	103,735,222	56.3
County special education allocation	10,500,458	5.5	10,600,483	5.8
Other	1,554,280	0.9	1,789,259	1.0
Total general revenues	146,315,691	76.9	140,733,260	76.5
Program revenues:				
Charges for services	3,766,208	2	4,223,899	2.3
Operating grants	40,155,417	21.1	39,003,669	21.2
Total revenues	\$ 190,237,316	100.0	\$ 183,960,828	100.0
Expenses:				
Instruction	\$ 108,129,210	54.7	\$ 101,725,161	53.9
Support services	75,828,692	38.4	74,841,239	39.5
Community services	303,769	0.2	326,686	0.2
Food services	6,090,320	3.1	6,226,035	3.3
Athletics	1,593,644	0.8	1,502,924	0.8
Interest on long-term debt	3,648,861	1.8	1,607,983	0.9
Unallocated depreciation expense	2,066,200	1.0	2,529,950	1.4
Total expenses	197,660,696	100.0	188,759,978	100.0
Increase (decrease) in net assets	\$ (7,423,380)		\$ (4,799,150)	

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

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-homestead 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 2004-2005 fiscal year, the District levied \$22,557,846 in non-homestead property taxes. This amount represented an increase of 3.0% from the prior year. The amount of the unpaid property taxes at June 30, 2005, less an estimate for uncollectible taxes, was \$590,765.

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

<u>Fiscal year</u>	<u>Non-homestead tax levy</u>	<u>% increase (decrease) from prior year</u>
2004-2005	\$ 22,557,846	3.0
2003-2004	21,891,205	6.4
2002-2003	20,573,740	9.5
2001-2002	18,786,985	(1.8)
2000-2001	19,137,750	2.0

2. State Sources

The majority of the state sources of revenue is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior fiscal year's spring count. For the 2004-2005 fiscal year, the District received \$7,105 per student (FTE) exclusive of the \$163 per pupil received for class size reduction, which represented no change from the amount received for the 2003-2004 fiscal year, prior to a mid-year, pro-rated reduction imposed on all school districts in the state of Michigan during the 2003-2004 fiscal year.

Lansing School District

Management Discussion and Analysis

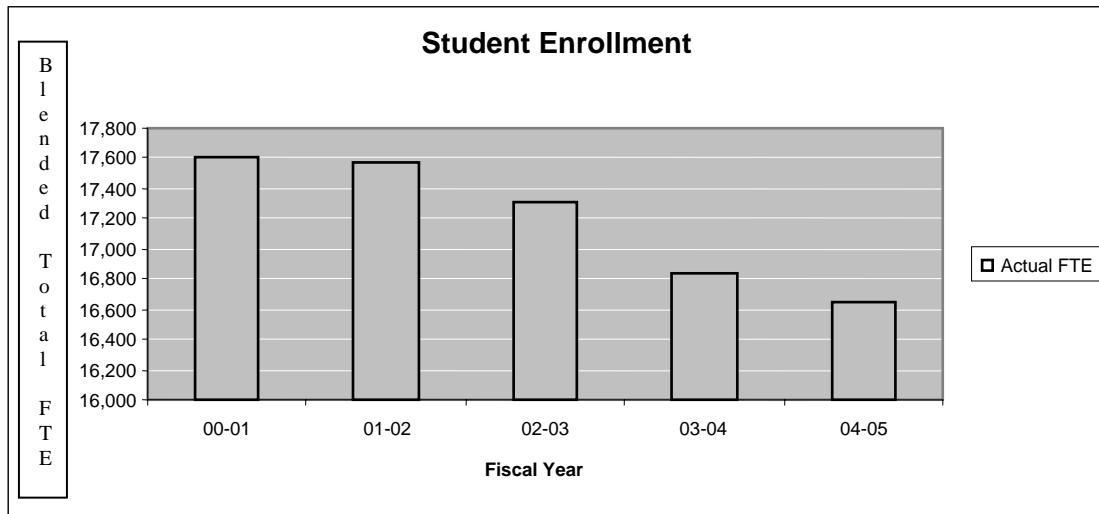
For the Fiscal Year Ended June 30, 2005

3. Student Enrollment

The following schedule compares actual to budgeted student enrollment (FTE) for the past five fiscal years:

Fiscal year	Budgeted blended student FTE	Actual blended student FTE	Variance favorable (unfavorable)
2004-2005	16,421	16,644	223
2003-2004	16,983	16,832	(151)
2002-2003	17,498	17,309	(189)
2001-2002	17,484	17,577	93
2000-2001	17,316	17,614	298

The graph depicts 5.5% decline in the number of students enrolled during the last 5 years.



4. Operating Grants

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2005, federal, state, and other grants accounted for \$40,155,417. This amount represents an increase over the total grant sources of \$39,003,699 received for the 2003-2004 fiscal year.

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

5. County Special Education Allocation

For the fiscal year ended June 30, 2005, the District received an allocation, including Federal IDEA grant funds, from the Ingham Intermediate School District in the amount of \$18,412,431 to assist with the education of students with special needs. This amount represents an increase of \$1,424,603 from the prior year.

6. Interest Earnings

The District received interest on its investment of short-term available cash in the amount of \$1,830,669 for the fiscal year ended June 30, 2005. Interest revenues are more than the prior fiscal year by \$1,472,558 due to a gradual increase in interest rates during the year and the investment of the proceeds of the 2003 bonds which will be expended for various capital projects including the construction of the new Pattengill Middle School.

7. Comparative Expenditures

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

Expenditures	2004 - 2005 fiscal year	2003 - 2004 fiscal year	Increase (decrease)
Instruction	\$ 99,704,432	\$ 101,676,963	\$ (1,972,531)
Supporting services	77,177,080	74,476,955	2,700,125
Food service activities	5,980,407	6,125,695	(145,288)
Athletic activities	1,438,880	1,312,044	126,836
Community service activities	302,564	329,746	(27,182)
Capital outlay	11,011,421	7,635,038	3,376,383
Debt service	6,480,600	2,857,580	3,623,020
	\$ 202,095,384	\$ 194,414,021	\$ 7,681,363

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

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 2004-2005 fiscal year, the District amended the general fund budget one time, with the Board adopting the changes in May, 2005.

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	\$ 176,627,000	\$175,856,000	\$ 175,904,932	\$ 48,932	(0.7)
Expenditures					
Instruction	\$ 102,824,000	\$ 99,886,000	\$ 99,704,432	\$ 181,568	0.2
Supporting services	72,725,000	76,940,000	77,177,080	(237,080)	(0.3)
Community services	275,000	255,000	302,564	(47,564)	(18.7)
Total expenditures	\$ 175,824,000	\$177,081,000	\$ 177,184,076	\$ (103,076)	(0.1)
Other financing sources (uses)	\$ (2,603,000)	\$ (424,000)	\$ (343,376)	\$ 80,624	19.0

The original revenue budget of \$176.6 million was increased to \$175.8 in anticipation of decreased state and federal categorical program awards.

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

Capital Asset and Debt Administration

Capital Assets

By the end of the 2004-2005 fiscal year, the District had invested approximately \$114 million in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of approximately \$11 million over the prior fiscal year. Depreciation expense for the year amounted to approximately \$3.2 million, bringing the accumulated depreciation to approximately \$70.9 million as of June 30, 2005.

	Cost	Accumulated depreciation	2005 net book value	2004 net book value
Land	\$ 4,762,763	\$	\$ 4,762,763	\$ 4,490,876
Construction in progress	9,865,528		9,865,528	4,133,222
Land improvements	11,087,741	7,685,386	3,402,355	2,618,858
Buildings and additions	74,069,060	52,893,964	21,175,096	18,053,696
Buses	4,784,092	3,076,316	1,707,776	1,297,566
Transportation equipment	1,554,890	1,109,563	445,327	571,225
Machinery and equipment	8,140,945	6,133,019	2,007,926	2,485,132
	<u>\$ 114,265,019</u>	<u>\$ 70,898,248</u>	<u>\$ 43,366,771</u>	<u>\$ 33,650,575</u>

Long-term Debt

At June 30, 2005, the District had approximately \$80 million in bonded debt outstanding. Total outstanding debt decreased as the District continued to pay down its debt, retiring \$2 million of outstanding bonds. No new bonds were issued during the fiscal year.

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Factors Bearing on the District's Future

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

- The student foundation allowance for the 2005-2006 has not been determined by the State of Michigan as of June 30, 2005. Indications are that an increase of approximately 2.5% or \$175 per pupil will be approved by the legislature in late September.
- Whatever the outcome for the current year, the future levels of funding are uncertain and long-term revenue projections are difficult to establish at this time.
- The uncertainty of student foundation funding levels reflects the economic difficulties faced by the State. Michigan continues to trail the national averages in most economic indicators and analysts are predicting a slow recovery in state and local economies.
- The District will realize the benefits of cost saving measures that became effective on July 1, 2005. The early severance incentive plan will save the District at least \$1.9 million in the first year and additional savings are anticipated from the closing of five buildings. The savings from these structural changes will lessen the impact of anticipated increases in benefit and other operating costs for years to come, but additional cost reductions and operational efficiencies will be needed to offset rising costs and diminishing revenues related to declining student enrollments.
- The construction projects funded by the 2003 Building and Site Bonds got underway during the second half of the 2004-2005 school year. The projects include the construction of a new Pattengill Middle School, renovations of secondary school science and computer labs and extensive improvements at two high school athletic fields.



Structural steel in place at the new Pattengill Middle School. The photo shows the three story tall classroom area.

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

New walls framed at Gardner Middle School for a science lab that is scheduled to open for the start of school in September, 2005.



- Capital improvement plans are being developed to address the issue of District school buildings with an average age of 53 years. Increasing maintenance, repair and utility costs for school and other facilities are imposing a significant burden on the operating budget of the Lansing School District.
- Labor agreements for all District employee bargaining units, except for the teachers and administrators expired on June 30, 2005. Contract settlements were reached with teaching assistants, superintendent's support staff and educational secretaries prior to September, 2005. The District's administration is hopeful that satisfactory agreements can be reached early in the new school year for the remaining bargaining units.
- Student enrollment which has declined by approximately 5.5% over the past five years is expected to continue falling. This student enrollment loss is a direct effect of an overall decrease in the student age population, the movement of students to other school districts that results from Proposal A's Schools of Choice option and other movement of families with school-age children out of the City of Lansing.
- The District will continue to actively seek ways to right-size its facilities and staff to meet the challenges presented by declining enrollments. As the full effect of the recent building consolidation and early severance incentive is felt, it is realized that other adjustments will be necessary to make the best use of available resources.

Contacting the District's Financial Management

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

**LANSING SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005**

	<u>Governmental activities</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 19,058,103
Investments	57,062,472
Receivables:	
Accounts receivable	622,520
Taxes receivable	420,462
Interest receivable	21,071
Due from other governmental units	26,133,058
Inventories	725,736
Prepaid expenditures	<u>31,282</u>
TOTAL CURRENT ASSETS	<u>104,074,704</u>
NONCURRENT ASSETS:	
Capital assets	114,265,019
Less accumulated depreciation	<u>(70,898,248)</u>
Capital assets net of accumulated depreciation	43,366,771
Deferred charges, net of amortization	<u>344,144</u>
TOTAL NONCURRENT ASSETS	<u>43,710,915</u>
 TOTAL ASSETS	 <u><u>\$ 147,785,619</u></u>

See notes to financial statements.

**Governmental
activities**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Checks drawn against future deposits	\$ 3,794,146
Accounts payable	3,272,254
Accrued salaries and related items	13,890,656
Accrued interest	570,853
Accrued expenses	200,000
Deferred revenue	1,632,350
Current portion of accrued severance	2,964,826
Current portion of long-term obligations	3,475,875
Current portion of compensated absences	1,516,193

TOTAL CURRENT LIABILITIES 31,317,153

NONCURRENT LIABILITIES:

Noncurrent portion of accrued severance	6,029,647
Noncurrent portion of long-term obligations	80,301,425
Noncurrent portion of Compensated absences	2,279,597
Long-term interest	249,549

TOTAL NONCURRENT LIABILITIES 88,860,218

TOTAL LIABILITIES 120,177,371

NET ASSETS:

Invested in capital assets net of related debt	19,742,902
Restricted for debt service	535,953
Unrestricted	7,329,393

TOTAL NET ASSETS 27,608,248

TOTAL LIABILITIES AND NET ASSETS \$ 147,785,619

**LANSING SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 108,129,210	\$ 1,449,436	\$ 25,003,197	\$ (81,676,577)
Support services	75,828,692	749,449	10,437,238	(64,642,005)
Community services	303,769		300,018	(3,751)
Food services	6,090,320	1,378,888	4,414,964	(296,468)
Athletics	1,593,644	188,435		(1,405,209)
Interest on long-term debt	3,648,861			(3,648,861)
Unallocated depreciation	2,066,200			(2,066,200)
Total governmental activities	<u>\$ 197,660,696</u>	<u>\$ 3,766,208</u>	<u>\$ 40,155,417</u>	<u>(153,739,071)</u>
General revenues:				
Property taxes, levied for general purposes				22,401,642
Property taxes, levied for debt service				6,780,130
Investment earnings				1,830,669
Gain on sale of assets				85,825
State sources				103,248,512
Ingham ISD special education allocation				10,500,458
Other				<u>1,468,455</u>
Total general revenues				<u>146,315,691</u>
CHANGE IN NET ASSETS				(7,423,380)
NET ASSETS, beginning of year				<u>35,031,628</u>
NET ASSETS, end of year				<u>\$ 27,608,248</u>

**LANSING SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General fund	2003 bond capital projects fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 10,832,305	\$ 3,531,487	\$ 4,694,311	\$ 19,058,103
Investments		56,473,611	588,861	57,062,472
Receivables:				
Property taxes receivable	420,462			420,462
Accounts receivable	367,797	67,556	187,167	622,520
Interest receivable	21,071			21,071
Due from other governmental units	25,989,220		143,838	26,133,058
Due from other funds	399,248		198	399,446
Inventories	530,397		195,339	725,736
Prepaid expenditures	31,282			31,282
TOTAL ASSETS	\$ 38,591,782	\$ 60,072,654	\$ 5,809,714	\$ 104,474,150

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Checks drawn against future deposits	\$ 3,794,146	\$	\$	\$ 3,794,146
Accounts payable	1,649,036	1,293,690	329,528	3,272,254
Accrued salaries and related items	13,792,011		98,645	13,890,656
Due to other funds		100,992	298,454	399,446
Accrued expenses	200,000			200,000
Deferred revenue	2,050,993		52,755	2,103,748
TOTAL LIABILITIES	21,486,186	1,394,682	779,382	23,660,250

	General fund	2003 bond capital projects fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:				
Reserved for encumbrances and capital projects	\$ 369,923	\$ 58,677,972	\$ 3,673,977	\$ 62,721,872
Reserved for inventories	530,397			530,397
Reserved for prepaid expenditures	31,282			31,282
Reserved for debt service			1,356,355	1,356,355
Designated for subsequent years' expenditures:				
School carryover	20,000			20,000
LSEA settlement	800,000			800,000
Designated for technology:				
New Pattengill	1,500,000			1,500,000
USF projects	164,000			164,000
Designated to offset mid-year funding reductions	750,000			750,000
Unreserved, undesignated	12,939,994			12,939,994
TOTAL FUND BALANCES	17,105,596	58,677,972	5,030,332	80,813,900
TOTAL LIABILITIES AND FUND BALANCES	\$ 38,591,782	\$ 60,072,654	\$ 5,809,714	\$ 104,474,150

Total Governmental Fund Balances

\$ 80,813,900

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

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

Capital assets	\$ 114,265,019		
Accumulated depreciation	(70,898,248)		43,366,771
The value of amortized bond issuance costs	404,603		
Accumulated amortization	(60,459)		344,144

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

Bonds payable			(83,777,300)
Accrued severance pay			(8,994,473)
Compensated absences			(3,795,790)
Accrued interest is not included as a liability in government funds, it is recorded when paid			(820,402)
Deferred special education due from other governmental units at June 30, 2005 expected to be collected after September 1, 2005			379,924
Deferred property taxes receivable at June 30, 2005 expected to be collected after September 1, 2005			91,474

Net assets of governmental activities

\$ 27,608,248

**LANSING SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	General fund	2003 bond capital projects fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:				
Local sources:				
Property taxes	\$22,498,850	\$	\$ 6,780,130	\$ 29,278,980
Investment earnings	257,599	1,390,774	182,296	1,830,669
Food sales and athletic admissions			1,569,339	1,569,339
Other	3,599,755		10,547	3,610,302
Total local sources	26,356,204	1,390,774	8,542,312	36,289,290
State sources	113,401,835		272,085	113,673,920
Federal sources	25,587,129		4,142,879	29,730,008
Incoming transfers	10,504,741			10,504,741
Intermediate sources	55,023			55,023
Total revenues	175,904,932	1,390,774	12,957,276	190,252,982
EXPENDITURES:				
Current:				
Instruction	99,704,432			99,704,432
Supporting services	77,177,080			77,177,080
Food service activities			5,980,407	5,980,407
Athletic activities			1,438,880	1,438,880
Community service activities	302,564			302,564
Capital outlay		7,939,768	3,071,653	11,011,421
Debt service:				
Principal repayment			2,300,000	2,300,000
Interest expense			4,130,429	4,130,429
Other expense			50,171	50,171
Total expenditures	177,184,076	7,939,768	16,971,540	202,095,384
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,279,144)	(6,548,994)	(4,014,264)	(11,842,402)
OTHER FINANCING SOURCES (USES):				
Sale of school property	85,825			85,825
Operating transfers from other funds	1,303,185		1,732,386	3,035,571
Operating transfers to other funds	(1,732,386)		(1,303,185)	(3,035,571)
Total other financing sources (uses)	(343,376)		429,201	85,825
NET CHANGE IN FUND BALANCES	(1,622,520)	(6,548,994)	(3,585,063)	(11,756,577)
FUND BALANCES:				
Beginning of year	18,728,116	65,226,966	8,615,395	92,570,477
End of year	\$ 17,105,596	\$ 58,677,972	\$ 5,030,332	\$ 80,813,900

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, 2005**

Net change in fund balances total governmental funds \$ (11,756,577)

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

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

Depreciation expense	(3,207,880)
Capital outlay	12,932,431
Net book value of assets sold	(8,355)

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

Accrued interest payable beginning of the year	1,301,970
Accrued interest payable end of the year	(820,402)

Accrued severance pay is recorded in the statement of activities when incurred, but it is not recorded in the governmental funds until paid:

Accrued severance pay	(8,994,473)
-----------------------	-------------

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

Payments on debt	2,300,000
Amortization expense	(29,286)
Amortized premium	217,621

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

Deferred revenue, beginning of the year	(572,889)
Deferred revenue, end of the year	471,398

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

Accrued compensated absences beginning of the year	4,538,852
Accrued compensated absences end of the year	(3,795,790)

Change in net assets of governmental activities \$ (7,423,380)

**LANSING SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005**

	<u>Private purpose trust fund</u>	<u>Agency fund</u>
ASSETS		
ASSETS:		
Cash	\$ 308,832	\$ 1,133,104
Accounts receivable	459	5,137
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 309,291</u>	<u>\$ 1,138,241</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 1,872	\$ 76,666
Accrued expenses	6,864	
Due to student groups		1,061,575
	<u> </u>	<u> </u>
TOTAL LIABILITIES	8,736	1,138,241
NET ASSETS:		
Reserved for trust activities	<u>300,555</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 309,291</u>	<u>\$ 1,138,241</u>

**LANSING SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2005**

	<u>Private purpose trust fund</u>
ADDITIONS:	
Donations	\$ 84,480
Interest earnings	8,276
Other	<u>68,841</u>
Total additions	<u>161,597</u>
DEDUCTIONS:	
Scholarships awarded	57,287
Other	<u>97,263</u>
Total deductions	<u>154,550</u>
CHANGE IN NET ASSETS	7,047
NET ASSETS:	
Beginning of year	<u>293,508</u>
End of year	<u><u>\$ 300,555</u></u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-wide and fund financial statements

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The District first utilizes restricted resources to finance qualifying activities.

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

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

The District does not allocate indirect costs.

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

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

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

The District reports the following major governmental funds:

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

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

Revenue	\$ 1,420,635
Expenditures and transfers	\$ 10,297,612

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

Other Non-major Funds

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

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

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

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

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

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

Accrual Method

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Modified Accrual Method

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

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

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005, the foundation allowance was based on pupil membership counts taken in February and September of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2004 to August 2005. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies

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

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

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

2. Property Taxes

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

For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	17.9262
Debt service fund - Homestead and non-homestead	2.7206

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

3. Inventories and Prepaid Expenditures

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

4. Receivables and Payables

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

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

5. Capital Assets

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

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

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

Buildings and additions	50 years
Furniture and other equipment	5 – 20 years

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Other Accounting Policies (Concluded)

6. Compensated Absences

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

7. Long-term Obligations

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

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

8. Use of Estimates

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at year end. The District utilizes a formal encumbrance accounting system

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, for the general fund are noted in the required supplementary information section.
4. The Deputy Superintendent of Business is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2005. The District does not consider these amendments to be significant.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2005 the District had the following investments:

Investment Type	Fair value	Weighted average maturity (years)	Rating	%
FCAR Owner Trust commercial paper	\$ 588,861	0.1260	P1	1.03%
U.S. Agency Notes and Bonds	53,011,374	0.7595	AAA	92.90%
U.S. Treasury Notes	<u>3,462,237</u>	0.3370	AAA	<u>6.07%</u>
Total fair value	<u><u>\$57,062,472</u></u>			100.0%
Portfolio weighted average maturity		<u><u>0.7273</u></u>		

1 day maturity equals 0.0027, one year equals 1.00

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

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

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

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, 2005, \$20,183,235 of the District's bank balance of \$20,683,235 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

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

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

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

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$1,441,936	\$ 20,500,039
Investments	<u>57,062,472</u>
	<u><u>\$ 77,562,511</u></u>

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

Cash private purpose trust fund	\$ 308,832
Cash agency fund	1,133,104
Cash - district wide	19,058,103
Investments - district wide	<u>57,062,472</u>
	<u><u>\$ 77,562,511</u></u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Assets not being depreciated:				
Land	\$ 4,490,876	\$ 357,066	\$ 85,179	\$ 4,762,763
Construction in progress	4,133,222	11,421,145	5,688,839	9,865,528
Subtotal	8,624,098	11,778,211	5,774,018	14,628,291
Other capital assets:				
Land improvements	9,935,114	1,152,627		11,087,741
Buildings and additions	69,510,519	4,558,541		74,069,060
Machinery and equipment	8,183,843	86,202	129,100	8,140,945
Transportation equipment	6,875,921	1,130,868	1,667,807	6,338,982
Subtotal	94,505,397	6,928,238	1,796,907	99,636,728
Accumulated depreciation:				
Land improvements	7,316,256	369,130		7,685,386
Buildings and additions	51,456,823	1,437,141		52,893,964
Machinery and equipment	5,698,711	561,394	127,086	6,133,019
Transportation equipment	5,007,130	840,215	1,661,466	4,185,879
Subtotal	69,478,920	3,207,880	1,788,552	70,898,248
Net other capital assets	25,026,477	3,720,358	8,355	28,738,480
Net capital assets	<u>\$ 33,650,575</u>	<u>\$ 15,498,569</u>	<u>\$ 5,782,373</u>	<u>\$ 43,366,771</u>

Depreciation for the fiscal year ended June 30, 2005 amounted to \$3,207,880.

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

Instruction	\$ 22,789
Support service	853,280
Food service	110,847
Athletics	154,764
Unallocated	2,066,200
	<u>\$ 3,207,880</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT

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

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2005:

	Self-insured Workers Compensation Plan	Termination benefits and compensated absences	Severance benefits	Bonds	Total
Balance, July 1, 2004	\$ 160,833	\$ 4,378,019	\$	\$ 86,289,198	\$ 90,828,050
Additions			8,994,473		8,994,473
Deletions	17,285	725,777		2,511,898	3,254,960
Balance, June 30, 2005	143,548	3,652,242	8,994,473	83,777,300	96,567,563
Less current portion		1,516,193	2,964,826	3,475,875	7,956,894
Total due after one year	<u>\$ 143,548</u>	<u>\$ 2,136,049</u>	<u>\$ 6,029,647</u>	<u>\$ 80,301,425</u>	<u>\$ 88,610,669</u>

The District implemented an early retirement severance benefit program during the year. The liability of \$8,994,473 will be paid as follows:

Year ending June 30,	
2006	\$ 2,964,826
2007	3,014,824
2008	<u>3,014,823</u>
Total	<u>\$ 8,994,473</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (Continued):

Bonds payable at June 30, 2005 is comprised of the following issues:

2003 general obligation and refunding bonds due in annual installments of \$1,190,000 to \$5,025,000 through May 1, 2023, with interest at 2.0% to 5.0%	\$ 64,835,000
1990 general obligation bonds due in annual installments of \$500,000 through May 1, 2006, with interest at 7.0%	500,000
1991 general obligation bonds (non refunded portion) due in annual installments of \$800,000 through May 1, 2006, with interest at 6.8%	800,000
1992 general obligation bonds due in annual installments of \$500,000 through May 1, 2006, with interest at 5.750%	500,000
1998 general obligation refunding bonds due in annual installments of \$50,000 to \$1,035,000 through May 1, 2009 with interest at 4.25% to 5.00%	3,090,000
2002 energy conservation improvement bonds due in annual installments of \$100,000 to \$130,000 through May 1, 2012 with interest at 3.00% to 3.75%.	805,000
2002 QZAB bond due in one installment of \$5,000,000 in September 2016 with interest of 0%	5,000,000
Plus: premium on 2003 bond issuance (net)	3,917,195
Less: deferred loss on 2003 bond refunding (net)	<u>(103,010)</u>
Total general obligation debt	79,344,185
 1998 Limited obligation bonds (Durant bonds) due in annual installments of \$335,875 to \$1,639,391 through May 2013 with interest at 4.76%	 4,433,115
Accrued retirement benefits and worker's compensation:	
Obligation for compensated absences and termination benefits	3,652,242
Obligation for severance benefits	8,994,473
Obligation for worker's compensation claims	<u>143,548</u>
Total debt	<u><u>\$ 96,567,563</u></u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (Concluded)

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

The annual requirements to amortize bonded debt outstanding as of June 30, 2005, including interest payments of \$35,020,407 are as follows: At June 30, 2005, \$1,356,355 is available to service the general obligation debt.

Year ending June 30,	Principal	Interest	Amounts payable
2006	\$ 3,475,875	\$ 3,554,969	\$ 7,030,844
2007	3,586,785	3,368,101	6,954,886
2008	3,698,624	3,225,802	6,924,426
2009	5,139,391	3,573,916	8,713,307
2010	3,674,548	2,788,908	6,463,456
2011-2015	19,212,892	11,474,971	30,687,863
2016-2020	26,375,000	5,542,490	31,917,490
2021-2023	14,800,000	1,491,250	16,291,250
	79,963,115	35,020,407	114,983,522
Premium on bond issuance	3,917,195		3,917,195
Deferred amount on bond refunding	(103,010)		(103,010)
Compensated absences, termination, and severance benefits	12,646,715		12,646,715
Workers' compensation claims	143,548		143,548
	<u>\$ 96,567,563</u>	<u>\$ 35,020,407</u>	<u>\$ 131,587,970</u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2005, \$4,600,000 of bonds outstanding are considered defeased.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2005 are as follows:

Receivable Fund		Payable Fund	
General fund	\$ 399,248	Athletics	\$ 184,506
Debt service	198	2003 bond capital projects	100,992
		Debt service	113,948
	\$ 399,446		\$ 399,446

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

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2005 were 12.99% of payroll through September 30, 2004, and 14.87% effective October 1, 2004 through June 30, 2005. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2005, 2004 and 2003 were \$15,539,450, \$14,202,502, and \$14,244,060, respectively, and were equal to the required contribution for those years.

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

Other Post-employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

NOTE 8 - RISK MANAGEMENT

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

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2005 or any of the prior three years.

NOTE 9 - CONTINGENCIES

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - TRANSFERS

The general fund transferred \$1,299,651 to the athletics fund, and \$432,735 to the Debt Service fund, the Athletics fund transferred \$147,117 to the general fund, and the capital projects fund transferred \$1,156,068 to the general fund.

The transfers to the athletics fund was to fund operations, the transfer to the debt service fund is for future retirement of debt, the transfers to the general fund were to reimburse the general fund.

NOTE 11 - COMMITMENTS

The District has active capital projects outstanding at June 30, 2005. Approximately \$59,000,000 is committed and recorded as fund balance in the 2003 capital projects fund.

REQUIRED SUPPLEMENTARY INFORMATION

**LANSING SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2005**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget- positive (negative)
REVENUES:				
Local sources	\$ 24,654,000	\$ 27,004,000	\$ 26,356,204	\$ (647,796)
State sources	116,527,000	114,182,000	113,401,835	(780,165)
Federal sources	22,604,000	24,100,000	25,587,129	1,487,129
Incoming transfers	12,815,000	10,500,000	10,504,741	4,741
Intermediate sources	27,000	70,000	55,023	(14,977)
	<u>176,627,000</u>	<u>175,856,000</u>	<u>175,904,932</u>	<u>48,932</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	69,132,000	66,909,000	65,430,905	1,478,095
Added needs	32,804,000	32,233,000	33,633,581	(1,400,581)
Adult and continuing education	810,000	744,000	632,269	111,731
Other	78,000	78,000	7,677	(7,677)
	<u>102,824,000</u>	<u>99,886,000</u>	<u>99,704,432</u>	<u>181,568</u>
Supporting services:				
Pupil	17,709,000	17,835,000	17,870,094	(35,094)
Instructional staff	11,598,000	12,505,000	12,704,221	(199,221)
General administration	937,000	1,070,000	982,297	87,703
School administration	10,109,000	9,975,000	10,101,285	(126,285)
Business	3,528,000	3,664,000	3,580,257	83,743
	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget- positive (negative)
EXPENDITURES (Concluded):				
Supporting services (Concluded):				
Operation/maintenance	\$ 16,847,000	\$ 18,940,000	\$ 18,946,427	\$ (6,427)
Pupil transportation	8,196,000	8,806,000	8,798,458	7,542
Central	3,550,000	3,494,000	3,463,026	30,974
Other	251,000	651,000	731,015	(80,015)
	<u>72,725,000</u>	<u>76,940,000</u>	<u>77,177,080</u>	<u>(237,080)</u>
Community service activities	<u>275,000</u>	<u>255,000</u>	<u>302,564</u>	<u>(47,564)</u>
	<u>175,824,000</u>	<u>177,081,000</u>	<u>177,184,076</u>	<u>(103,076)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>803,000</u>	<u>(1,225,000)</u>	<u>(1,279,144)</u>	<u>(54,144)</u>
OTHER FINANCING SOURCES (USES):				
Sale of school property			85,825	85,825
Operating transfers from other funds		1,286,000	1,303,185	17,185
Operating transfers to other funds	(2,603,000)	(1,710,000)	(1,732,386)	(22,386)
	<u>(2,603,000)</u>	<u>(424,000)</u>	<u>(343,376)</u>	<u>80,624</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,800,000)</u>	<u>\$ (1,649,000)</u>	<u>(1,622,520)</u>	<u>\$ 26,480</u>
FUND BALANCE:				
Beginning of year			<u>18,728,116</u>	
End of year			<u>\$ 17,105,596</u>	

ADDITIONAL INFORMATION

**LANSING SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2005**

	Special revenue funds	Debt service funds	Capital projects funds	Total nonmajor governmental funds
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 202,463	\$ 814,621	\$ 3,677,227	\$ 4,694,311
Investments		588,861		588,861
Accounts receivable	67,789	119,378		187,167
Due from other governmental units	143,838			143,838
Due from other funds		198		198
Inventories	195,339			195,339
	\$ 609,429	\$ 1,523,058	\$ 3,677,227	\$ 5,809,714
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 326,278	\$	\$ 3,250	\$ 329,528
Accrued salaries and related items	98,645			98,645
Due to other funds	184,506	113,948		298,454
Deferred revenue		52,755		52,755
	609,429	166,703	3,250	779,382
FUND BALANCES:				
Reserved for encumbrances and capital projects			3,673,977	3,673,977
Reserved for debt service		1,356,355		1,356,355
	TOTAL FUND BALANCES	1,356,355	3,673,977	5,030,332
	\$ 609,429	\$ 1,523,058	\$ 3,677,227	\$ 5,809,714

**LANSING SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2005**

	Special revenue funds	Debt service funds	Capital projects funds	Total nonmajor governmental funds
REVENUES:				
Local sources:				
Property taxes	\$	\$ 6,780,130	\$	\$ 6,780,130
Investment earnings	8,219	83,405	90,672	182,296
Food sales and athletic admissions	1,569,339			1,569,339
Other	1,166	9,381		10,547
Total local sources	1,578,724	6,872,916	90,672	8,542,312
State sources	272,085			272,085
Federal sources	4,142,879			4,142,879
Total revenues	5,993,688	6,872,916	90,672	12,957,276
EXPENDITURES:				
Current:				
Food service activities	5,980,407			5,980,407
Athletic activities	1,438,880			1,438,880
Capital outlay			3,071,653	3,071,653
EXPENDITURES (Concluded):				
Debt service:				
Principal repayment	\$	\$ 2,300,000	\$	\$ 2,300,000
Interest expense		4,130,429		4,130,429
Other expense		50,171		50,171
Total expenditures	7,419,287	6,480,600	3,071,653	16,971,540
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,425,599)	392,316	(2,980,981)	(4,014,264)
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	1,299,651	432,735		1,732,386
Operating transfers to other funds	(147,117)		(1,156,068)	(1,303,185)
Total other financing sources (uses)	1,152,534	432,735	(1,156,068)	429,201
NET CHANGE IN FUND BALANCES	(273,065)	825,051	(4,137,049)	(3,585,063)
FUND BALANCES:				
Beginning of year	273,065	531,304	7,811,026	8,615,395
End of year	\$	\$ 1,356,355	\$ 3,673,977	\$ 5,030,332

**LANSING SCHOOL DISTRICT
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005**

	Food service fund	Athletic fund	Totals
ASSETS			
Cash and cash equivalents	\$ 272	\$ 202,191	\$ 202,463
Accounts receivable	67,722	67	67,789
Due from other governmental units	143,838		143,838
Inventories	195,339		195,339
TOTAL ASSETS	\$ 407,171	\$ 202,258	\$ 609,429
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 309,820	\$ 16,458	\$ 326,278
Accrued salaries and related items	97,351	1,294	98,645
Due to other funds		184,506	184,506
Total liabilities	407,171	202,258	609,429
TOTAL LIABILITIES AND FUND BALANCES	\$ 407,171	\$ 202,258	\$ 609,429

**LANSING SCHOOL DISTRICT
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005**

	Food service fund	Athletic fund	Totals
REVENUES:			
Sales	\$ 1,378,888	\$ 2,016	\$ 1,380,904
State aid	272,085		272,085
Federal aid	4,142,879		4,142,879
Admissions		188,435	188,435
Interest on investments	2,858	5,361	8,219
Other	1,166		1,166
	<hr/>	<hr/>	<hr/>
Total revenues	5,797,876	195,812	5,993,688
EXPENDITURES:			
Cost of goods sold - net	2,613,690		2,613,690
Salaries and wages	1,903,364	787,832	2,691,196
Employee benefits	1,074,857	253,588	1,328,445
Contracted services	77,362	213,127	290,489
Travel, workshops, and conferences	9,231	2,179	11,410
Materials and supplies	278,715	81,817	360,532
Capital outlay	18,979	77,048	96,027
Miscellaneous	4,209	23,289	27,498
	<hr/>	<hr/>	<hr/>
Total expenditures	5,980,407	1,438,880	7,419,287
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	<hr/>	<hr/>	<hr/>
	(182,531)	(1,243,068)	(1,425,599)
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds		1,299,651	1,299,651
Operating transfers to other funds		(147,117)	(147,117)
	<hr/>	<hr/>	<hr/>
Total other financing sources		1,152,534	1,152,534
NET CHANGE IN FUND BALANCES			
	<hr/>	<hr/>	<hr/>
	(182,531)	(90,534)	(273,065)
FUND BALANCES:			
Beginning of year	182,531	90,534	273,065
	<hr/>	<hr/>	<hr/>
End of year	\$	\$	\$
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**LANSING SCHOOL DISTRICT
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005**

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1998</u>	<u>QZAB</u>	<u>2003 Energy</u>	<u>2003</u>	<u>2003 Refunding</u>	<u>Totals</u>
ASSETS									
Cash and cash equivalents	\$ 47,592	\$ 78,567	\$ 46,747	\$ 55,595	\$	\$ 113,948	\$ 470,942	\$ 1,230	\$ 814,621
Investments					588,861				588,861
Accounts receivable	5,537	8,941	4,967	6,208			93,725		119,378
Due from other funds					198				198
TOTAL ASSETS	<u>\$ 53,129</u>	<u>\$ 87,508</u>	<u>\$ 51,714</u>	<u>\$ 61,803</u>	<u>\$ 589,059</u>	<u>\$ 113,948</u>	<u>\$ 564,667</u>	<u>\$ 1,230</u>	<u>\$ 1,523,058</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Due to other funds	\$	\$	\$	\$	\$	\$ 113,948	\$	\$	\$ 113,948
Deferred revenue							52,755		52,755
Total liabilities						113,948	52,755		166,703
Fund balances:									
Reserved for debt service	53,129	87,508	51,714	61,803	589,059		511,912	1,230	1,356,355
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 53,129</u>	<u>\$ 87,508</u>	<u>\$ 51,714</u>	<u>\$ 61,803</u>	<u>\$ 589,059</u>	<u>\$ 113,948</u>	<u>\$ 564,667</u>	<u>\$ 1,230</u>	<u>\$ 1,523,058</u>

**LANSING SCHOOL DISTRICT
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005**

	1990	1991	1992	1998	QZAB	2003 Energy	2003	2003 Refunding	Totals
REVENUES:									
Local sources:									
Current property taxes	\$ 563,454	\$ 909,885	\$ 505,409	\$ 631,761	\$	\$	\$4,169,621	\$	\$ 6,780,130
Interest on investments	7,880	12,590	6,434	9,278	19,392	1,237	26,564	30	83,405
Other	780	1,259	699	874			5,769		9,381
Total revenues	<u>572,114</u>	<u>923,734</u>	<u>512,542</u>	<u>641,913</u>	<u>19,392</u>	<u>1,237</u>	<u>4,201,954</u>	<u>30</u>	<u>6,872,916</u>
EXPENDITURES:									
Redemption of serial bonds	500,000	800,000	400,000	500,000		100,000			2,300,000
Interest on bonded debt	70,000	108,800	51,750	180,375		29,712	3,689,792		4,130,429
Other	11,310	17,695	7,141	13,900		125			50,171
Total expenditures	<u>581,310</u>	<u>926,495</u>	<u>458,891</u>	<u>694,275</u>		<u>129,837</u>	<u>3,689,792</u>		<u>6,480,600</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,196)</u>	<u>(2,761)</u>	<u>53,651</u>	<u>(52,362)</u>	<u>19,392</u>	<u>(128,600)</u>	<u>512,162</u>	<u>30</u>	<u>392,316</u>
OTHER FINANCING SOURCES (USES):									
Operating transfers from other funds					282,500	150,235			432,735
Total other financing sources (uses)					<u>282,500</u>	<u>150,235</u>			<u>432,735</u>
NET CHANGE IN FUND BALANCES	<u>(9,196)</u>	<u>(2,761)</u>	<u>53,651</u>	<u>(52,362)</u>	<u>301,892</u>	<u>21,635</u>	<u>512,162</u>	<u>30</u>	<u>825,051</u>
FUND BALANCES (DEFICIT):									
Beginning of year	<u>62,325</u>	<u>90,269</u>	<u>(1,937)</u>	<u>114,165</u>	<u>287,167</u>	<u>(21,635)</u>	<u>(250)</u>	<u>1,200</u>	<u>531,304</u>
End of year	<u>\$ 53,129</u>	<u>\$ 87,508</u>	<u>\$ 51,714</u>	<u>\$ 61,803</u>	<u>\$ 589,059</u>	<u>\$</u>	<u>\$ 511,912</u>	<u>\$ 1,230</u>	<u>\$ 1,356,355</u>

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005**

ASSETS	<u>Capital projects</u>	<u>BTS capital project</u>	<u>Replacement fund</u>	<u>QZAB</u>	<u>Totals</u>
Cash and cash equivalents	<u>\$ 1,046,295</u>	<u>\$ 149,508</u>	<u>\$ 1,349,109</u>	<u>\$ 1,132,315</u>	<u>\$ 3,677,227</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,250	\$	\$	\$ 1,000	\$ 3,250
Fund balances:					
Reserved	<u>1,044,045</u>	<u>149,508</u>	<u>1,349,109</u>	<u>1,131,315</u>	<u>3,673,977</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,046,295</u></u>	<u><u>\$ 149,508</u></u>	<u><u>\$ 1,349,109</u></u>	<u><u>\$ 1,132,315</u></u>	<u><u>\$ 3,677,227</u></u>

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005**

	<u>Capital projects</u>	<u>BTS capital project</u>	<u>Replacement fund</u>	<u>QZAB</u>	<u>Totals</u>
REVENUES:					
Interest on investments	\$ 27,706	\$ 3,371	\$ 31,988	\$ 27,607	\$ 90,672
EXPENDITURES:					
Capital outlay	903,415		529,496	1,568,339	3,001,250
Other	20,506		49,897		70,403
Total expenditures	923,921		579,393	1,568,339	3,071,653
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(896,215)	3,371	(547,405)	(1,540,732)	(2,980,981)
OTHER FINANCING SOURCES (USES):					
Operating transfers to other funds	(856,068)		(300,000)		(1,156,068)
NET CHANGE IN FUND BALANCES	(1,752,283)	3,371	(847,405)	(1,540,732)	(4,137,049)
FUND BALANCES:					
Beginning of year	2,796,328	146,137	2,196,514	2,672,047	7,811,026
End of year	<u>\$ 1,044,045</u>	<u>\$ 149,508</u>	<u>\$ 1,349,109</u>	<u>\$ 1,131,315</u>	<u>\$ 3,673,977</u>

**LANSING SCHOOL DISTRICT
FIDUCIARY FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2005**

	Private purpose trust fund	Agency fund	Totals
ASSETS			
Cash and cash equivalents	\$ 308,832	\$ 1,133,104	\$ 1,441,936
Accounts receivable	459	5,137	5,596
TOTAL ASSETS	\$ 309,291	\$ 1,138,241	\$ 1,447,532
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,872	\$ 76,666	\$ 78,538
Accrued expenses	6,864		6,864
Due to student groups		1,061,575	1,061,575
Total liabilities	8,736	1,138,241	1,146,977
Fund balances:			
Reserved for trust activities	300,555		300,555
TOTAL LIABILITIES AND FUND BALANCES	\$ 309,291	\$ 1,138,241	\$ 1,447,532

**LANSING SCHOOL DISTRICT
 FIDUCIARY FUND TYPES
 STATEMENT OF REVENUES, EXPENDITURES
 AND FUND BALANCES - PRIVATE PURPOSE TRUST FUND
 YEAR ENDED JUNE 30, 2005**

	Balance 07/01/04	Revenues and transfers	Expenditures and transfers	Balance 06/30/05
Library revolving funds	\$ 85,531	\$ 2,434	\$ 409	\$ 87,556
Harold Norton award	1,043	30	6	1,067
Carl McLean award	9,868	383	47	10,204
Grabow scholarship	208	6	1	213
Memorial fund donations	6,846	195	33	7,008
Special education donations	1,086	234	6	1,314
Windfuhr scholarship	1,815	219	160	1,874
Miscellaneous funds	187,111	158,096	153,888	191,319
	<u>\$ 293,508</u>	<u>\$ 161,597</u>	<u>\$ 154,550</u>	<u>\$ 300,555</u>

**LANSING SCHOOL DISTRICT
 FIDUCIARY FUND TYPES
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND LIABILITIES BY SCHOOL - AGENCY FUND
 YEAR ENDED JUNE 30, 2005**

	Balance 07/01/04	Additions	Deductions	Balance 06/30/05
Eastern High School	\$ 205,715	\$ 421,650	\$ 444,607	\$ 182,758
Hill Vocational School	140,874	161,408	178,043	124,239
Sexton High School	116,883	137,871	159,531	95,223
Everett High School	163,172	275,077	275,076	163,173
Gardner Middle School	72,840	126,951	123,741	76,050
Pattengill Middle School	38,259	29,543	39,172	28,630
Otto Middle School	17,988	91,121	89,264	19,845
Rich Middle School	51,205	69,406	70,795	49,816
Riddle Middle School	4,809	18,708	22,576	941
CLCCA	1,539	2,716	4,098	157
Elementary schools and other	361,910	488,444	529,611	320,743
	\$ 1,175,194	\$ 1,822,895	\$ 1,936,514	\$ 1,061,575

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2005**

2003 School Building and Site and Refunding Bonds

Calendar year	Interest rate	Principal	Interest due		Total
		due May 1	May 1	November 1	due annually
2005		\$	\$	\$ 1,506,038	\$ 1,506,038
2006	4.000%	1,190,000	1,506,038	1,482,238	4,178,276
2007	2.000%	2,095,000	1,482,238	1,461,288	5,038,526
2008	5.000%	2,215,000	1,461,288	1,405,913	5,082,201
2009	5.000%	2,385,000	1,405,913	1,346,288	5,137,201
2010	5.000%	3,150,000	1,346,287	1,267,537	5,763,824
2011	4.000%	3,275,000	1,267,537	1,202,037	5,744,574
2012	4.000%	3,400,000	1,202,037	1,134,037	5,736,074
2013	4.000%	3,525,000	1,134,037	1,063,537	5,722,574
2014	3.550%	3,650,000	1,063,537	998,750	5,712,287
2015	5.000%	3,775,000	998,750	904,375	5,678,125
2016	5.000%	3,925,000	904,375	806,250	5,635,625
2017	5.000%	4,100,000	806,250	703,750	5,610,000
2018	5.000%	4,275,000	703,750	596,875	5,575,625
2019	5.000%	4,450,000	596,875	485,625	5,532,500
2020	5.000%	4,625,000	485,625	370,000	5,480,625
2021	5.000%	4,800,000	370,000	250,000	5,420,000
2022	5.000%	4,975,000	250,000	125,625	5,350,625
2023	5.000%	5,025,000	125,625		5,150,625
Total 2003 bonded debt		<u>\$ 64,835,000</u>	<u>\$ 17,110,162</u>	<u>\$ 17,110,163</u>	<u>\$ 99,055,325</u>

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

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2005**

1990 School Building and Site Bonds, Series II

Calendar year	Number	Interest rate	Principal	Interest due		Total
			due May 1	May 1	November 1	due annually
2005			\$	\$	\$ 17,500	\$ 17,500
2006	801-900	7.000%	500,000	17,500		517,500
Total 1990 bonded debt			<u>\$ 500,000</u>	<u>\$ 17,500</u>	<u>\$ 17,500</u>	<u>\$ 535,000</u>

The above bonds dated October 1, 1990 were issued for the purpose of remodeling, equipping and reequipping school buildings (including asbestos abatement and acquisition of computer systems); and improving sites (including removal and replacement of underground storage tanks) in the school district. The amount of the original bond issue was \$4,500,000.

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

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2005**

1991 School Building and Site Bonds, Series III

Calendar year	Number	Interest rate	Principal due May 1	Interest due		Total due annually
				May 1	November 1	
2005			\$	\$	\$ 27,200	\$ 27,200
2006	941-1100	6.800%	800,000	27,200		827,200
Total 1991 bonded debt			\$ 800,000	\$ 27,200	\$ 27,200	\$ 854,400

The above bonds dated October 1, 1990 were issued for the purpose of remodeling, equipping and reequipping school buildings (including asbestos abatement and acquisition of computer systems); and improving sites (including removal and replacement of underground storage tanks) in the school district. The amount of the original bond issue was \$4,500,000.

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

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2005**

1992 School Building and Site Bonds, Series IV

Calendar year	Number	Interest rate	Principal due May 1	Interest due		Total due annually
				May 1	November 1	
2005			\$	\$	\$ 14,375	\$ 14,375
2006	1081-1180	5.750%	500,000	14,375		514,375
Total 1992 bonded debt			\$ 500,000	\$ 14,375	\$ 14,375	\$ 528,750

The above bonds dated June 1, 1991 were issued for the purpose of remodeling, equipping and reequipping school buildings (including asbestos abatement and acquisition of computer systems); and improving sites (including removal and replacement of underground storage tanks) in the school district. The amount of the original bond issue was \$8,500,000.

Bonds of this issue maturing in the years 1994 through 2006 shall not be subject to redemption prior to maturity. Bonds maturing between 2007 and 2009 were redeemed with the issuance of the 2003 school refunding bonds.

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2005**

1998 School Refunding Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2005		\$	\$	\$ 77,063	\$ 77,063
2006	4.25%	50,000	77,062	76,000	203,062
2007	5.00%	1,035,000	76,000	50,125	1,161,125
2008	5.00%	1,005,000	50,125	25,000	1,080,125
2009	5.00%	1,000,000	25,000		1,025,000
Total 1998 bonded debt		\$ 3,090,000	\$ 228,187	\$ 228,188	\$ 3,546,375

The above bonds dated January 15, 1998 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$5,810,000.

Bonds of this issue maturing in the years 1998 through 2008 shall not be subject to redemption. Bonds or portions of bonds in multiples of \$5,000 of this issue, maturing in 2009 shall be subject to redemption prior to maturity at the option of the issuer in such order as the issuer may determine and by lot within any maturity on any interest payment date occurring on or after May 1, 2008 at par and accrued interest to the date fixed for redemption.

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2005**

2002 Energy Conservation Improvement Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2005		\$	\$	\$ 13,606	\$ 13,606
2006	3.00%	100,000	13,606	12,106	125,712
2007	3.00%	105,000	12,106	10,531	127,637
2008	3.25%	110,000	10,531	8,744	129,275
2009	3.375%	115,000	8,744	6,803	130,547
2010	3.50%	120,000	6,803	4,703	131,506
2011	3.625%	125,000	4,703	2,438	132,141
2012	3.75%	130,000	2,438		132,438
Total 2002 bonded debt		<u>\$ 805,000</u>	<u>\$ 58,931</u>	<u>\$ 58,931</u>	<u>\$ 922,862</u>

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

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

**LANSING SCHOOL DISTRICT
BONDED DEBT - PRINCIPAL REQUIREMENTS
JUNE 30, 2005**

2002 Qualified Zone Academy Bonds

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

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

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

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2005**

1998 School Improvement Bonds (Durant Bonds)

Calendar year	Interest rate	Principal due May 15	Interest due May 15	Total due annually
2006	4.76%	\$ 335,875	\$ 151,406	\$ 487,281
2007	4.76%	351,785	135,414	487,199
2008	4.76%	368,624	118,665	487,289
2009	4.76%	1,639,391	660,103	2,299,494
2010	4.76%	404,548	82,726	487,274
2011	4.76%	423,817	63,464	487,281
2012	4.76%	443,971	43,284	487,255
2013	4.76%	465,104	22,145	487,249
Total 1998 bonded debt		<u>\$ 4,433,115</u>	<u>\$ 1,277,207</u>	<u>\$ 5,710,322</u>

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

**LANSING SCHOOL DISTRICT
SCHEDULE OF INVESTMENTS AND CERTIFICATES OF DEPOSIT
JUNE 30, 2005**

	<u>Maturity date</u>	<u>Interest rate</u>	<u>Amount</u>
Commercial paper:			
Bank of New York	8/15/2005	3.23%	\$ 588,861
Government bonds:			
Bank of New York	various	various	56,473,611
Certificates of deposit:			
Flagstar Bank	12/08/91	3.34%	2,500,000
Flagstar Bank	07/18/05	3.44%	1,000,000
Flagstar Bank	07/29/05	3.49%	2,000,000
Irwin Union Bank	07/05/05	3.35%	1,000,000
Irwin Union Bank	07/15/05	3.40%	2,000,000
Comerica Bank	12/26/07	2.52%	4,000
Money market fund:			
Fifth Third Bank	N/A	2.75%	4,022,153
Huntington Bank	N/A	2.85%	191,998
Flagstar Bank	N/A	1.24%	9,051
			<hr/>
Total investments and certificates of deposit			69,789,674
Less:			
Certificates of deposit classified as cash and cash equivalents			<hr/> 12,727,202
			<hr/>
Total investments shown in district-wide statements			<u><u>\$ 57,062,472</u></u>