

LANSING SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2004

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Lansing School District
Lansing, Michigan

September 24, 2004

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, 2004, 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, 2004 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 24, 2004, on our consideration of Lansing School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Education
Lansing School District

September 24, 2004

The management's discussion and analysis and budgetary comparison information on pages vi through xv and 27, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 an opinion on the financial statements that collectively comprise the Lansing School District's basic financial statements. The additional information on pages 28 to 48 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.

Mamay, Costeusan & Ellis, P.C.

Certified Public Accountants

Lansing School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004

Lansing School District, a K-12 school district located in Ingham, Eaton, and Clinton Counties, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Lansing School District administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2004, with comparative data from June 30, 2003.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets 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 they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal 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.

Government-wide Financial Statements

The government-wide financial statements, required by GASB 34, are calculated using full accrual accounting and more closely represent those 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.

**Lansing School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004**

Summary of Net Assets

The following schedule summarizes the net assets at fiscal years ended June 30, 2004 and 2003:

Assets	June 30, 2004	June 30, 2003
Current assets	\$ 115,723,182	\$ 57,792,101
Capital assets	103,129,495	95,881,158
Less: Accumulated depreciation	<u>(69,478,920)</u>	<u>(66,070,108)</u>
Capital assets, net book value	33,650,575	29,811,050
Other noncurrent assets	<u>367,707</u>	<u>186,667</u>
Total assets	<u>\$ 149,741,464</u>	<u>\$ 87,789,818</u>
 Liabilities		
Current liabilities	\$ 26,725,610	\$ 24,729,304
Long-term liabilities	<u>87,984,226</u>	<u>23,229,736</u>
Total liabilities	<u>114,709,836</u>	<u>47,959,040</u>
 Net Assets		
Invested in capital assets, net of related debt	15,628,097	13,468,202
Restricted for debt service		9,036
Unrestricted	<u>19,403,531</u>	<u>26,353,540</u>
Total net assets	<u>35,031,628</u>	<u>39,830,778</u>
Total liabilities and net assets	<u>\$ 149,741,464</u>	<u>\$ 87,789,818</u>

Analysis of Financial Position

During the fiscal year ended June 30, 2004, the District's net assets decreased by \$4,799,150. A few of the more significant factors affecting net assets during the year are discussed below:

Lansing School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004

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 asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2004, \$3,452,852 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2004, \$7,300,208 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 \$3,839,525 for the fiscal year ended June 30, 2004.

**Lansing School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004**

Results of Operations

For the fiscal years ended June 30, 2004 and 2003, the results of operations, on a District-wide basis, were:

	Fiscal year ended 6/30/04		Fiscal year ended 6/30/03	
	Amount	% of Total	Amount	% of Total
General Revenues				
Property taxes	\$ 24,250,184	13.2	\$ 23,042,441	11.9
Investment earnings	358,112	0.2	587,481	0.3
State sources	103,735,222	56.3	108,028,212	55.8
County special education allocation	10,600,483	5.8	11,248,950	5.8
Other	1,789,259	1.0	2,182,576	1.1
Total general revenues	140,733,260	76.5	145,089,660	74.9
Program Revenues				
Charges for services	4,223,899	2.3	4,141,477	2.1
Operating grants	39,003,669	21.2	44,650,244	23.0
Total revenues	\$ 183,960,828	100.0	\$ 193,881,381	100.0
Expenses				
Instruction	\$ 101,725,161	53.9	\$ 105,791,031	54.4
Support services	74,841,239	39.5	77,294,109	39.8
Community services	326,686	0.2	386,322	0.2
Food services	6,226,035	3.3	6,274,328	3.2
Athletics	1,502,924	0.8	1,216,902	0.6
Interest on long-term debt	1,607,983	0.9	950,489	0.5
Unallocated depreciation expense	2,529,950	1.3	2,593,428	1.3
Total expenses	\$ 188,759,978	99.9	\$ 194,506,609	100.0
Increase (decrease) in net assets	\$ (4,799,150)		\$ (625,228)	

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

**Lansing School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004**

1. Property Taxes

The District levies 18 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2003-2004 fiscal year, the District levied \$21,891,205 in non-homestead property taxes. This represented an increase of 6.4% from the prior year. The amount of unpaid property taxes at June 30, 2004, less an estimate for those deemed to be uncollectible, was \$411,897.

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

Fiscal Year	Non-homestead Tax Levy	% Increase (Decrease) from Prior Year
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
1999-2000	18,762,429	1.7

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 80% of the current year's fall count and 20% of the prior year's spring count. For the 2003-2004 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 2002-2003 fiscal year, prior to a mid-year pro-rated reduction imposed on all school districts in the State of Michigan during both fiscal years.

**Lansing School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004**

3. Student Enrollment

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

	<u>Budgeted Blended Student FTE</u>	<u>Actual Blended Student FTE</u>	<u>Variance Favorable (Unfavorable)</u>
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
1999-2000	18,200	17,880	(320)

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2004, federal, state, and other grants accounted for \$39,003,669. This represents a decrease from the total grant sources of \$44,650,244 received for the 2002-2003 fiscal year.

5. County Special Education Allocation

For the fiscal year ended June 30, 2004, the District received an allocation from the Ingham Intermediate School District in the amount of \$10,600,483 to assist with the education of students with special needs. This amount represents a decrease of \$648,467 from the prior fiscal year. The reduced funding was due to the District transitioning certain programs to the Intermediate School District. The effect of this program change was, in part, offset by a larger county special education allocation pool resulting from increased federal IDEA funding and growth in the monies generated by the county-wide special education charter millage.

6. Interest Earnings

The District received interest on its investments in the amount of \$358,112 for the fiscal year ended June 30, 2004. With a reduction in the District's overall investment holdings, and interest rates being at a historic low due to the current economic condition of the country, interest revenues are down from the prior fiscal year by \$229,369.

**Lansing School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004**

7. Comparative Expenditures

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

<u>Expenditures</u>	<u>2003-2004 Fiscal Year</u>	<u>2002-2003 Fiscal Year</u>	<u>Increase (Decrease)</u>
Instruction	\$ 101,676,963	\$ 105,565,202	\$ (3,888,239)
Supporting services	74,476,955	77,616,959	(3,140,004)
Food service activities	6,125,695	6,234,619	(108,924)
Athletic activities	1,312,044	1,216,902	95,142
Community service activities	329,746	389,041	(59,295)
Capital outlay	7,635,038	2,974,777	4,660,261
Debt service	<u>2,857,580</u>	<u>3,005,561</u>	<u>(147,981)</u>
Total expenditures	<u>\$ 194,414,021</u>	<u>\$ 197,003,061</u>	<u>\$ (2,589,040)</u>

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

Lansing School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004

For the 2003-2004 fiscal year, the District amended the general fund budget one time, with the Board adopting the changes in June 2004. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget, and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance with Final Budget - positive (negative)	% Variance
Total revenues	\$ 173,841,600	\$ 175,975,300	\$ 175,072,294	\$ (903,006)	(0.5)
Expenditures					
Instruction	\$ 100,692,556	\$ 102,573,200	\$ 101,676,963	\$ 896,237	0.9
Supporting services	70,008,264	74,546,400	74,476,955	69,445	0.1
Community services	316,720	250,100	329,746	(79,646)	(24.2)
Total expenditures	\$ 171,017,540	\$ 177,369,700	\$ 176,483,664	\$ 886,036	0.5
Other Financing Sources (Uses)	\$ (7,074,060)	\$ (5,995,500)	\$ (5,912,406)	\$ 83,094	(1.4)

The original revenue budget of \$173.8 million was increased to \$175.9 million. The \$2.1 million increase is a result of higher awards/carryovers for state and federal categorical programs (Section 31a At-Risk, Title III, IDEA Flowthrough, etc.) of approximately \$2.7 million. Enrollment declines in excess of budget and a mid-year pro-ration in funding from the State amounted to a reduction of the revenue budget of \$2 million. Finally, additional increases to the budget resulted in the areas of special education funding from the county (accounting adjustment) and an increase in local property taxes.

As the total revenue budget was increased for various reasons, primarily due to grant programs, the expenditure budget was also adjusted upwards to account for the initially unplanned-for activity in these programs.

**Lansing School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004**

Capital Asset and Debt Administration

Capital Assets –

By the end of the 2003-2004 fiscal year, the District had invested roughly \$103 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 \$7 million over the prior fiscal year. Depreciation expense for the year amounted to roughly \$3.5 million, bringing the accumulation to approximately \$69.5 million as of June 30, 2004.

	Cost	Accumulated depreciation	2004 net book value	2003 net book value
Land	\$ 4,490,876	\$	\$ 4,490,876	\$ 4,490,876
Construction in progress	4,133,222		4,133,222	1,275,347
Land improvements	9,935,114	7,316,256	2,618,858	2,396,645
Buildings and additions	69,510,519	51,456,823	18,053,696	16,072,116
Transportation equipment	8,183,843	5,698,711	2,485,132	3,216,549
Machinery and equipment	6,875,921	5,007,130	1,868,791	2,359,516
	<u>103,129,495</u>	<u>69,478,920</u>	<u>33,650,575</u>	<u>29,811,049</u>

Long-term Debt –

At June 30, 2004, the District had approximately \$82 million in bonded debt outstanding. This represents an increase of about \$61 million over the amount outstanding at the close of the prior fiscal year.

During the 2003-2004 fiscal year the District issued approximately \$65 million in new bonds to fund the construction of a new middle school and various modernizations and improvements to the existing secondary school buildings.

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:

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2005-2006 fiscal year. The early indication is that the foundation allowance will be held flat, which will pose a challenge to the District to maintain structural balance while continuing with its educational programming.

Lansing School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004

- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. Additionally, while the State has managed to keep the growth in the rate district's fund the retirement system over the past few years consistent, the increase in the number of retirees projected to occur over the next few years may result in higher annual increases. Additionally, the rapid growth in the cost of the health care component, combined with reduced investment returns, adds additional pressure to the State-managed fund to see the contributions from districts rise at a faster pace in the coming years.
- The current agreement with the Lansing Schools Education Association, the union that represents the teaching staff, covers a three-year period ending August 2006. It is estimated to consume approximately \$4 million of fund balance.
- The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Educational Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Left Behind Act, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.
- The District continues to work to improve its physical structures, many which date to the first half of the twentieth century. During the 2002-2003 fiscal year, the District issued various energy bonds totaling \$6 million to help with these needs. As part of the 2003-2004 budget, \$3 million was earmarked from existing fund balance to be used for capital improvements. Additionally, in November 2003, the voters approved a bond issue in the amount of \$65 million to construct a new middle school and modernize various items in the other secondary school buildings.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and 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, MI 48933.

**LANSING SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004**

	<u>Governmental activities</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 15,362,979
Investments	73,343,778
Receivables:	
Accounts receivable	584,742
Taxes receivable	411,897
Interest receivable	127,662
Due from other governmental units	23,904,444
Inventories	922,482
Prepaid expenditures	<u>1,065,198</u>
TOTAL CURRENT ASSETS	<u>115,723,182</u>
NONCURRENT ASSETS:	
Capital assets	103,129,495
Less accumulated depreciation	<u>(69,478,920)</u>
Capital assets net of accumulated depreciation	33,650,575
Deferred charges, net of amortization	<u>367,707</u>
TOTAL NONCURRENT ASSETS	<u>34,018,282</u>
 TOTAL ASSETS	 <u><u>\$ 149,741,464</u></u>

See notes to financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Checks drawn against future deposits	\$ 2,161,437
Accounts payable	3,241,285
Accrued salaries and related items	13,921,845
Accrued interest	1,132,277
Accrued expenses	200,000
Deferred revenue	3,055,249
Current portion of long-term obligations	2,300,000
Current portion of compensated absences	713,517

TOTAL CURRENT LIABILITIES 26,725,610

NONCURRENT LIABILITIES:

Noncurrent portion of long-term obligations	83,989,198
Compensated absences	3,825,335
Long-term interest	169,693

TOTAL NONCURRENT LIABILITIES 87,984,226

TOTAL LIABILITIES 114,709,836

NET ASSETS:

Invested in capital assets net of related debt	15,628,097
Unrestricted	19,403,531

TOTAL NET ASSETS 35,031,628

TOTAL LIABILITIES AND NET ASSETS \$ 149,741,464

**LANSING SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 101,725,161	\$ 1,675,505	\$ 25,652,324	\$ (74,397,332)
Support services	74,841,239	768,768	8,811,715	(65,260,756)
Community services	326,686		325,022	(1,664)
Food services	6,226,035	1,579,885	4,214,608	(431,542)
Athletics	1,502,924	199,741		(1,303,183)
Interest on long-term debt	1,607,983			(1,607,983)
Unallocated depreciation	2,529,950			(2,529,950)
Total governmental activities	<u>\$ 188,759,978</u>	<u>\$ 4,223,899</u>	<u>\$ 39,003,669</u>	(145,532,410)
General revenues:				
Property taxes, levied for general purposes				21,631,509
Property taxes, levied for debt service				2,618,675
Investment earnings				358,112
Gain on sale of assets				108,602
State sources				103,735,222
Ingham ISD special education allocation				10,600,483
Other				1,680,657
Total general revenues				<u>140,733,260</u>
CHANGE IN NET ASSETS				(4,799,150)
NET ASSETS, beginning of year				<u>39,830,778</u>
NET ASSETS, end of year				<u>\$ 35,031,628</u>

See notes to financial statements.

**LANSING SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	General fund	2003 bond capital projects funds	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 8,588,470	\$ 128,459	\$ 6,646,050	\$ 15,362,979
Investments	4,017,355	65,457,331	3,869,092	73,343,778
Receivables:				
Property taxes receivable	411,897			411,897
Accounts receivable	478,509	37	106,196	584,742
Interest receivable	48,959	78,703		127,662
Due from other governmental units	23,904,444			23,904,444
Due from other funds	1,040,999			1,040,999
Inventories	669,662		252,820	922,482
Prepaid expenditures	1,065,198			1,065,198
TOTAL ASSETS	\$ 40,225,493	\$ 65,664,530	\$ 10,874,158	\$ 116,764,181

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Checks drawn against future deposits	\$ 2,161,437	\$	\$	\$ 2,161,437
Accounts payable	1,653,068	209,614	1,378,603	3,241,285
Accrued salaries and related items	13,854,734		67,111	13,921,845
Due to other governmental funds		227,950	813,049	1,040,999
Accrued expenses	200,000			200,000
Deferred revenue	3,628,138			3,628,138
TOTAL LIABILITIES	21,497,377	437,564	2,258,763	24,193,704

	General fund	2003 bond capital projects funds	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:				
Reserved for encumbrances and capital projects	\$ 219,481	\$ 65,226,966	\$ 7,822,921	\$ 73,269,368
Reserved for inventories	669,662		252,820	922,482
Reserved for prepaid expenditures	1,065,198			1,065,198
Reserved for debt service			531,304	531,304
Designated for subsequent years' expenditures:				
School carryover	25,000			25,000
LSEA settlement	2,600,000			2,600,000
Designated for technology:				
New Pattengill	1,500,000			1,500,000
USF projects	250,000			250,000
Designated to offset mid-year funding reductions	750,000			750,000
Unreserved, undesignated	11,648,775		8,350	11,657,125
TOTAL FUND BALANCES	18,728,116	65,226,966	8,615,395	92,570,477
TOTAL LIABILITIES AND FUND BALANCES	\$ 40,225,493	\$ 65,664,530	\$ 10,874,158	\$ 116,764,181

Total Governmental Fund Balances

\$ 92,570,477

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			\$ 103,129,495	
Accumulated depreciation			(69,478,920)	33,650,575
The value of amortized bond issuance costs			404,603	
Accumulated amortization			(36,896)	367,707
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(86,289,198)
Compensated absences				(4,538,852)
Accrued interest is not included as a liability in government funds, it is recorded when paid				(1,301,970)
Deferred due from other governmental units at 6/30/04 expected to be collected after September 1, 2004				384,207
Deferred property taxes receivable at 6/30/04 expected to be collected after September 1, 2004				188,682
Net assets of governmental activities				\$ 35,031,628

LANSING SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General fund	2003 bond capital projects funds	Other nonmajor governmental funds	Total governmental funds
REVENUES:				
Local sources:				
Property taxes	\$ 21,585,286	\$	\$ 2,618,675	\$ 24,203,961
Investment earnings	206,605	29,861	121,646	358,112
Food sales and athletic admissions			1,769,204	1,769,204
Other	3,506,765		14,140	3,520,905
Total local sources	25,298,656	29,861	4,523,665	29,852,182
State sources	115,579,988		247,878	115,827,866
Federal sources	23,500,360		3,966,730	27,467,090
Incoming transfers	10,634,908			10,634,908
Intermediate sources	58,382			58,382
Total revenues	175,072,294	29,861	8,738,273	183,840,428
EXPENDITURES:				
Current:				
Instruction	101,676,963			101,676,963
Supporting services	74,476,955			74,476,955
Food service activities			6,125,695	6,125,695
Athletic activities			1,312,044	1,312,044
Community service activities	329,746			329,746
EXPENDITURES (Concluded):				
Capital outlay	\$	\$ 2,357,844	\$ 5,277,194	\$ 7,635,038
Debt service:				
Principal repayment			2,100,000	2,100,000
Interest expense			616,175	616,175
Payment to bond escrow agent			90,000	90,000
Other expense			51,405	51,405
Total expenditures	176,483,664	2,359,847	15,572,513	194,414,021
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,411,370)	(2,329,986)	(6,834,240)	(10,573,593)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of bonds		63,305,207	1,529,793	64,835,000
Bond premium		4,249,742	102,696	4,352,438
Payment to refunded bond escrow			(1,624,456)	(1,624,456)
Sale of school property	116,432			116,432
Operating transfers from other funds	142,925		6,330,172	6,473,097
Operating transfers to other funds	(6,171,763)		(301,334)	(6,473,097)
Total other financing sources (uses)	(5,912,406)	67,554,949	6,036,871	67,679,414
NET CHANGE IN FUND BALANCES	(7,323,776)	65,224,963	(797,369)	57,105,821
FUND BALANCES:				
Beginning of year	26,051,892		9,412,764	35,464,656
End of year	\$ 18,728,116	\$ 65,224,963	\$ 8,615,395	\$ 92,570,477

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, 2004**

Net change in fund balances total governmental funds	\$ 57,105,821
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	(3,452,852)
Capital outlay	7,300,208
Net book value of assets sold	(7,831)
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	310,162
Accrued interest payable end of the year	(1,301,970)
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 and are as follows:	
Proceeds from issuance of debt	(64,835,000)
Payments on debt	3,700,000
Premiums on debt	(4,352,438)
Bond issuance costs	204,603
Deferred amount on bond refunding	114,456
Amortization expense	(29,286)
Amortized premium	217,622
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	(561,091)
Deferred revenue, end of the year	572,889
Arbitrage liability 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 a liability:	
Arbitrage payable, beginning of year	192,919
Arbitrage payable, end of year	-
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	4,561,490
Accrued compensated absences end of the year	(4,538,852)
Change in net assets of governmental activities	\$ (4,799,150)

**LANSING SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004**

	Private purpose trust fund	Agency fund
ASSETS		
ASSETS:		
Cash	\$ 196,900	\$ 845,654
Investments	103,988	391,158
Accounts receivable	1,677	4,616
TOTAL ASSETS	\$ 302,565	\$ 1,241,428
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 2,192	\$ 66,234
Accrued expenses	6,865	
Due to student groups		1,175,194
TOTAL LIABILITIES	9,057	1,241,428
NET ASSETS:		
Reserved for trust activities	293,508	
TOTAL LIABILITIES AND NET ASSETS	\$ 302,565	\$ 1,241,428

**LANSING SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2004**

	<u>Private purpose trust fund</u>
ADDITIONS:	
Donations	\$ 68,341
Interest earnings	3,877
Other	<u>117,925</u>
Total additions	<u>190,143</u>
DEDUCTIONS:	
Scholarships awarded	75,298
Other	<u>161,932</u>
Total deductions	<u>237,230</u>
CHANGE IN NET ASSETS	(47,087)
NET ASSETS:	
Beginning of year	<u>340,595</u>
End of year	<u><u>\$ 293,508</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.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 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.

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

Revenue	<u>\$ 29,861</u>
Expenditures and transfers	<u>\$2,357,844</u>

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The *private purpose trust 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).

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

Accrual Method

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

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.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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, 2004, the foundation allowance was based on pupil membership counts taken in February and September of 2003.

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 2003 to August 2004. 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.

E. 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*. 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.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Other Accounting Policies (Continued)

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, 2004, 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	1.1360

3. Inventories and Prepaid Expenditures

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

4. Receivables and Payables

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Other Accounting Policies (Concluded)

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.

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 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.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

E. Other Accounting Policies (Concluded)

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.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

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, 2004. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK

Deposits

At year-end, the carrying amount of the District's deposits were \$16,403,958. The bank balance was \$16,639,997 of which \$404,000 was covered by federal depository insurance and \$16,235,997 was uninsured and uncollateralized. The District had \$1,575 of petty cash on hand. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

Statement of net assets	\$ 15,362,979
Statement of fiduciary net assets:	
Agency fund	845,654
Private purpose trust fund	<u>196,900</u>
	<u>\$ 16,405,533</u>

Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK (Concluded)

	Category			Fair value
	1	2	3	
Government bonds	\$ 65,457,331	\$	\$	\$ 65,457,331
Commercial paper	5,276,428			5,276,428
	<u>\$ 70,733,759</u>	<u>\$</u>	<u>\$</u>	70,733,759
Investments not subject to categorization:				
Pooled investment fund				<u>3,105,165</u>
				<u>\$ 73,838,924</u>

The government bonds are subject to market fluctuations, however the District intends to hold the investments until maturity to eliminate any interest rate risk.

Balance sheet classifications:

	Petty cash	Deposits	Investments	Fiduciary assets	Total
Cash	\$ 1,575	\$15,361,404	\$	\$ 1,042,554	\$16,405,533
Checks drawn against future deposits	(2,161,437)				(2,161,437)
Investments			73,343,778	495,146	73,838,924
	<u>\$ (2,159,862)</u>	<u>\$15,361,404</u>	<u>\$ 73,343,778</u>	<u>\$ 1,537,700</u>	<u>\$88,083,020</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – CAPITAL ASSETS

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

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Assets not being depreciated - land	\$ 4,490,876	\$	\$	\$ 4,490,876
Construction in progress	<u>1,275,347</u>	<u>6,677,625</u>	<u>3,819,750</u>	<u>4,133,222</u>
	5,766,223	6,677,625	3,819,750	8,624,098
Other capital assets:				
Land improvements	9,291,081	644,033		9,935,114
Buildings and additions	65,978,636	3,531,883		69,510,519
Machinery and equipment	8,019,585	216,129	51,871	8,183,843
Transportation equipment	<u>6,825,633</u>	<u>50,288</u>		<u>6,875,921</u>
Subtotal	90,114,935	4,442,333	51,871	94,505,397
Accumulated depreciation:				
Land improvements	6,894,436	421,820		7,316,256
Buildings and additions	49,906,520	1,594,344	44,041	51,456,823
Machinery and equipment	4,803,036	895,675		5,698,711
Transportation equipment	<u>4,466,117</u>	<u>541,013</u>		<u>5,007,130</u>
Subtotal	66,070,109	3,452,852	44,041	69,478,920
Net other capital assets	<u>24,044,826</u>	<u>989,481</u>	<u>7,830</u>	<u>25,026,477</u>
Net capital assets	<u>\$29,811,049</u>	<u>\$ 7,667,106</u>	<u>\$ 3,827,580</u>	<u>\$ 33,650,575</u>

Depreciation for the fiscal year ended June 30, 2004 amounted to \$3,452,852.

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

Instruction	\$ 20,889
Support service	663,271
Food service	47,862
Athletics	190,880
Unallocated	<u>2,529,950</u>
	<u>\$ 3,452,852</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, 2004:

	Self-insured Workers Compensation Plan	Termination Benefits and Compensated Absences	Bonds	Total
Balance, July 1, 2003	\$ 187,807	\$ 4,373,683	\$ 21,128,115	\$ 25,689,605
Additions		4,336	68,969,816	68,974,152
Deletions	26,974		3,808,733	3,835,707
Balance, June 30, 2004	160,833	4,378,019	86,289,198	90,828,050
Less current portion		713,517	2,300,000	3,013,517
Total due after one year	<u>\$ 160,833</u>	<u>\$ 3,664,502</u>	<u>\$ 83,989,198</u>	<u>\$ 87,814,533</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (Continued):

Bonds payable at June 30, 2004 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%	1,000,000
1991 general obligation bonds (non refunded portion) due in annual installments of \$800,000 through May 1, 2006, with interest at 6.8%	1,600,000
1992 general obligation bonds due in annual installments of \$400,000 to \$500,000 through May 1, 2006, with interest at 5.625% to 5.750%	900,000
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 5.25%	3,590,000
2002 energy conservation improvement bonds due in annual installments of \$100,000 to \$130,000 through May 1, 2012 with interest at 2.50% to 3.75%.	905,000
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)	4,134,816
Less: deferred loss on 2003 bond refunding (net)	<u>(108,733)</u>
Total general obligation debt	81,856,083
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	4,378,019
Obligation for worker's compensation claims	<u>160,833</u>
Total bonded debt	<u><u>\$ 90,828,050</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.

On February 10, 2004 Lansing School District issued general obligation bonds of \$1,510,000 with an interest rate of 5.75% to advance refund serial bonds with an interest rate ranging from 2.00% to 5.00%. The serial bonds mature on May 1, 2009. The general obligation bonds were issued at a premium after paying issuance costs of \$6,835, the net proceeds were \$1,624,456. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on May 1, 2009. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$143,936 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$120,622.

The annual requirements to amortize debt outstanding as of June 30, 2004, including interest payments of \$40,694,100 are as follows: At June 30, 2004, \$531,304 is available to service the general obligation debt.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (Concluded)

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts payable</u>
2005	\$ 2,300,000	\$ 4,222,430	\$ 6,522,430
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
2010-2014	19,112,440	12,266,382	31,378,822
2015-2019	25,525,000	8,020,000	33,545,000
2020-2023	19,425,000	2,462,500	21,887,500
	<u>82,263,115</u>	<u>40,694,100</u>	<u>122,957,215</u>
Premium on bond issuance	4,134,816		4,134,816
Deferred amount on bond refunding	(108,733)		(108,733)
Compensated absences and termination benefits	4,378,019		4,378,019
Workers' compensation claims	160,833		160,833
	<u>\$ 90,828,050</u>	<u>\$ 40,694,100</u>	<u>\$ 131,522,150</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, 2004, \$5,100,000 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, 2004 are as follows:

Receivable Fund		Payable Fund	
General fund	\$ 1,040,999	Athletics	\$ 338,851
		Food service	127,671
		2003 bond capital projects	227,950
		Debt service	346,527
	\$ 1,040,999		\$ 1,040,999

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 nine member 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

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, 2004, were 12.99% of payroll through September 30, 2003, and 12.99% effective October 1, 2003. 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, 2004, 2003 and 2002 were \$14,202,502, \$14,244,060, and \$13,338,635, 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, 2004 or any of the prior three years.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - CONTINGENCIES

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

NOTE 10 – TRANSFERS

The general fund transferred \$1,327,860 to the Athletics fund, \$410,000 to the Debt Service fund, and \$4,433,903 to the Capital Projects fund, the Athletics fund transferred \$142,925 to the general fund, and the Capital Projects fund transferred \$158,409 to the Capital Projects fund.

NOTE 11 – FUND DEFICITS

The financial statements include the following funds with a cumulative fund deficit at June 30, 2004:

1992 Bond	\$	(1,937)
2003 Energy bond		(21,635)
2003 Bond		(250)

The 2003 energy bond paid interest in the current year on the debt, but did not levy taxes in the current school year. This deficit should be corrected in future years after taxes are levied on this debt. The 1992 bond paid \$90,000 toward the refunding of its 2007, 2008, and 2009 payments and did not levy any taxes related to this payment.

REQUIRED SUPPLEMENTARY INFORMATION

**LANSING SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2004**

	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES:				
Local sources	\$ 26,571,137	\$ 25,255,377	\$ 25,298,656	\$ 43,279
State sources	112,461,763	118,032,400	115,579,988	(2,452,412)
Federal sources	23,070,200	21,741,100	23,500,360	1,759,260
Incoming transfers	11,725,000	10,921,723	10,634,908	(286,815)
Intermediate sources	13,500	24,700	58,382	33,682
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	173,841,600	175,975,300	175,072,294	(903,006)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	69,482,551	69,271,100	68,739,390	531,710
Added needs	29,916,054	32,439,400	32,086,831	352,569
Adult and continuing education	1,239,311	789,100	774,545	14,555
Other	54,640	73,600	76,197	(2,597)
	<hr/>	<hr/>	<hr/>	<hr/>
Total instruction	100,692,556	102,573,200	101,676,963	896,237
Supporting services:				
Pupil	17,359,393	17,675,000	17,594,099	80,901
Instructional staff	10,524,818	12,407,100	12,209,192	197,908
General administration	1,158,163	1,136,900	1,186,141	(49,241)
School administration	9,604,956	9,772,300	9,674,483	97,817
Business	3,114,409	3,500,900	3,578,145	(77,245)

	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
EXPENDITURES (Concluded):				
Supporting services (Concluded):				
Operation/maintenance	\$ 16,871,769	\$ 17,312,500	\$ 17,596,216	\$ (283,716)
Pupil transportation	7,040,613	8,682,300	8,715,686	(33,386)
Central	3,380,993	3,292,400	3,280,666	11,734
Other	953,150	767,000	642,327	124,673
Total supporting services	<u>70,008,264</u>	<u>74,546,400</u>	<u>74,476,955</u>	<u>69,445</u>
Community service activities	<u>316,720</u>	<u>250,100</u>	<u>329,746</u>	<u>(79,646)</u>
Total expenditures	<u>171,017,540</u>	<u>177,369,700</u>	<u>176,483,664</u>	<u>886,036</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,824,060</u>	<u>(1,394,400)</u>	<u>(1,411,370)</u>	<u>(16,970)</u>
OTHER FINANCING SOURCES (USES):				
Sale of school property		125,000	116,432	(8,568)
Operating transfers from other funds		130,000	142,925	12,925
Operating transfers to other funds	(7,074,060)	(6,250,500)	(6,171,763)	78,737
Total other financing sources (uses)	<u>(7,074,060)</u>	<u>(5,995,500)</u>	<u>(5,912,406)</u>	<u>83,094</u>
NET CHANGE IN FUND BALANCE	<u>\$ (4,250,000)</u>	<u>\$ (7,389,900)</u>	<u>(7,323,776)</u>	<u>\$ 66,124</u>
FUND BALANCE:				
Beginning of year			<u>26,051,892</u>	
End of year			<u>\$ 18,728,116</u>	

ADDITIONAL INFORMATION

**LANSING SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2004**

	Special revenue funds	Debt service funds	Capital projects funds	Total nonmajor governmental funds
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 360,300	\$ 383,850	\$ 5,901,900	\$ 6,646,050
Investments	194,416	493,981	3,180,695	3,869,092
Accounts receivable	106,196			106,196
Inventories	252,820			252,820
TOTAL ASSETS	\$ 913,732	\$ 877,831	\$ 9,082,595	\$ 10,874,158
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 107,034	\$	\$ 1,271,569	\$ 1,378,603
Accrued salaries and related items	67,111			67,111
Due to other funds	466,522	346,527		813,049
TOTAL LIABILITIES	640,667	346,527	1,271,569	2,258,763
FUND BALANCES:				
Reserved for encumbrances and capital projects	11,895		7,811,026	7,822,921
Reserved for inventories	252,820			252,820
Reserved for debt service		531,304		531,304
Unreserved, undesignated	8,350			8,350
TOTAL FUND BALANCES	273,065	531,304	7,811,026	8,615,395
TOTAL LIABILITIES AND FUND BALANCES	\$ 913,732	\$ 877,831	\$ 9,082,595	\$ 10,874,158

**LANSING SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUND TYPES
 YEAR ENDED JUNE 30, 2004**

	Special revenue funds	Debt service funds	Capital projects funds	Total nonmajor governmental funds
REVENUES:				
Local sources:				
Property taxes	\$	\$ 2,618,675	\$	\$ 2,618,675
Investment earnings	6,932	26,928	87,786	121,646
Food sales and athletic admissions	1,769,204			1,769,204
Other	3,490	6,050	4,600	14,140
Total local sources	1,779,626	2,651,653	92,386	4,523,665
State sources	247,878			247,878
Federal sources	3,966,730			3,966,730
Total revenues	5,994,234	2,651,653	92,386	8,738,273
EXPENDITURES:				
Current:				
Food service activities	6,125,695			6,125,695
Athletic activities	1,312,044			1,312,044
Capital outlay			5,277,194	5,277,194

	Special revenue funds	Debt service funds	Capital projects funds	Total nonmajor governmental funds
EXPENDITURES (Concluded):				
Debt service:				
Principal repayment	\$	\$ 2,100,000	\$	\$ 2,100,000
Interest expense		616,175		616,175
Payment to bond escrow agent		90,000		90,000
Other expense		51,405		51,405
		<hr/>		<hr/>
Total expenditures	7,437,739	2,857,580	5,277,194	15,572,513
	<hr/>	<hr/>	<hr/>	<hr/>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,443,505)	(205,927)	(5,184,808)	(6,834,240)
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of bonds		1,529,793		1,529,793
Bond premium		102,696		102,696
Payment to refunded bond escrow		(1,624,456)		(1,624,456)
Operating transfers from other funds	1,327,860	410,000	4,592,312	6,330,172
Operating transfers to other funds	(142,925)		(158,409)	(301,334)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources	1,184,935	418,033	4,433,903	6,036,871
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	(258,570)	212,106	(750,905)	(797,369)
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES:				
Beginning of year	531,635	319,198	8,561,931	9,412,764
	<hr/>	<hr/>	<hr/>	<hr/>
End of year	\$ 273,065	\$ 531,304	\$ 7,811,026	\$ 8,615,395
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**LANSING SCHOOL DISTRICT
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004**

	Food service fund	Athletic fund	Totals
ASSETS			
Cash and cash equivalents	\$ 80,700	\$ 279,600	\$ 360,300
Investments	43,592	150,824	194,416
Accounts receivable	105,151	1,045	106,196
Inventories	252,820		252,820
TOTAL ASSETS	\$ 482,263	\$ 431,469	\$ 913,732
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 104,950	\$ 2,084	\$ 107,034
Accrued salaries and related items	67,111		67,111
Due to other funds	127,671	338,851	466,522
Total liabilities	299,732	340,935	640,667
Fund balances:			
Reserved for encumbrances		11,895	11,895
Reserved for inventories	252,820		252,820
Undesignated	(70,289)	78,639	8,350
Total fund balances	182,531	90,534	273,065
TOTAL LIABILITIES AND FUND BALANCES	\$ 482,263	\$ 431,469	\$ 913,732

**LANSING SCHOOL DISTRICT
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004**

	Food service fund	Athletic fund	Totals
REVENUES:			
Sales	\$ 1,575,386	\$ 3,085	\$ 1,578,471
State aid	247,878		247,878
Federal aid	3,966,730		3,966,730
Admissions		190,733	190,733
Interest on investments	3,764	3,168	6,932
Other	735	2,755	3,490
Total revenues	5,794,493	199,741	5,994,234
EXPENDITURES:			
Cost of goods sold - net	2,394,438		2,394,438
Salaries and wages	2,214,760	773,217	2,987,977
Employee benefits	1,032,137	229,862	1,261,999
Contracted services	75,311	178,855	254,166
Travel, workshops, and conferences	10,656	3,595	14,251
Materials and supplies	268,324	62,224	330,548
Capital outlay	114,840	36,627	151,467
Miscellaneous	15,229	27,664	42,893
Total expenditures	6,125,695	1,312,044	7,437,739
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(331,202)	(1,112,303)	(1,443,505)
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds		1,327,860	1,327,860
Operating transfers to other funds		(142,925)	(142,925)
Total other financing sources		1,184,935	1,184,935
NET CHANGE IN FUND BALANCES	(331,202)	72,632	(258,570)
FUND BALANCES:			
Beginning of year	513,733	17,902	531,635
End of year	\$ 182,531	\$ 90,534	\$ 273,065

**LANSING SCHOOL DISTRICT
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004**

	<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	\$ 40,500	\$ 58,650	\$ 193,050	\$ 74,250	\$	\$ 16,650	\$	\$ 750	\$ 383,850
Investments	21,825	31,619	104,114	39,915	287,193	8,865		450	493,981
TOTAL ASSETS	<u>\$ 62,325</u>	<u>\$ 90,269</u>	<u>\$ 297,164</u>	<u>\$ 114,165</u>	<u>\$ 287,193</u>	<u>\$ 25,515</u>	<u>\$</u>	<u>\$ 1,200</u>	<u>\$ 877,831</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Due to other funds	\$	\$	\$ 299,101	\$	\$ 26	\$ 47,150	\$ 250	\$	\$ 346,527
Fund balances:									
Reserved for debt service	62,325	90,269	(1,937)	114,165	287,167	(21,635)	(250)	1,200	531,304
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 62,325</u>	<u>\$ 90,269</u>	<u>\$ 297,164</u>	<u>\$ 114,165</u>	<u>\$ 287,193</u>	<u>\$ 25,515</u>	<u>\$</u>	<u>\$ 1,200</u>	<u>\$ 877,831</u>

**LANSING SCHOOL DISTRICT
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004**

	1990	1991	1992	1998	QZAB	2003 Energy	2003	2003 Refunding	Totals
REVENUES:									
Local sources:									
Current property taxes	\$ 594,936	\$ 931,298	\$ 361,149	\$ 731,292	\$	\$	\$	\$	\$ 2,618,675
Interest on investments	4,961	7,831	3,083	5,987	4,917	147		2	26,928
Other	1,376	2,151	834	1,689					6,050
Total revenues	<u>601,273</u>	<u>941,280</u>	<u>365,066</u>	<u>738,968</u>	<u>4,917</u>	<u>147</u>		<u>2</u>	<u>2,651,653</u>
EXPENDITURES:									
Redemption of serial bonds	500,000	800,000	200,000	505,000		95,000			2,100,000
Interest on bonded debt	105,000	163,200	109,000	206,887		32,088			616,175
Payment to refunded bond escrow			90,000						90,000
Other	10,369	16,258	4,961	12,482	250		250	6,835	51,405
Total expenditures	<u>615,369</u>	<u>979,458</u>	<u>403,961</u>	<u>724,369</u>	<u>250</u>	<u>127,088</u>	<u>250</u>	<u>6,835</u>	<u>2,857,580</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(14,096)</u>	<u>(38,178)</u>	<u>(38,895)</u>	<u>14,599</u>	<u>4,667</u>	<u>(126,941)</u>	<u>(250)</u>	<u>(6,833)</u>	<u>(205,927)</u>
OTHER FINANCING SOURCES (USES):									
Proceeds from sale of refunding bonds								1,529,793	1,529,793
Bond premium:								102,696	102,696
Payment to refunded bond escrow								(1,624,456)	(1,624,456)
Operating transfers from other funds					282,500	127,500			410,000
Total other financing sources (uses)					<u>282,500</u>	<u>127,500</u>		<u>8,033</u>	<u>418,033</u>
NET CHANGE IN FUND BALANCES	<u>(14,096)</u>	<u>(38,178)</u>	<u>(38,895)</u>	<u>14,599</u>	<u>287,167</u>	<u>559</u>	<u>(250)</u>	<u>1,200</u>	<u>212,106</u>
FUND BALANCES (DEFICIT):									
Beginning of year	76,421	128,447	36,958	99,566		(22,194)			319,198
End 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>

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004**

ASSETS	<u>Capital projects</u>	<u>BTS capital project</u>	<u>Replacement fund</u>	<u>QZAB</u>	<u>Totals</u>
Cash and cash equivalents	\$ 2,055,750	\$ 94,950	\$ 1,427,250	\$ 2,323,950	\$ 5,901,900
Investments	<u>1,107,807</u>	<u>51,187</u>	<u>769,264</u>	<u>1,252,437</u>	<u>3,180,695</u>
TOTAL ASSETS	<u><u>\$ 3,163,557</u></u>	<u><u>\$ 146,137</u></u>	<u><u>\$ 2,196,514</u></u>	<u><u>\$ 3,576,387</u></u>	<u><u>\$ 9,082,595</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 367,229	\$	\$	\$ 904,340	\$ 1,271,569
Fund balances:					
Reserved	<u>2,796,328</u>	<u>146,137</u>	<u>2,196,514</u>	<u>2,672,047</u>	<u>7,811,026</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 3,163,557</u></u>	<u><u>\$ 146,137</u></u>	<u><u>\$ 2,196,514</u></u>	<u><u>\$ 3,576,387</u></u>	<u><u>\$ 9,082,595</u></u>

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004**

	<u>Capital projects</u>	<u>1998 Durant</u>	<u>BTS capital project</u>	<u>Replacement fund</u>	<u>QZAB</u>	<u>Energy bond</u>	<u>Totals</u>
REVENUES:							
Interest on investments	\$ 14,895	\$	\$ 2,004	\$ 25,666	\$ 44,660	\$ 561	\$ 87,786
Other	4,600						4,600
Total revenues	<u>19,495</u>		<u>2,004</u>	<u>25,666</u>	<u>44,660</u>	<u>561</u>	<u>92,386</u>
EXPENDITURES:							
Capital outlay	2,620,305	9,358	169,547		1,815,635	184,397	4,799,242
Other	294,391	183,561					477,952
Total expenditures	<u>2,914,696</u>	<u>192,919</u>	<u>169,547</u>		<u>1,815,635</u>	<u>184,397</u>	<u>5,277,194</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,895,201)</u>	<u>(192,919)</u>	<u>(167,543)</u>	<u>25,666</u>	<u>(1,770,975)</u>	<u>(183,836)</u>	<u>(5,184,808)</u>
OTHER FINANCING SOURCES (USES):							
Operating transfers from other funds	4,592,312						4,592,312
Operating transfers to other funds					(97,972)	(60,437)	(158,409)
Total other financing sources (uses)	<u>4,592,312</u>				<u>(97,972)</u>	<u>(60,437)</u>	<u>4,433,903</u>
NET CHANGE IN FUND BALANCES	<u>1,697,111</u>	<u>(192,919)</u>	<u>(167,543)</u>	<u>25,666</u>	<u>(1,868,947)</u>	<u>(244,273)</u>	<u>(750,905)</u>
FUND BALANCES:							
Beginning of year	<u>1,099,217</u>	<u>192,919</u>	<u>313,680</u>	<u>2,170,848</u>	<u>4,540,994</u>	<u>244,273</u>	<u>8,561,931</u>
End of year	<u>\$ 2,796,328</u>	<u>\$</u>	<u>\$ 146,137</u>	<u>\$ 2,196,514</u>	<u>\$ 2,672,047</u>	<u>\$</u>	<u>\$ 7,811,026</u>

**LANSING SCHOOL DISTRICT
FIDUCIARY FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2004**

	<u>Private purpose trust fund</u>	<u>Agency fund</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 196,900	\$ 845,654	\$ 1,042,554
Investments	103,988	391,158	495,146
Accounts receivable	1,677	4,616	6,293
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 302,565</u>	<u>\$ 1,241,428</u>	<u>\$ 1,543,993</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,192	\$ 66,234	\$ 68,426
Accrued expenses	6,865		6,865
Due to student groups		1,175,194	1,175,194
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	9,057	1,241,428	1,250,485
Fund balances:			
Reserved for trust activities	<u>293,508</u>	<u> </u>	<u>293,508</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 302,565</u>	<u>\$ 1,241,428</u>	<u>\$ 1,543,993</u>

**LANSING SCHOOL DISTRICT
 FIDUCIARY FUND TYPES
 STATEMENT OF REVENUES, EXPENDITURES
 AND FUND BALANCES - PRIVATE PURPOSE TRUST FUND
 YEAR ENDED JUNE 30, 2004**

	<u>Balance 07/01/03</u>	<u>Revenues and transfers</u>	<u>Expenditures and transfers</u>	<u>Balance 06/30/04</u>
Library revolving funds	\$ 84,607	\$ 924	\$	\$ 85,531
Harold Norton award	1,180	13	150	1,043
Carl McLean award	9,599	269		9,868
Grabow scholarship	206	2		208
Memorial fund donations	6,772	74		6,846
Special education donations	1,072	14		1,086
Windfuhr scholarship	1,724	91		1,815
Miscellaneous funds	<u>235,435</u>	<u>188,757</u>	<u>237,081</u>	<u>187,111</u>
	<u>\$ 340,595</u>	<u>\$ 190,144</u>	<u>\$ 237,231</u>	<u>\$ 293,508</u>

**LANSING SCHOOL DISTRICT
 FIDUCIARY FUND TYPES
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND LIABILITIES BY SCHOOL - AGENCY FUND
 YEAR ENDED JUNE 30, 2004**

	Balance 07/01/03	Additions	Deductions	Balance 06/30/04
Eastern High School	\$ 248,158	\$ 265,270	\$ 307,713	\$ 205,715
Hill Vocational School	142,913	211,442	213,481	140,874
Sexton High School	150,154	247,690	280,961	116,883
Everett High School	163,448	307,879	308,155	163,172
Gardner Middle School	69,588	116,895	113,643	72,840
Pattengill Middle School	49,657	68,518	79,916	38,259
Otto Middle School	29,234	110,064	121,310	17,988
Rich Middle School	58,643	128,690	136,128	51,205
Riddle Middle School	4,111	30,223	29,525	4,809
CLCCA	2,275	2,337	3,073	1,539
Elementary schools and other	353,611	627,997	619,698	361,910
	<u>\$ 1,271,792</u>	<u>\$ 2,117,005</u>	<u>\$ 2,213,603</u>	<u>\$ 1,175,194</u>

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2004**

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
2004		\$	\$	\$ 2,183,754	\$ 2,183,754
2005			1,506,038	1,506,038	3,012,076
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 2004 bonded debt		<u>\$ 64,835,000</u>	<u>\$ 18,616,200</u>	<u>\$ 19,293,917</u>	<u>\$ 102,745,117</u>

The above bonds dated February 10, 2004 were issued for the purpose of erecting, furnishing and equipping a new middle school building to replace the Pattengill Middle School and a magnet elementary school addition and partially remodeling, refurbishing and re-equipping the Otto, Gardner and Dwight Rich Middle Schools and the Eastern, Sexgton 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, 2004**

1990 School Building and Site Bonds, Series II

Calendar year	Number	Interest rate	Principal	Interest due		Total due annually
			due May 1	May 1	November 1	
2004	601-700	7.000%	\$	\$	\$ 35,000	\$ 35,000
2005	701-800	7.000%	500,000	35,000	17,500	552,500
2006	801-900	7.000%	500,000	17,500		517,500
Total 1990 bonded debt			<u>\$ 1,000,000</u>	<u>\$ 52,500</u>	<u>\$ 52,500</u>	<u>\$ 1,105,000</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, 2004**

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	
2004	621-780	6.800%	\$	\$	\$ 54,400	\$ 54,400
2005	781-940	6.800%	800,000	54,400	27,200	881,600
2006	941-1100	6.800%	800,000	27,200		827,200
Total 1991 bonded debt			<u>\$ 1,600,000</u>	<u>\$ 81,600</u>	<u>\$ 81,600</u>	<u>\$ 1,763,200</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 the issue are not subject to redemption prior to maturity.

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2004**

1992 School Building and Site Bonds, Series IV

Calendar year	Number	Interest rate	Principal	Interest due		Total
			due May 1	May 1	November 1	due annually
2004	961-1000	5.625%	\$	\$	\$ 71,875	\$ 71,875
2005	1001-1080	5.750%	400,000	71,875	60,375	532,250
2006	1081-1180	5.750%	500,000	60,375	46,000	606,375
Total 1992 bonded debt			<u>\$ 900,000</u>	<u>\$ 132,250</u>	<u>\$ 178,250</u>	<u>\$ 1,210,500</u>

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, 2004**

1998 School Refunding Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2004	5.25%	\$	\$	\$ 90,188	\$ 90,188
2005	5.25%	500,000	90,188	77,063	667,251
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		<u>\$ 3,590,000</u>	<u>\$ 318,375</u>	<u>\$ 318,376</u>	<u>\$ 4,226,751</u>

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, 2004**

2002 Energy Conservation Improvement Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2004	2.50%	\$	\$	\$ 14,856	\$ 14,856
2005	2.50%	100,000	14,856	13,606	128,462
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>\$ 905,000</u>	<u>\$ 73,787</u>	<u>\$ 73,787</u>	<u>\$1,052,574</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, 2004**

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, 2004**

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, 2004

	<u>Maturity date</u>	<u>Interest rate</u>	<u>Amount</u>
Certificates of deposit:			
Comerica Bank	12/26/03	5.60%	\$ 4,000
Flagstar Bank	08/27/04	1.41%	2,000,000
Flagstar Bank	08/30/04	1.53%	1,000,000
Flagstar Bank	12/03/04	1.75%	3,000,000
Mercantile Bank	08/02/04	1.30%	1,000,000
Mercantile Bank	07/19/04	1.20%	1,000,000
Huntington Bank	09/13/04	1.54%	1,000,000
Huntington Bank	07/06/04	1.31%	1,000,000
Huntington Bank	09/27/04	1.58%	1,000,000
Huntington Bank	08/13/04	1.26%	2,000,000
Fifth Third Bank	07/16/04	1.26%	2,000,000
Money market fund:			
Fifth Third Bank	N/A	1.10%	103,792
Huntington Bank	N/A	1.20%	2,979,778
Standard Federal Bank	N/A	0.50%	5,099
Flagstar Bank	N/A	1.24%	16,496
Government Bonds			
Bank of New York	Various	Various	65,457,331
Commercial paper:			
Bank of New York	9/1/2004	3.86%	287,192
Merrill Lynch	07/30/04	1.08%	1,993,940
Merrill Lynch	08/16/04	1.21%	997,311
Merrill Lynch	07/02/04	1.17%	<u>1,997,985</u>
Total investments and certificates of deposit			88,842,924
Less:			
Certificates of deposit classified as cash and cash equivalents			15,004,000
Investments recorded in fiduciary funds			<u>495,146</u>
Total investments shown in district-wide statements			<u><u>\$ 73,343,778</u></u>