

LANSING SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Lansing School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 10 to the financial statements, Lansing School District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lansing School District basic financial statements. The additional supplementary information, as identified in the table of contents, and schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015 on our consideration of Lansing School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lansing School District's internal control over financial reporting and compliance.

Maney Costeiran PC

October 26, 2015

Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

This section of the Lansing School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

For the year ended June 30, 2015 Lansing School District implemented Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These changes are significant at the government-wide level.

These new financial reporting standards require participants in a multi-employer cost sharing plan to:

- Record a proportionate share of the net pension liability on our statement of net position.
- Record a proportionate share of pension expense as defined by GASB on our statement of activities.
- Report additional note disclosures and required supplementary information.
- These changes will not result in any changes at the fund level.

District-Wide Financial Statements

The first two statements are district-wide financial statements that provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB). The statements are prepared using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded and other long term debt of the District.

Fund Financial Statements

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

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

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

**Lansing School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Summary of Net Position

The following schedule summarizes the net position for fiscal years ended June 30, 2015 and 2014:

	June 30, 2015	June 30, 2014
Assets:		
Current and other assets	\$ 33,988,517	\$ 38,128,521
Capital assets	87,420,641	88,232,845
Total assets	<u>121,409,158</u>	<u>126,361,366</u>
Deferred outflows of resources	<u>23,558,716</u>	<u>2,686,519</u>
Liabilities:		
Long-term outstanding liabilities	48,805,801	53,501,677
Net pension liability	197,731,925	-
Other liabilities	<u>14,307,637</u>	<u>25,486,569</u>
Total liabilities	<u>260,845,363</u>	<u>78,988,246</u>
Deferred inflows of resources	<u>21,871,186</u>	<u>-</u>
Net position:		
Net investment in capital assets	44,662,860	41,506,365
Restricted for debt service	5,283,199	5,043,219
Restricted for sinking fund	454,050	416,383
Restricted for food service	-	1,081,301
Unrestricted	<u>(188,148,784)</u>	<u>2,012,371</u>
Total net position	<u>\$ (137,748,675)</u>	<u>\$ 50,059,639</u>

The 2014 figures have not been updated for the adoption of GASB Statements 68 and 71.

Analysis of Financial Position

During the fiscal year ended June 30, 2015, the District's net position increased by \$10,909,656. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the assets less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2015, \$4,288,444 was recorded for depreciation expense.

**Lansing School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2015, \$4,462,370 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 (\$4,462,370), assets disposed of (\$986,130) and reclassified during the fiscal year, and the current year's depreciation (\$4,288,444) is a net decrease to capital assets in the amount of \$812,204 for the fiscal year ended June 30, 2015. The net decrease in capital assets is due mainly to depreciation offset by capital acquisitions.

3. Heightened Fiscal Responsibility

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

Additionally, we received additional property tax funds from the State as a result of end of the year adjustment notifications provided by the City of Lansing.

Results of Operations

For the fiscal years ended June 30, 2015, the results of operations, on a District-wide basis, were:

	Year ended June 30, 2015		Year ended June 30, 2014	
General revenues:				
Property taxes	\$ 29,752,562	17.2%	\$ 29,117,995	17.8%
Investment earnings	151,222	0.1%	151,943	0.1%
State sources	80,593,586	46.5%	79,096,179	48.3%
Gain on sale of assets	1,040,421	0.6%	-	0.0%
IISD special education allocation	16,709,300	9.6%	16,932,747	10.3%
Other	2,772,341	1.6%	2,505,908	1.5%
Total general revenues	131,019,432	75.5%	127,804,772	78.0%
Program revenues:				
Charges for services	878,164	0.5%	1,190,388	0.7%
Operating grants	41,533,610	23.9%	34,825,618	21.3%
Total revenues	173,431,206	100.0%	163,820,778	100.0%
Expenses:				
Instruction	86,399,531	53.2%	86,935,073	53.4%
Support services	65,337,266	40.2%	65,863,955	40.5%
Community services	639,919	0.4%	448,967	0.3%
Food services	7,293,370	4.5%	6,829,638	4.2%
Interest on long-term debt	1,751,384	1.1%	1,881,768	1.2%
Unallocated depreciation expense	1,100,080	0.7%	848,650	0.5%
Total expenses	162,521,550	100.0%	162,808,051	100.0%
Change in net position	\$ 10,909,656		\$ 1,012,727	

The 2014 figures have not been updated for the adoption of GASB Statements 68 and 71.

Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

Analysis of Significant Revenue and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levies 18 mills of property taxes for operations on non-principal resident exempt property and 6 mills on commercial personal property, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of increase in the prior year's Consumer Price Index or 5%, whichever is less. At the time the property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is one half of the property's market value.

For the 2014-2015 fiscal year, the District levied \$20,965,139 in non-principal property taxes. This amount represented an increase of 3.5% from the prior year.

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

Fiscal year	Non-PRE tax levy	% Increase (decrease) from prior year
2014-2015	\$ 20,965,139	3.5%
2013-2014	20,246,638	2.0%
2012-2013	19,855,704	-5.7%
2011-2012	21,063,951	-3.5%
2010-2011	21,831,230	-11.6%

2. State Sources

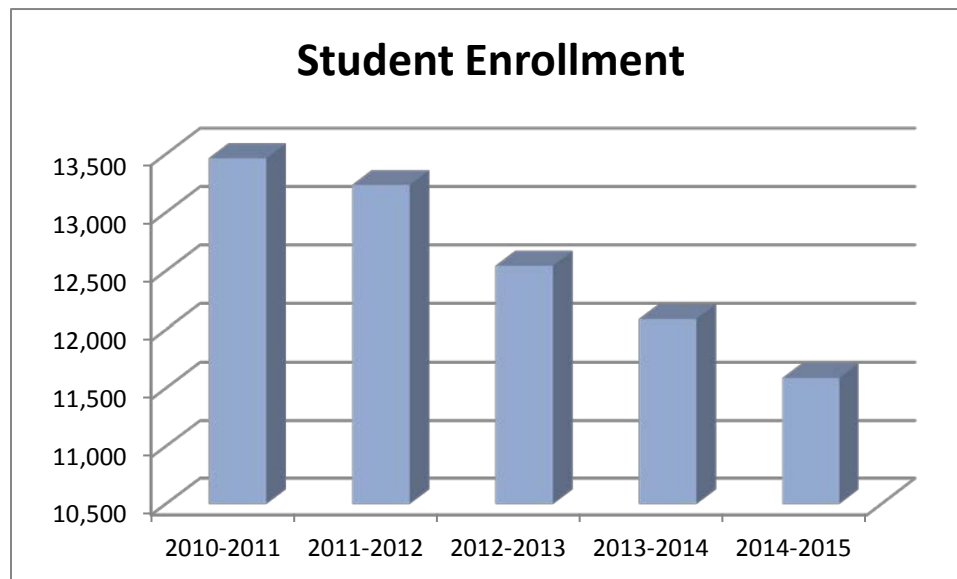
The majority of the state sources of revenue is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment. The blended enrollment consists of 90% of the current year's fall count and 10% of the current fiscal year's spring count. For the 2015 fiscal year, the District received \$7,418, which represented a \$50 change per pupil from the amount received for the 2013-2014 fiscal year of \$7,368.

**Lansing School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

3. Student Enrollment

Student enrollment has declined by 14% since 2010-2011.

Fiscal year	Actual blended student FTE
2014-2015	11,587
2013-2014	12,088
2012-2013	12,544
2011-2012	13,236
2010-2011	13,465



4. Operating Grants

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2015, federal, state, and other grants accounted for \$41,533,610. This amount was an increase from the total grant sources of \$34,825,618 received for the 2014 fiscal year.

5. County Special Education Allocation

For the fiscal year ended June 30, 2015, the District received a net allocation from the Ingham Intermediate School District in the amount of \$17,129,270 to assist with the education of students with special needs. This amount represents an increase of \$181,174 as compared to the allocation of \$16,948,096 received during the 2014 fiscal year.

**Lansing School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

6. Interest Earnings

The District received interest on its investment of short-term available cash in the amount of \$151,222 for the fiscal year ended June 30, 2015. Interest revenues are less than the prior fiscal year by \$721.

7. Comparative Expenditures

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

	2014 - 2015 fiscal year	2013 - 2014 fiscal year	Increase (decrease)
Instruction	\$ 84,768,690	\$ 84,508,234	\$ 260,456
Supporting services	64,251,461	63,708,515	542,946
Food service activities	7,446,455	6,829,636	616,819
Community service activities	635,322	451,330	183,992
Capital outlay	4,929,092	4,860,509	68,583
Debt service	5,371,354	5,784,693	(413,339)
Total expenditures	<u>\$ 167,402,374</u>	<u>\$ 166,142,917</u>	<u>\$ 1,259,457</u>

The majority of the increases are due to increases in the retirement rates, health rates and other insurances.

8. General Fund Budgetary Highlights

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

For the 2014-2015 fiscal year, the District amended the general fund budget twice, with the Board adopting the final changes in June 2015.

The following schedule shows a comparison of the original general fund budget, the final amended budget, and actual totals from operations.

	Original budget	Final budget	Actual	Variance with final budget	% Variance
Total revenues	<u>\$163,067,178</u>	<u>\$155,378,543</u>	<u>\$154,547,069</u>	<u>\$ (831,474)</u>	<u>(7.3%)</u>
Expenditures:					
Instruction	\$ 93,417,346	\$ 86,068,159	\$ 84,768,690	\$ 1,299,469	1.5%
Supporting services	69,224,739	68,887,299	64,251,461	4,635,838	6.7%
Community services	<u>896,432</u>	<u>717,971</u>	<u>635,322</u>	<u>82,649</u>	<u>11.5%</u>
Total expenditures	<u>\$163,538,517</u>	<u>\$155,673,429</u>	<u>\$149,655,473</u>	<u>\$ 6,017,956</u>	<u>3.9%</u>
Other financing sources (uses)	<u>\$ (14,258)</u>	<u>\$ 1,034,699</u>	<u>\$ 1,137,802</u>	<u>\$ 103,103</u>	<u>10.0%</u>

**Lansing School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

The District’s budgeting process budgets for all grants at the awarded amounts. This budgeting process will always result in a variance between the grant amount awarded and the actual amount spent. Approximately \$2.4 million of the budget variance is accounted for by the variance in grants awarded verses grants expended.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2014-2015 fiscal year, the District had invested approximately \$187 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 decrease of approximately \$1 million over the prior fiscal year. Depreciation expense for the year amounted to approximately \$4.2 million, bringing the accumulated depreciation to approximately \$100 million as of June 30, 2015.

	Cost	Accumulated depreciation	2015 Net book value	2014 Net book value
Land	\$ 4,196,882	\$ -	\$ 4,196,882	\$ 4,309,217
Construction in progress	331,536	-	331,536	-
Land improvements	20,824,639	12,853,942	7,970,697	8,378,344
Buildings and additions	145,585,484	74,130,141	71,455,343	70,539,122
Machinery and equipment	15,223,643	12,051,951	3,171,692	3,725,067
Buses	-	-	-	1,005,969
Transportation equipment	1,247,276	952,785	294,491	275,126
	<u>\$ 187,409,460</u>	<u>\$ 99,988,819</u>	<u>\$ 87,420,641</u>	<u>\$ 88,232,845</u>

Long-term Debt

At June 30, 2015, the District had approximately \$45 million in bonded debt outstanding. Total outstanding debt decreased as the District continues to pay down its debt.

Factors Bearing on the District’s Future

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

- The growth of the Fund Balance continues to be a priority of the Board of Education and the Administration. The Fund Balance is the equivalent of 6% of our operating budget of June 30th, 2015. Districts are recommended to have a fund balance of 10% - 15% of operating expenditures. Per Michigan School Business Officials, this level of fund balance is necessary to avoid borrowing during the two month period between the August and October State Aid payments. Additionally, it is important to have a sufficient fund balance to allow a district to avoid drastic changes in educational programs and/or employee layoffs during the school year as a result of low enrollment or as a result of reduced funding/mid-year cuts in State Funding. In addition, the district has the lowest debt ratio of 16 neighboring districts.

Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

- Fiscal management is a priority for the district and the Board which has prompted the implementation of an additional budget amendment process in the spring for 2015-16 school year.
- The District continues to address a comprehensive plan for ongoing budget needs. Budget development will continue to be driven by student enrollment and the instructional needs of our student population.
- The District has implemented a new Student Information System, Synergy. This system will modernize the District's access to student data and provide parents with a robust parent portal. The Synergy system provides users with powerful, built-in query and reporting tools ensuring that district administrators will have the information they need to make informed decisions. Meeting the requirements for state reporting will be simplified and ensure accurate results. Communication between parents and schools will be strengthened and parents will have access to live grades and attendance plus a built-in communication tool directly from their portal. All of these features plus many more will help the District meet its mission of providing educational excellence in a safe and nurturing environment for all students.
- Since 2012, the District has addressed surplus properties aggressively: Bingham Elementary School was sold to Sparrow Health System; Moore's Park Elementary was sold to PSO Labs; the sale of a parking lot adjacent to the Administration Building was sold just after year-end; Northwestern Elementary, closed for several years, was demolished; a significant portion of the massive Hill Center was leased to the Lansing Police Department; two schools that were closed in the 2012 restructuring, Elmhurst and Wainwright, have been converted into a Community Learning Center and the Special Education Offices, respectively.
- A restructuring of the school District occurred under the leadership of Superintendent Yvonne Caamal Canul. The restructuring included closing four buildings and reconfiguring the entire instructional program to better focus on student achievement. The school buildings and the instructional programs have been reconfigured into twelve PreK-3 buildings that will emphasize all students learning to read at grade level before they exit the PreK-3 building; five 4-6 buildings that will emphasize reading to learn so as to prepare students for success in high school. Lansing high schools consist of grades 7-12 which will increase that sense of belonging and with the traditional transition issues that have occurred between middle school and high school. In addition to the six new magnet schools, Lansing offers the following K-8 academies: Lansing STEM, Pleasant View Performing Arts, Wexford Montessori, and Gardner Law and Government. These options allow for students and families to explore in more depth a particular area of interest. Woodcreek Achievement Center was initiated in 2012-13 to provide a blended learning environment for credit recovery and for students to continue their education when they have been suspended from their home school.
- In August of 2015 the District was awarded a School Improvement Grant (SIG) from the Michigan Department of Education. Our award for the 2015-2016 school year is \$1.45 million dollars. This grant will provide targeted instructional support to our PK, K, and 1st grade classrooms in four buildings across the District: Cavanaugh, Willow, Riddle, and REO. In addition, the grant will cover the costs of an increase in instructional technology and extended year programming.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

**LANSING SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Governmental activities</u>
ASSETS:	
Cash and cash equivalents	\$ 7,483,831
Receivables:	
Accounts receivable	1,583,148
Taxes receivable	1,034,946
Intergovernmental	18,146,818
Inventories	145,426
Cash and cash equivalents - restricted QZAB debt service	5,103,570
Prepays	490,778
Capital assets not being depreciated	4,528,418
Capital assets, net of accumulated depreciation	<u>82,892,223</u>
TOTAL ASSETS	<u>121,409,158</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	2,351,420
Related to pensions	<u>21,207,296</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>23,558,716</u>
LIABILITIES:	
Accounts payable	2,977,762
Accrued salaries and related items	9,787,867
Accrued interest	271,925
Unearned revenue	1,270,083
Noncurrent liabilities:	
Due within one year	6,703,619
Due in more than one year	42,102,182
Net pension liability	<u>197,731,925</u>
TOTAL LIABILITIES	<u>260,845,363</u>
DEFERRED INFLOWS OF RESOURCES:	
Related to pensions	<u>21,871,186</u>
NET POSITION:	
Net investment in capital assets	44,662,860
Restricted for debt service	5,283,199
Restricted for capital projects - sinking fund	454,050
Unrestricted	<u>(188,148,784)</u>
TOTAL NET POSITION	<u><u>\$ (137,748,675)</u></u>

See notes to financial statements.

**LANSING SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	\$ 86,399,531	\$ 607,230	\$ 20,348,806	\$ (65,443,495)
Support services	65,337,266	119,896	13,181,207	(52,036,163)
Community services	639,919	-	513,832	(126,087)
Food services	7,293,370	151,038	7,489,765	347,433
Interest on long-term debt	1,751,384	-	-	(1,751,384)
Unallocated depreciation	1,100,080	-	-	(1,100,080)
Total governmental activities	<u>\$ 162,521,550</u>	<u>\$ 878,164</u>	<u>\$ 41,533,610</u>	<u>(120,109,776)</u>
General revenues:				
Property taxes, levied for general purposes				20,957,096
Property taxes, levied for debt service				5,412,030
Property taxes, levied for sinking fund				3,383,436
Investment earnings				151,222
State sources - unrestricted				80,593,586
Intermediate sources				16,709,300
Gain on sale of assets				1,040,421
Other				<u>2,772,341</u>
Total general revenues				<u>131,019,432</u>
CHANGE IN NET POSITION				10,909,656
NET POSITION, beginning of year, as restated				<u>(148,658,331)</u>
NET POSITION, end of year				<u><u>\$ (137,748,675)</u></u>

**LANSING SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General fund</u>	<u>QZAB debt service fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
ASSETS:				
Cash and cash equivalents	\$ 6,320,014	\$ -	\$ 1,163,817	\$ 7,483,831
Cash and cash equivalents - restricted QZAB debt service	-	5,103,570	-	5,103,570
Receivables:				
Property taxes receivable	641,599	-	393,347	1,034,946
Accounts receivable	1,134,241	-	448,907	1,583,148
Intergovernmental	17,933,994	-	212,824	18,146,818
Due from other funds	-	-	2,999,933	2,999,933
Inventories	113,661	-	31,765	145,426
Prepays	490,778	-	-	490,778
TOTAL ASSETS	<u>\$ 26,634,287</u>	<u>\$ 5,103,570</u>	<u>\$ 5,250,593</u>	<u>\$ 36,988,450</u>
DEFERRED INFLOWS OF RESOURCES, LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 2,668,003	\$ -	\$ 309,759	\$ 2,977,762
Accrued salaries and related items	9,758,661	-	29,206	9,787,867
Due to other funds	2,693,809	-	306,124	2,999,933
Unearned revenue	1,270,083	-	-	1,270,083
TOTAL LIABILITIES	<u>16,390,556</u>	<u>-</u>	<u>645,089</u>	<u>17,035,645</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	<u>814,562</u>	<u>-</u>	<u>390,575</u>	<u>1,205,137</u>

See notes to the financial statements

	<u>General fund</u>	<u>QZAB debt service fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
FUND BALANCES:				
Nonspendable:				
Inventories	\$ 113,661	\$ -	\$ 31,765	\$ 145,426
Prepays	490,778	-	-	490,778
Restricted:				
Debt service	-	5,103,570	451,554	5,555,124
Capital projects - sinking fund	-	-	454,050	454,050
Food service	-	-	960,082	960,082
Assigned:				
Capital projects	-	-	2,317,478	2,317,478
Unassigned:				
General fund	8,824,730	-	-	8,824,730
TOTAL FUND BALANCES	<u>9,429,169</u>	<u>5,103,570</u>	<u>4,214,929</u>	<u>18,747,668</u>
TOTAL DEFERRED INFLOWS, RESOURCES, LIABILITIES AND FUND BALANCES	<u>\$ 26,634,287</u>	<u>\$ 5,103,570</u>	<u>\$ 5,250,593</u>	<u>\$ 36,988,450</u>
Total governmental fund balances				\$ 18,747,668
Amounts reported for governmental activities in the statement of net position are different because:				
Deferred charge on refunding, net of amortization				2,351,420
Deferred outflows of resources - related to pensions				21,207,296
Deferred inflows of resources - related to pensions				(21,871,186)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
Capital assets			\$ 187,409,460	
Accumulated depreciation			(99,988,819)	
			<u>87,420,641</u>	
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(45,109,201)
Compensated absences, termination benefits, and self-insured workers' compensation plan				(3,696,600)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid				(271,925)
Unavailable revenue - at June 30th expected to be collected after September 1st				1,205,137
Net pension liability				(197,731,925)
Net position of governmental activities				<u>\$ (137,748,675)</u>

See notes to the financial statements

**LANSING SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

	<u>General fund</u>	<u>QZAB debt service fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ 20,316,966	\$ -	\$ 8,404,891	\$ 28,721,857
Investment earnings	2,304	145,213	3,705	151,222
Food sales	-	-	148,752	148,752
Other	2,972,975	-	604,645	3,577,620
Total local sources	23,292,245	145,213	9,161,993	32,599,451
State sources	94,794,149	-	230,172	95,024,321
Federal sources	19,331,405	-	7,262,342	26,593,747
Incoming transfers	17,129,270	-	-	17,129,270
Total revenues	154,547,069	145,213	16,654,507	171,346,789
EXPENDITURES:				
Current:				
Instruction	84,768,690	-	-	84,768,690
Supporting services	64,251,461	-	-	64,251,461
Food service activities	-	-	7,446,455	7,446,455
Community service activities	635,322	-	-	635,322
Capital outlay	-	-	4,929,092	4,929,092

See notes to the financial statements

	<u>General fund</u>	<u>QZAB debt service fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):				
Debt service:				
Principal payments	\$ -	\$ -	\$ 3,595,000	\$ 3,595,000
Interest	-	-	1,775,350	1,775,350
Other expense	-	-	1,004	1,004
Total expenditures	<u>149,655,473</u>	<u>-</u>	<u>17,746,901</u>	<u>167,402,374</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,891,596</u>	<u>145,213</u>	<u>(1,092,394)</u>	<u>3,944,415</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	1,490,600	-	507,801	1,998,401
Transfers in	347,202	282,276	417,724	1,047,202
Transfers out	(700,000)	-	(347,202)	(1,047,202)
Total other financing sources (uses)	<u>1,137,802</u>	<u>282,276</u>	<u>578,323</u>	<u>1,998,401</u>
NET CHANGE IN FUND BALANCES	<u>6,029,398</u>	<u>427,489</u>	<u>(514,071)</u>	<u>5,942,816</u>
FUND BALANCES:				
Beginning of year	<u>3,399,771</u>	<u>4,676,081</u>	<u>4,729,000</u>	<u>12,804,852</u>
End of year	<u>\$ 9,429,169</u>	<u>\$ 5,103,570</u>	<u>\$ 4,214,929</u>	<u>\$ 18,747,668</u>

See notes to the financial statements

**LANSING SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Net change in fund balances total governmental funds \$ 5,942,816

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

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

Depreciation expense	(4,288,444)
Capital outlay	4,462,370
Unrecovered cost on asset disposal	(986,130)

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	295,891
Accrued interest payable, end of the year	(271,925)

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

Payments on debt	3,595,000
Amortization of deferred charge on refunding	(335,099)
Amortization of bond premium	708,798

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

Unavailable revenue, beginning of the year	(132,991)
Unavailable revenue, end of the year	1,205,137

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 and other termination benefits, beginning of the year	4,088,678
Accrued compensated absences and other termination benefits, end of the year	(3,696,600)

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

Pension related items	322,155
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Change in net position of governmental activities	\$ 10,909,656
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**LANSING SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	Private purpose trust fund	Agency fund
ASSETS:		
Cash and cash equivalents	\$ 1,555,541	\$ 929,882
Accounts receivable	5,241	3,085
TOTAL ASSETS	1,560,782	932,967
LIABILITIES:		
Accounts payable	109,567	376,171
Accrued expenses	-	348
Due to student groups	-	556,448
TOTAL LIABILITIES	109,567	932,967
NET POSITION:		
Restricted for trust activities	\$ 1,451,215	\$ -

**LANSING SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015**

	Private purpose trust fund
ADDITIONS:	
Donations	\$ 128,661
Interest earnings	5,114
Other	111,194
Total additions	244,969
DEDUCTIONS:	
Scholarships awarded	63,486
Other	288,597
Total deductions	352,083
CHANGE IN NET POSITION	(107,114)
NET POSITION:	
Beginning of year	1,558,329
End of year	\$ 1,451,215

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

B. Reporting Entity

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

C. Basis of Presentation - Government-wide Financial Statements

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

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

D. Basis of Presentation - Fund Financial Statements

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District reports the following major governmental funds:

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

The QZAB *debt service fund* accounts for the resources accumulated to make a \$5,000,000 principal payment in fiscal year 2017.

Other Non-major Funds

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

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

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

The capital projects sinking fund accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District has complied with the applicable provisions of section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

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

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a 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 current year ended, the foundation allowance was based on pupil membership counts.

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

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

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

The private-purpose trust fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information

Budgetary basis of accounting:

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

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

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2015. The District does not consider these amendments to be significant.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Cash and cash equivalents

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

2. Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

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

3. Inventories and prepaids

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital assets

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

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

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

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

5. Defined benefit plan

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Deferred outflows/inflows of resources

Deferred outflows

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

Deferred inflows

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

7. Net position flow assumption

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Fund balance flow assumptions

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

9. Fund balance policies

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues and Expenditures/Expenses

1. Program revenues

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

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, 2015, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	17.9262
Commercial Personal Property	5.9262
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	2.3400
Capital projects (sinking fund)	
PRE, Non-PRE. Commercial Personal Property	1.5000

3. Compensated absences

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

4. Long-term obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

	Fair Value	Weighted average maturity (years)	Standard & Poor's Rating	%
MILAF U.S. Treasury notes	\$ 1,053,117	0.5589	AA+	26%
MILAF U.S. Treasury notes	1,262,208	0.8073	AA+	31%
MILAF + Cash Mgmt Class	1,756,102	0.0027	AAAm	43%
	<u>\$ 4,071,427</u>			<u>100%</u>
Portfolio weighted average maturity		<u>0.3960</u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2015, the fair value of the District's investments is the same as the value of the pool shares.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2015, \$10,745,105 of the District’s bank balance of \$11,249,105 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of all deposits is \$11,001,397.

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

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

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

The above amounts as previously reported in Note 2:

Deposits - including fiduciary funds of \$2,485,423	\$ 11,001,397
Investments	4,071,427
	\$ 15,072,824

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

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

Cash - private purpose trust fund	\$ 1,555,541
Cash - agency fund	929,882
Cash and cash equivalents - restricted QZAB debt service	5,103,570
Cash and cash equivalents - district-wide	7,483,831
	<u>\$ 15,072,824</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2015 consist of the following:

	<u>Governmental Funds</u>
Other governmental units:	
State aid	\$ 14,913,374
Federal	2,630,277
Other	603,167
	<u>\$ 18,146,818</u>

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

No allowance for doubtful accounts is considered necessary.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Reclassifications/ Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 4,309,217	\$ -	\$ 112,335	\$ 4,196,882
Construction in progress	-	331,536	-	331,536
Subtotal	4,309,217	331,536	112,335	4,528,418
Capital assets, being depreciated				
Land improvements	20,568,609	256,030	-	20,824,639
Buildings and additions	142,022,323	3,563,161	-	145,585,484
Machinery and equipment	15,599,864	245,589	621,810	15,223,643
Buses	4,444,428	-	4,444,428	-
Transportation equipment	1,510,399	66,054	329,177	1,247,276
Subtotal	184,145,623	4,130,834	5,395,415	182,881,042
Accumulated depreciation:				
Land improvements	12,190,265	663,677	-	12,853,942
Buildings and additions	71,483,201	2,827,219	180,279	74,130,141
Machinery and equipment	11,874,797	766,237	589,083	12,051,951
Buses	3,438,459	-	3,438,459	-
Transportation equipment	1,235,273	31,311	313,799	952,785
Subtotal	100,221,995	4,288,444	4,521,620	99,988,819
Total capital assets being depreciated, net	83,923,628	(157,610)	873,795	82,892,223
Governmental activities capital assets, net	\$ 88,232,845	\$ 173,926	\$ 986,130	\$ 87,420,641

Depreciation for the fiscal year ended June 30, 2015 amounted to \$4,288,444.

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

Instruction	\$ 2,246,415
Support service	935,340
Food service	6,609
Unallocated	1,100,080
	<u>\$ 4,288,444</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, 2015:

	Self-insured workers' compensation plan	Compensated absences and termination benefits	Bonds	Total
Balance, July 1, 2014	\$ 61,610	\$ 4,027,068	\$49,412,999	\$ 53,501,677
Deletions	4,565	387,513	4,303,798	4,695,876
Balance, June 30, 2015	57,045	3,639,555	45,109,201	48,805,801
Due within one year	-	2,968,619	3,735,000	6,703,619
Due in more than one year	<u>\$ 57,045</u>	<u>\$ 670,936</u>	<u>\$41,374,201</u>	<u>\$ 42,102,182</u>

Bonds payable at June 30, 2015 is comprised of the following issues:

2012 general obligation refunding bonds due in annual installments of \$2,330,000 to \$4,575,000 through May 1, 2022, with an interest at 4.00% to 5.00%.	\$ 27,170,000
2006 general obligation refunding bonds due in annual installments of \$55,000 to \$5,065,000 through May 1, 2023, with interest at 4.00%.	7,760,000
2002 QZAB bond due in one installment of \$5,000,000 in September 2016 with interest of 0%.	5,000,000
Plus: premium on bond issuance (net)	<u>5,179,201</u>
Total general obligation debt	45,109,201
Accrued retirement benefits and worker's compensation:	
Obligation for compensated absences and termination benefits	3,639,555
Obligation for workers' compensation claims	<u>57,045</u>
Total debt	<u>\$ 48,805,801</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (Concluded)

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2015, \$7,520,000 of bonds outstanding are considered defeased.

At June 30, 2015, \$5,555,124 is available to service the general obligation debt. The annual requirements to amortize bonded debt and notes payable outstanding as of June 30, 2015, including interest payments of \$9,265,450 are as follows:

Year ending June 30,	Principal	Interest	Amounts payable
2016	\$ 3,735,000	\$ 1,631,550	\$ 5,366,550
2017	8,875,000	1,631,550	10,506,550
2018	4,065,000	1,482,150	5,547,150
2019	4,260,000	1,288,400	5,548,400
2020	4,440,000	1,085,150	5,525,150
2021 - 2024	14,555,000	2,146,650	16,701,650
	39,930,000	9,265,450	49,195,450
Premium on bond issuance	5,179,201	-	5,179,201
Compensated absences and termination benefits	3,639,555	-	3,639,555
Workers' compensation claims	57,045	-	57,045
	<u>\$ 48,805,801</u>	<u>\$ 9,265,450</u>	<u>\$ 58,071,251</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2015 are as follows:

Receivable fund		Payable fund	
Special revenue fund	\$ 924,889	General fund	\$ 2,693,809
Debt service funds	417,701	Capital projects funds	306,124
Capital projects funds	<u>1,657,343</u>		
	<u>\$ 2,999,933</u>		<u>\$ 2,999,933</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES (Concluded)

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

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/orsschools/0,1607,7-206-36585-,00.html>.

Benefits Provided

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

Pension Reform 2010

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Pension Reform 2012

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

Regular Retirement (no reduction factor for age)

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

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus

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

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan).

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Member Contributions

The majority of the members currently participate on a contributory basis, under a variety of options "Benefits Provided." Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer Contributions

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

The District's pension contributions for the year ended June 30, 2015 were equal to the required contribution total. Pension contributions were approximately \$23,649,000, with \$21,659,000 specifically for the Defined Benefit Plan. These amounts include Section 147 contributions also.

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

Pension Liabilities

At June 30, 2015, the District reported a liability of \$197,731,925 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2014, the District's proportion was .89770 percent.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

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

For the year ended June 30, 2015, the District recognized pension expense of approximately \$15,200,000. At June 30, 2015, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 7,295,885	\$ -
Difference between expected and actual plan investment earnings	-	(21,859,345)
Net difference between projected and actual earnings on pension plan investments	-	(11,841)
Reporting Unit's contributions subsequent to the measurement date	13,911,411	-
	\$ 21,207,296	\$ (21,871,186)

\$13,911,411, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year ended June 30,	Amount
2016	\$ (3,547,983)
2017	(3,547,983)
2018	(3,547,983)
2019	(3,931,352)

Actuarial Assumptions

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

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

Inflation - 2.5%

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Mortality assumptions - The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Male and female Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. The final rates used include no margin for future mortality improvement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. An assumption experience study is performed every five years. The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2008 to September 30, 2013. As a result of this actuarial experience study, the actuarial assumptions were adjusted to more closely reflect actual experience.

The long-term expected rate of return on pension plan investments - The rate was **8% (7% Pension Plus Plan)** net of investment and administrative expenses was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Investment Category</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic Equity Pools	28.00%	4.80%
Alternate Investment Pools	18.00%	8.50%
International Equity	16.00%	6.10%
Fixed Income Pools	10.50%	1.50%
Real Estate and Infrastructure Pools	10.00%	5.30%
Absolute Return Pools	15.50%	6.30%
Short Term Investment Pools	2.00%	(0.20%)
	<u>100.00%</u>	

* Long term rate of return does not include 2.50% inflation.

*Long term rate of return does not include 2.5% inflation.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Discount rate - The discount rate used to measure the total pension liability was **8%** (7% for Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1% Lower (7.0%)	Discount rate (8.0%)	1% Higher (9.0%)
Reporting Unit's proportionate share of the net pension liability	\$ 260,692,325	\$ 197,731,925	\$ 144,686,858

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2014 Comprehensive Annual Financial Report, available here: <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

Benefit Provisions - Other Postemployment

Introduction

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Concluded)

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012

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

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

Employer Contributions

The District postemployment healthcare contributions to MPSERS for the year ended June 30, 2015 were approximately \$1,941,000.

NOTE 8 - CONTINGENCIES

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

NOTE 9 - TRANSFERS

The general fund transferred \$417,724 to the capital projects funds, and \$282,276 to the QZAB debt funds, and \$347,202 was transferred from the food service fund to the general fund.

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - NEW ACCOUNTING STANDARDS

For the year ended June 30, 2015 the District implemented the following new pronouncements: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Summary:

GASB Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

GASB Statement No. 71 addressed the issue of contributions made to the defined benefit pension plans after the measurement date for the year in which GASB Statement No. 68 is implemented. The effect is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual basis financial statements.

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

	Governmental activities
Net position as previously stated July 1, 2014	\$ 50,059,639
Adoption of GASB Statements 68 and 71	
Net pension liability	(210,347,394)
Deferred outflows	11,629,424
Net position as restated July 1, 2014	\$ (148,658,331)

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

REQUIRED SUPPLEMENTARY INFORMATION

**LANSING SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 23,618,665	\$ 23,310,154	\$ 23,292,245	\$ (17,909)
State sources	95,862,296	94,512,986	94,794,149	281,163
Federal sources	26,736,349	20,773,967	19,331,405	(1,442,562)
Incoming transfers	16,849,868	16,781,436	17,129,270	347,834
Total revenues	<u>163,067,178</u>	<u>155,378,543</u>	<u>154,547,069</u>	<u>(831,474)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	62,846,239	59,875,757	59,527,185	348,572
Added needs	30,088,252	25,570,230	24,718,619	851,611
Adult and continuing education	482,855	622,172	522,886	99,286
Total instruction	<u>93,417,346</u>	<u>86,068,159</u>	<u>84,768,690</u>	<u>1,299,469</u>
Supporting services:				
Pupil	15,499,884	15,848,620	14,887,797	960,823
Instructional staff	12,792,850	9,562,881	9,136,586	426,295
General administration	796,058	1,244,204	1,064,785	179,419
School administration	7,620,153	7,811,691	7,515,393	296,298
Business	3,773,436	3,698,345	3,378,216	320,129
Operation and maintenance	13,940,568	14,462,637	13,109,841	1,352,796
Pupil transportation	8,863,252	9,764,063	9,342,238	421,825
Central	4,655,946	5,242,355	4,632,626	609,729
Other	1,282,592	1,252,503	1,183,979	68,524
Total supporting services	<u>69,224,739</u>	<u>68,887,299</u>	<u>64,251,461</u>	<u>4,635,838</u>
Community service activities	896,432	717,971	635,322	82,649
Total expenditures	<u>163,538,517</u>	<u>155,673,429</u>	<u>149,655,473</u>	<u>6,017,956</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(471,339)</u>	<u>(294,886)</u>	<u>4,891,596</u>	<u>5,186,482</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	1,490,600	1,490,600	-
Transfers in	517,703	330,000	347,202	17,202
Transfers out	(531,961)	(785,901)	(700,000)	85,901
Total other financing sources (uses)	<u>(14,258)</u>	<u>1,034,699</u>	<u>1,137,802</u>	<u>103,103</u>
NET CHANGE IN FUND BALANCE	<u>\$ (485,597)</u>	<u>\$ 739,813</u>	<u>6,029,398</u>	<u>\$ 5,289,585</u>
FUND BALANCE:				
Beginning of year			<u>3,399,771</u>	
End of year			<u>\$ 9,429,169</u>	

**LANSING SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 9/30 OF EACH FISCAL YEAR)**

	2014
Reporting unit's proportion of net pension liability (%)	0.89770%
Reporting unit's proportionate share of net pension liability	\$ 197,731,925
Reporting unit's covered-employee payroll	\$ 76,163,477
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	259.62%
Plan fiduciary net position as a percentage of total pension liability	66.20%

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

**LANSING SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
 MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
 LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
 AS OF 6/30 OF EACH FISCAL YEAR**

	2015
Statutorily required contributions	\$ 15,524,963
Contributions in relation to statutorily required contributions	15,524,963
Contribution deficiency (excess)	\$ -
Reporting unit's covered-employee payroll	\$ 71,678,853
Contributions as a percentage of covered-employee payroll	21.66%

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

**LANSING SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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

Changes of assumptions: Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

ADDITIONAL SUPPLEMENTARY INFORMATION

**LANSING SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2015**

	Special revenue fund	Debt service funds	Capital projects funds	Total nonmajor funds
ASSETS:				
Cash and cash equivalents	\$ -	\$ 32,146	\$ 1,131,671	\$ 1,163,817
Accounts receivable	1,106	-	447,801	448,907
Taxes receivable	-	256,722	136,625	393,347
Intergovernmental	212,824	-	-	212,824
Due from other funds	924,889	417,701	1,657,343	2,999,933
Inventories	31,765	-	-	31,765
TOTAL ASSETS	\$ 1,170,584	\$ 706,569	\$ 3,373,440	\$ 5,250,593
LIABILITIES:				
Accounts payable	\$ 149,531	\$ -	\$ 160,228	\$ 309,759
Accrued salaries and related items	29,206	-	-	29,206
Due to other funds	-	-	306,124	306,124
TOTAL LIABILITIES	178,737	-	466,352	645,089
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property Taxes	-	255,015	135,560	390,575
FUND BALANCES:				
Nonspendable:				
Inventories	31,765	-	-	31,765
Restricted:				
Debt service	-	451,554	-	451,554
Capital projects	-	-	454,050	454,050
Food service	960,082	-	-	960,082
Assigned	-	-	2,317,478	2,317,478
TOTAL FUND BALANCES	991,847	451,554	2,771,528	4,214,929
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 1,170,584	\$ 706,569	\$ 3,373,440	\$ 5,250,593

**LANSING SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2015**

	Special revenue fund	Debt service funds	Capital projects funds	Total nonmajor funds
REVENUES:				
Local sources:				
Property taxes	\$ -	\$ 5,157,015	\$ 3,247,876	\$ 8,404,891
Investment earnings	-	115	3,590	3,705
Food sales	148,752	-	-	148,752
Other	2,286	-	602,359	604,645
Total local sources	151,038	5,157,130	3,853,825	9,161,993
State sources	227,423	2,749	-	230,172
Federal sources	7,262,342	-	-	7,262,342
Total revenues	7,640,803	5,159,879	3,853,825	16,654,507
EXPENDITURES:				
Current:				
Food service activities	7,446,455	-	-	7,446,455
Capital outlay	-	-	4,929,092	4,929,092
Debt service:				
Principal payments	-	3,595,000	-	3,595,000
Interest on debt	-	1,775,350	-	1,775,350
Other	-	1,004	-	1,004
Total expenditures	7,446,455	5,371,354	4,929,092	17,746,901
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	194,348	(211,475)	(1,075,267)	(1,092,394)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	-	507,801	507,801
Transfers in	-	-	417,724	417,724
Transfers out	(347,202)	-	-	(347,202)
Total other financing sources (uses)	(347,202)	-	925,525	578,323
NET CHANGE IN FUND BALANCES	(152,854)	(211,475)	(149,742)	(514,071)
FUND BALANCES:				
Beginning of year	1,144,701	663,029	2,921,270	4,729,000
End of year	\$ 991,847	\$ 451,554	\$ 2,771,528	\$ 4,214,929

**LANSING SCHOOL DISTRICT
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	2006	2012	Totals
	Refunding	Refunding	
ASSETS:			
Cash and cash equivalents	\$ 32,146	\$ -	\$ 32,146
Taxes receivable	2,194	254,528	256,722
Due from other funds	99,459	318,242	417,701
	<u>133,799</u>	<u>572,770</u>	<u>706,569</u>
TOTAL ASSETS	<u>\$ 133,799</u>	<u>\$ 572,770</u>	<u>\$ 706,569</u>
 DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - Property Taxes	<u>2,180</u>	<u>252,835</u>	<u>255,015</u>
 FUND BALANCES:			
Restricted for debt service	<u>\$ 131,619</u>	<u>\$ 319,935</u>	<u>\$ 451,554</u>
	<u>133,799</u>	<u>572,770</u>	<u>706,569</u>
TOTAL DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 133,799</u>	<u>\$ 572,770</u>	<u>\$ 706,569</u>

**LANSING SCHOOL DISTRICT
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015**

	<u>2006</u> <u>Refunding</u>	<u>2012</u> <u>Refunding</u>	<u>Totals</u>
REVENUES:			
Local sources:			
Current property taxes	\$ 49,821	\$ 5,107,194	\$ 5,157,015
Interest on investments	115	-	115
State sources	-	2,749	2,749
Total revenues	<u>49,936</u>	<u>5,109,943</u>	<u>5,159,879</u>
EXPENDITURES:			
Principal payments	-	3,595,000	3,595,000
Interest on debt	310,400	1,464,950	1,775,350
Other	804	200	1,004
Total expenditures	<u>311,204</u>	<u>5,060,150</u>	<u>5,371,354</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(261,268)</u>	<u>49,793</u>	<u>(211,475)</u>
FUND BALANCES:			
Beginning of year	392,887	270,142	663,029
End of year	<u>\$ 131,619</u>	<u>\$ 319,935</u>	<u>\$ 451,554</u>

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	<u>Capital projects</u>	<u>Sinking Fund</u>	<u>BTS capital project</u>	<u>Replacement fund</u>	<u>Sale of Assets Fund</u>	<u>Totals</u>
ASSETS:						
Cash and cash equivalents	\$ -	\$ -	\$ 226,135	\$ 905,536	\$ -	\$ 1,131,671
Accounts receivable	-	-	-	-	447,801	447,801
Taxes receivable	-	136,625	-	-	-	136,625
Due from other funds	146,321	586,051	1,156	-	923,815	1,657,343
TOTAL ASSETS	<u>\$ 146,321</u>	<u>\$ 722,676</u>	<u>\$ 227,291</u>	<u>\$ 905,536</u>	<u>\$ 1,371,616</u>	<u>\$ 3,373,440</u>
LIABILITIES:						
Accounts payable	\$ 1,494	\$ 133,066	\$ -	\$ 25,668	\$ -	\$ 160,228
Due to other funds	-	-	-	306,124	-	306,124
Total liabilities	<u>1,494</u>	<u>133,066</u>	<u>-</u>	<u>331,792</u>	<u>-</u>	<u>466,352</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - Property Taxes	-	135,560	-	-	-	135,560
FUND BALANCES:						
Restricted for capital projects	-	454,050	-	-	-	454,050
Assigned for capital projects	144,827	-	227,291	573,744	1,371,616	2,317,478
TOTAL FUND BALANCES	<u>144,827</u>	<u>454,050</u>	<u>227,291</u>	<u>573,744</u>	<u>1,371,616</u>	<u>2,771,528</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 146,321</u>	<u>\$ 722,676</u>	<u>\$ 227,291</u>	<u>\$ 905,536</u>	<u>\$ 1,371,616</u>	<u>\$ 3,373,440</u>

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015**

	Capital projects	Sinking Fund	BTS capital project	Replacement fund	Technology fund	Lansing Police Department Fund	Sale of Assets Fund	Totals
REVENUES:								
Interest on investments	\$ -	\$ -	\$ 717	\$ 2,873	\$ -	\$ -	\$ -	\$ 3,590
Current property taxes	-	3,247,876	-	-	-	-	-	3,247,876
Other	-	-	-	-	-	602,359	-	602,359
Total revenues	-	3,247,876	717	2,873	-	602,359	-	3,853,825
EXPENDITURES:								
Capital outlay	167,558	3,210,209	-	441,423	189,856	920,046	-	4,929,092
Total expenditures	167,558	3,210,209	-	441,423	189,856	920,046	-	4,929,092
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES								
	(167,558)	37,667	717	(438,550)	(189,856)	(317,687)	-	(1,075,267)
OTHER FINANCING SOURCES:								
Proceeds from sale of capital assets	-	-	-	-	-	-	507,801	507,801
Transfers in	300,000	-	-	105,000	12,724	-	-	417,724
Total other financing sources	300,000	-	-	105,000	12,724	-	507,801	925,525
NET CHANGE IN FUND BALANCES	132,442	37,667	717	(333,550)	(177,132)	(317,687)	507,801	(149,742)
FUND BALANCES:								
Beginning of year	12,385	416,383	226,574	907,294	177,132	317,687	863,815	2,921,270
End of year	\$ 144,827	\$ 454,050	\$ 227,291	\$ 573,744	\$ -	\$ -	\$ 1,371,616	\$ 2,771,528

**LANSING SCHOOL DISTRICT
FIDUCIARY FUND TYPES
STATEMENT OF REVENUES, EXPENDITURES
AND NET POSITION - PRIVATE PURPOSE TRUST FUND
YEAR ENDED JUNE 30, 2015**

	<u>Balance July 1, 2014</u>	<u>Revenues and transfers</u>	<u>Expenditures and transfers</u>	<u>Balance June 30, 2015</u>
Donations:				
Library revolving funds	\$ 99,823	\$ 480	\$ -	\$ 100,303
Memorial fund donations	82,245	371	5,071	77,545
Special education donations	1,425	7	-	1,432
Geraldine M. Curtis Trust	375,624	1,376	91,578	285,422
RIF	84,185	135,953	141,049	79,089
Stapleton Reading Material Fund	20,808	100	-	20,908
College tour	362	2	-	364
	<u>664,472</u>	<u>138,289</u>	<u>237,698</u>	<u>565,063</u>
Scholarships:				
Harold Norton Award	286	1	-	287
Carl McLean Award	12,467	84	-	12,551
Grabow Scholarship	242	1	-	243
Windfuhr Scholarship	8,455	124	-	8,579
Putnam Scholarship	53,027	2,711	11,500	44,238
Hinman Award	44,487	30,928	35,186	40,229
Winslow Memorial Fund	32,578	15,271	40,638	7,211
Lett's Scholarship	6,882	33	-	6,915
Elsie A. Maile Award	6,415	15,031	15,000	6,446
Hebbard Trust	649,034	28,050	300	676,784
	<u>813,873</u>	<u>92,234</u>	<u>102,624</u>	<u>803,483</u>
Other:				
Spink - Cable	10,356	50	-	10,406
Administration Pepsi Fund	3,311	5,031	5,807	2,535
Physical Plant Pop Fund	5,997	178	15	6,160
Miscellaneous funds	60,320	9,187	5,939	63,568
	<u>79,984</u>	<u>14,446</u>	<u>11,761</u>	<u>82,669</u>
	<u>\$ 1,558,329</u>	<u>\$ 244,969</u>	<u>\$ 352,083</u>	<u>\$ 1,451,215</u>

**LANSING SCHOOL DISTRICT
FIDUCIARY FUND TYPES
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY SCHOOL - AGENCY FUND
YEAR ENDED JUNE 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Eastern High School	\$ 160,916	\$ 87,863	\$ 99,738	\$ 149,041
Hill Vocational School	9,599	21,306	20,703	10,202
Sexton High School	83,003	74,299	81,045	76,257
Everett High School	78,439	156,736	146,675	88,500
Pattengill Middle School	8,271	11,519	11,106	8,684
Gardner Middle School	67,727	27,234	39,525	55,436
Otto Middle School	-	49	49	-
Elementary schools and other	181,444	289,908	303,024	168,328
	<u>\$ 589,399</u>	<u>\$ 668,914</u>	<u>\$ 701,865</u>	<u>\$ 556,448</u>

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2015**

2012 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2016	4.000%	\$ 3,735,000	\$ 660,575	\$ 660,575	\$ 5,056,150
2017	5.000%	3,875,000	585,875	585,875	5,046,750
2018	5.000%	4,065,000	489,000	489,000	5,043,000
2019	5.000%	4,205,000	387,375	387,375	4,979,750
2020	5.000%	4,385,000	282,250	282,250	4,949,500
2021	5.000%	4,575,000	172,625	172,625	4,920,250
2022	5.000%	2,330,000	58,250	58,250	2,446,500
Total 2012 bonded debt		<u>\$ 27,170,000</u>	<u>\$ 2,635,950</u>	<u>\$ 2,635,950</u>	<u>\$ 32,441,900</u>

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

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2015**

2006 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2016		\$ -	\$ 155,200	\$ 155,200	\$ 310,400
2017		-	155,200	155,200	310,400
2018		-	155,200	155,200	310,400
2019	4.000%	55,000	155,200	155,200	365,400
2020	4.000%	55,000	154,100	154,100	363,200
2021	4.000%	60,000	153,000	153,000	366,000
2022	4.000%	2,525,000	151,800	151,800	2,828,600
2023	4.000%	5,065,000	101,300	101,300	5,267,600
Total 2006 bonded debt		<u>\$ 7,760,000</u>	<u>\$ 1,181,000</u>	<u>\$ 1,181,000</u>	<u>\$ 10,122,000</u>

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

**LANSING SCHOOL DISTRICT
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2015**

2002 Qualified Zone Academy Bonds

<u>Fiscal Year</u> <u>year</u>	<u>Interest</u> <u>rate</u>	<u>Principal</u> <u>due</u> <u>September 17</u>
2017	0%	\$ 5,000,000

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
SCHEDULE OF INTEREST BEARING ACCOUNTS
JUNE 30, 2015**

	<u>Maturity date</u>	<u>Interest rate</u>	<u>Amount</u>
Money market fund:			
MILAF (US Treasury Notes)	various	0.00%	\$ 2,315,325
MILAF (PFM) Cash	N/A	0.02%	1,756,102
Bank of New York	N/A	2.93%	<u>5,103,570</u>
Total interest bearing deposits			<u><u>\$ 9,174,997</u></u>

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal grantor/pass-through grantor/program title	CFDA Number	Pass-through number	Approved Award	Prior year expenditures (memorandum only)	Accrued 7/1/2014	Current year expenditures	Current year receipts	Accrued 6/30/2015
<u>U.S. Department of Agriculture:</u>								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
Non-Cash Assistance (donated foods):								
National School Lunch - Entitlement	10.555	-----	\$ 361,121	\$ 362,618	\$ -	\$ 361,121	\$ 361,121	\$ -
National School Lunch - Bonus	10.555		702	-	-	702	702	-
Total non-cash assistance			<u>361,823</u>	<u>362,618</u>	<u>-</u>	<u>361,823</u>	<u>361,823</u>	<u>-</u>
Cash Assistance:								
National School Lunch - Section 4	10.555	141980	20,427	20,427	23	-	23	-
National School Lunch - Section 11	10.555	141960	4,302,847	4,302,847	80,583	-	80,583	-
National School Lunch - CACFP	10.555	151920	171,916	-	279	171,916	170,357	1,838
National School Lunch - Section 4	10.555	151980	25,792	-	-	25,792	25,516	276
National School Lunch - Section 11	10.555	151960	4,327,826	-	-	4,327,826	4,244,759	83,067
			<u>8,848,808</u>	<u>4,323,274</u>	<u>80,885</u>	<u>4,525,534</u>	<u>4,521,238</u>	<u>85,181</u>
Summer Food Service	10.559	142900	200,228	50,997	50,997	136,710	187,707	-
Summer Food Service	10.559	152900	54,861	-	-	54,861	-	54,861
			<u>255,089</u>	<u>50,997</u>	<u>50,997</u>	<u>191,571</u>	<u>187,707</u>	<u>54,861</u>
National School Lunch - Breakfast	10.553	141970	2,179,796	2,179,796	59,282	-	59,282	-
National School Lunch - Breakfast	10.553	151970	2,135,988	-	-	2,135,988	2,079,402	56,586
			<u>4,315,784</u>	<u>2,179,796</u>	<u>59,282</u>	<u>2,135,988</u>	<u>2,138,684</u>	<u>56,586</u>
Total cash assistance			<u>13,419,681</u>	<u>6,554,067</u>	<u>191,164</u>	<u>6,853,093</u>	<u>6,847,629</u>	<u>196,628</u>
Total child nutrition cluster			<u>13,781,504</u>	<u>6,916,685</u>	<u>191,164</u>	<u>7,214,916</u>	<u>7,209,452</u>	<u>196,628</u>
Fresh Fruit & Veggie Grant	10.582	140950	45,650	40,698	7,904	-	7,904	-
Fresh Fruit & Veggie Grant	10.582	150950	46,640	-	-	47,426	31,229	16,197
			<u>92,290</u>	<u>40,698</u>	<u>7,904</u>	<u>47,426</u>	<u>39,133</u>	<u>16,197</u>
Passed through Eaton ISD:								
SPLASH	10.561	-----	3,000	-	-	1,252	1,252	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>13,876,794</u>	<u>6,957,383</u>	<u>199,068</u>	<u>7,263,594</u>	<u>7,249,837</u>	<u>212,825</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA Number</u>	<u>Pass-through number</u>	<u>Approved Award</u>	<u>Prior year expenditures (memorandum only)</u>	<u>Accrued 7/1/2014</u>	<u>Current year expenditures</u>	<u>Current year receipts</u>	<u>Accrued 6/30/2015</u>
U.S. Department of Education:								
Direct programs:								
Indian Education	84.060A	----	\$ 26,873	\$ 6,534	\$ 2,441	\$ 220	\$ 2,661	\$ -
Indian Education	84.060A	----	28,493	-	-	20,599	19,380	1,219
			<u>55,366</u>	<u>6,534</u>	<u>2,441</u>	<u>20,819</u>	<u>22,041</u>	<u>1,219</u>
Magnet	84.165A	----	3,396,230	1,404,505	857,118	872,795	1,729,913	-
Magnet	84.165A	----	3,407,436	-	-	2,143,793	1,823,216	320,577
Magnet	84.165A	----	1,118,929	-	-	855,640	782,141	73,499
			<u>7,922,595</u>	<u>1,404,505</u>	<u>857,118</u>	<u>3,872,228</u>	<u>4,335,270</u>	<u>394,076</u>
CHILD: Counseling Helps Individuals Learn & Develop	84.215E	----	367,363	37,787	7,727	5,617	13,344	-
CHILD: Counseling Helps Individuals Learn & Develop	84.215E	----	267,352	146,481	6,223	6,509	12,732	-
CHILD: Counseling Helps Individuals Learn & Develop	84.215E	----	372,263	207,827	70,851	63,764	134,615	-
			<u>1,006,978</u>	<u>392,095</u>	<u>84,801</u>	<u>75,890</u>	<u>160,691</u>	<u>-</u>
Carol M White Physical Education	84.215F	----	280,226	-	-	45,536	28,426	17,110
Carol M White Physical Education	84.215F	----	431,129	-	-	431,129	430,738	391
Carol M White Physical Education	84.215F	----	710,874	-	-	68,812	45,565	23,247
			<u>1,422,229</u>	<u>-</u>	<u>-</u>	<u>545,477</u>	<u>504,729</u>	<u>40,748</u>
PEACE	84.184M	----	763,072	-	-	320,983	264,493	56,490
Passed through Michigan Department of Education:								
ECIA Title I - Regular	84.010	141530/1314	10,844,348	8,140,631	2,048,005	775,269	2,823,274	-
ECIA Title I - Regular	84.010	151530/1415	8,808,129	-	-	7,024,774	6,070,406	954,368
			<u>19,652,477</u>	<u>8,140,631</u>	<u>2,048,005</u>	<u>7,800,043</u>	<u>8,893,680</u>	<u>954,368</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal grantor/pass-through grantor/program title	CFDA Number	Pass-through number	Approved Award	Prior year expenditures (memorandum only)	Accrued 7/1/2014	Current year expenditures	Current year receipts	Accrued 6/30/2015
<u>U.S. Department of Education (Continued):</u>								
ECIA Title I - N & D	84.013	141700/1314	\$ 291,501	\$ 184,645	\$ 31,622	\$ 26,556	\$ 58,178	\$ -
ECIA Title I - N & D	84.013	151700/1415	232,004	-	-	182,483	153,246	29,237
			<u>523,505</u>	<u>184,645</u>	<u>31,622</u>	<u>209,039</u>	<u>211,424</u>	<u>29,237</u>
Michigan-Safe and Supportive Schools	84.184	142790/SSS2014	175,500	124,264	10,929	24,730	35,659	-
Michigan-Safe and Supportive Schools	84.184	152790/SSS2015	137,993	-	-	107,685	100,658	7,027
			<u>313,493</u>	<u>124,264</u>	<u>10,929</u>	<u>132,415</u>	<u>136,317</u>	<u>7,027</u>
Education for Homeless Children and Youth	84.196A	142320/1314	31,418	24,456	2,710	3,772	6,482	-
Education for Homeless Children and Youth	84.196A	152320/1415	51,180	-	-	34,001	29,442	4,559
			<u>82,598</u>	<u>24,456</u>	<u>2,710</u>	<u>37,773</u>	<u>35,924</u>	<u>4,559</u>
Title III Limited English	84.365A	140580/1314	177,144	148,589	13,663	1,147	14,810	-
Title III Limited English	84.365A	150580/1415	200,842	-	-	140,689	133,536	7,153
Title III Limited English	84.365A	140570/1314	231,343	163,191	78,129	5,420	83,549	-
Title III Limited English	84.365A	150570/1415	182,282	-	-	91,366	89,504	1,862
			<u>791,611</u>	<u>311,780</u>	<u>91,792</u>	<u>238,622</u>	<u>321,399</u>	<u>9,015</u>
Title II Part A	84.367	140520/1314	3,031,239	1,839,237	315,214	174,237	489,451	-
Title II Part A	84.367	150520/1415	2,748,443	-	-	2,077,159	1,756,144	321,015
			<u>5,779,682</u>	<u>1,839,237</u>	<u>315,214</u>	<u>2,251,396</u>	<u>2,245,595</u>	<u>321,015</u>
Formula School Improvement Grant	84.377A	131761/1415	3,448,670	-	-	2,654,676	2,232,437	422,239
Total passed through Michigan Department of Education			<u>30,592,036</u>	<u>10,625,013</u>	<u>2,500,272</u>	<u>13,323,964</u>	<u>14,076,776</u>	<u>1,747,460</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA Number</u>	<u>Pass-through number</u>	<u>Approved Award</u>	<u>Prior year expenditures (memorandum only)</u>	<u>Accrued 7/1/2014</u>	<u>Current year expenditures</u>	<u>Current year receipts</u>	<u>Accrued 6/30/2015</u>
U.S. Department of Education (Continued):								
Special Education Cluster:								
Passed through Ingham Intermediate School District:								
Regional Asst IISD	84.010A	----	\$ 172,850	\$ 54,654	\$ 23,726	\$ 50,148	\$ 73,874	\$ -
Regional Asst IISD	84.010A	----	82,425	-	-	28,110	10,591	17,519
			<u>255,275</u>	<u>54,654</u>	<u>23,726</u>	<u>78,258</u>	<u>84,465</u>	<u>17,519</u>
IDEA Flowthrough A C/O	84.027	140450/1314	828,730	828,730	179,577	-	179,577	-
IDEA Pre-school Development A	84.173A	140460/1314	149,691	110,284	32,811	-	32,811	-
IDEA Pre-school Development A	84.173A	150460/1415	154,202	-	-	153,443	130,440	23,003
IDEA Pre-school Development A	84.173A	140460/1415	6,596	-	-	6,596	6,596	-
			<u>310,489</u>	<u>110,284</u>	<u>32,811</u>	<u>160,039</u>	<u>169,847</u>	<u>23,003</u>
Total Special Education Cluster			<u>1,394,494</u>	<u>993,668</u>	<u>236,114</u>	<u>238,297</u>	<u>433,889</u>	<u>40,522</u>
Passed through Ferris State University:								
Freedom to Learn	84.318X	064280-5A	14,312	-	(2,967)	2,967	-	-
Freedom to Learn	84.318X	----	15,000	-	(1,515)	1,515	-	-
Freedom to Learn	84.318X	----	8,647	-	(3,647)	3,647	-	-
Freedom to Learn	84.318X	----	1,250	-	(1,250)	1,250	-	-
			<u>39,209</u>	<u>-</u>	<u>(9,379)</u>	<u>9,379</u>	<u>-</u>	<u>-</u>
Passed through Clinton County RESA:								
Voc Ed Special Needs	84.048A	----	32,360	29,152	4,137	-	4,137	-
Voc Ed Special Needs	84.048A	----	45,851	-	-	33,352	29,134	4,218
			<u>78,211</u>	<u>29,152</u>	<u>4,137</u>	<u>33,352</u>	<u>33,271</u>	<u>4,218</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal grantor/pass-through grantor/program title	CFDA Number	Pass-through number	Approved Award	Prior year expenditures (memorandum only)	Accrued 7/1/2014	Current year expenditures	Current year receipts	Accrued 6/30/2015
<u>U.S. Department of Education (Continued):</u>								
Passed through Western Michigan University:								
WMU Aspiring Leaders	84.363A	----	\$ 18,500	\$ 8,009	\$ 1,641	\$ 1,704	\$ 3,345	\$ -
WMU Aspiring Leaders	84.363A	----	35,170	-	-	11,451	9,166	2,285
			<u>53,670</u>	<u>8,009</u>	<u>1,641</u>	<u>13,155</u>	<u>12,511</u>	<u>2,285</u>
Passed through Kalamazoo Area Math & Science Center Project PRIME	84.366B	----	2,430	-	-	2,012	2,012	-
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>43,330,290</u>	<u>13,458,976</u>	<u>3,677,145</u>	<u>18,455,556</u>	<u>19,845,683</u>	<u>2,287,018</u>
<u>U.S. Department of Health and Human Services:</u>								
Passed through Ingham ISD:								
Medicaid Outreach Reimbursement	93.778	----	70,793	82,834	-	70,793	70,793	-
Passed through Eaton County RESA:								
Pregnancy Prevention	93.092	----	34,589	29,530	7,754	4,092	11,846	-
Pregnancy Prevention	93.092	----	32,832	-	-	30,378	25,733	4,645
			<u>67,421</u>	<u>29,530</u>	<u>7,754</u>	<u>34,470</u>	<u>37,579</u>	<u>4,645</u>
MI APPP	93.500	----	2,600	286	286	570	856	-
MI APPP	93.500	----	8,000	-	-	396	396	-
			<u>10,600</u>	<u>286</u>	<u>286</u>	<u>966</u>	<u>1,252</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>148,814</u>	<u>112,650</u>	<u>8,040</u>	<u>106,229</u>	<u>109,624</u>	<u>4,645</u>
<u>U.S. Department of Labor:</u>								
WIA Program Cluster:								
Passed through Capital Area Michigan Works:								
WIA Youth	17.259	----	599,377	545,245	85,044	-	85,044	-
WIA Youth	17.259	----	862,729	1,147	1,147	763,712	643,726	121,133
WIA Youth	17.259	----	31,780	-	-	4,656	-	4,656
TOTAL US DEPARTMENT OF LABOR			<u>1,493,886</u>	<u>546,392</u>	<u>86,191</u>	<u>768,368</u>	<u>728,770</u>	<u>125,789</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 58,849,784</u>	<u>\$ 21,075,401</u>	<u>\$ 3,970,444</u>	<u>\$ 26,593,747</u>	<u>\$ 27,933,914</u>	<u>\$ 2,630,277</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

1. Basis of presentation - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lansing School District programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Lansing School District, it is not intended to and does not present the net position or changes in net position of Lansing School District.
2. Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.
3. Child Nutrition Cluster, CFDA #10.553, #10.555, and #10.559, Title II, CFDA #84.367, and Formula School Improvement, CFDA #84.377 were audited major programs, representing 46% of expenditures.
4. The threshold for distinguishing Type A and Type B programs was \$797,812.
5. Management has utilized the Grant Section Auditors Report in preparing the Schedule of Expenditures of Federal Awards.
6. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 19,331,405
Special revenue fund	7,262,342
	26,593,747
Federal expenditures on the Schedule of Expenditures of Federal Awards	\$ 26,593,747

7. Program clusters contained within the schedule are as follows:
National School Lunch Cluster consists of CFDA #10.553, #10.555, and #10.559
Special Education Cluster consists of CFDA #84.027 and #84.173A

8. Total funding from multiple funding sources:

	Title I
84.010	\$ 7,800,043
84.010A	78,258
	\$ 7,878,301

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Lansing School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Lansing School District's basic financial statements and have issued our report thereon dated October 26, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Maney Costeiran PC

October 26, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Lansing School District

Report on Compliance for Each Major Federal Program

We have audited Lansing School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lansing School District's major federal programs for the year ended June 30, 2015. Lansing School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lansing School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lansing School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Lansing School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Lansing School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lansing School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lansing School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Manes Costeiran PC

October 26, 2015

**LANSING SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

➤ Material weakness(es) identified? _____ Yes X No

➤ Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified? _____ Yes X No

➤ Significant deficiency(ies) identified? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster
84.367	Title II
84.377	Formula School Improvement

Dollar threshold used to distinguish between type A and type B \$ 797,812

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**LANSING SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2015**

There were no audit findings in the prior year.

October 26, 2015

To the Board of Education
Lansing School District

In planning and performing our audit of the financial statements of Lansing School District as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Lansing School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 26, 2015 on the financial statements of Lansing School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

PRIOR YEAR COMMENTS

Fund balance level of the general fund

At June 30, 2015 the total fund balance of the general fund was \$9,429,169. This represents approximately 6.3% of general fund expenditures. The unassigned fund balance is \$8,824,730, and represents 5.9% of general fund expenditures. Numerous organizations have recommended a minimum fund balance of two months of operating expenditures, or approximately 15%. Given today's economic situation and state funding limitations it is not practical to have a fund balance this size currently at your District.

We do recommend the District plan to increase the fund balance over time (several years) to a more acceptable level approaching 10% of expenditures.

Property Tax Adjustments – repeat comment

Over the past several years there have been unprecedented changes and appeals involving tax assessments. District personnel are aware of this issue but do not always receive all information from various taxing jurisdictions. It is important to have local taxing authorities submit changes to the various counties in order to have accurate information submitted to the Michigan Department of Education in calculating your state aid revenue.

We commend the District on monitoring these changes over the last several years. We recommend the District continue to communicate with all taxing jurisdictions to ensure taxable value changes being used to settle with the county are consistent with reporting forwarded to the Michigan Department of Education.

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

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

Very truly yours,

Maney Costeiran PC

October 26, 2015

To the Board of Education
Lansing School District

We have audited the financial statements of Lansing School District for the year ended June 30, 2015, and have issued our report thereon dated October 26, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Lansing School District internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Lansing School District financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Lansing School District compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Lansing School District compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Lansing School District compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

1. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lansing School District are described in Note 1 to the financial statements. During 2015 the District implemented Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The application of existing policies was not changed during 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability.

Management's estimate in calculating the liability for employee compensated absences:

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

Management's determination of the estimated life span of the capital assets:

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

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

2. *Difficulties Encountered in Performing the Audit*

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

3. *Corrected and Uncorrected Misstatements*

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

4. *Disagreements with Management*

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

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 26, 2015.

6. *Management Consultations with Other Independent Accountants*

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

7. *Other Audit Findings or Issues*

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

8. *Other Matters*

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

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

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

Very truly yours,

Manes Costeiran PC