

LANSING SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional
supplementary information)
YEAR ENDED JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Lansing School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lansing School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of June 30, 2012, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2012, on our consideration of Lansing School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 17 and 50, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lansing School District's basic financial statements. The supplementary information on pages 52 through 69 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Manes Costeiran PC

October 16, 2012

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

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, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section.

District-Wide Financial Statements

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

Fund Financial Statements

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

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

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

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Summary of Net Assets

The following schedule summarizes the net assets for fiscal years ended June 30, 2012 and 2011:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Assets		
Current assets	\$ 53,955,316	\$ 57,403,549
Capital assets	183,182,738	179,568,484
Less: Accumulated depreciation	(94,118,100)	(90,434,742)
Capital assets, net book value	89,064,638	89,133,742
Other noncurrent assets	853,298	319,727
Total assets	<u>\$ 143,873,252</u>	<u>\$ 146,857,018</u>
Liabilities		
Current liabilities	\$ 38,418,254	\$ 37,635,937
Long-term liabilities	53,141,841	59,289,348
Total liabilities	<u>91,560,095</u>	<u>96,925,285</u>
Net Assets		
Invested in capital assets, net of related debt	33,731,524	30,347,358
Restricted for debt service	3,862,628	3,751,772
Restricted for sinking fund	1,731,020	9,398
Unrestricted	12,987,985	15,823,205
Total net assets	<u>52,313,157</u>	<u>49,931,733</u>
Total liabilities and net assets	<u>\$ 143,873,252</u>	<u>\$ 146,857,018</u>

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Analysis of Financial Position

During the fiscal year ended June 30, 2012, the District's net assets increased by \$2,381,424. A few of the more significant factors affecting net assets during the year are discussed below:

1. Depreciation Expense

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the assets less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2012, \$4,430,283 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2012, \$4,361,179 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 (\$4,361,179), assets disposed of and reclassified during the fiscal year, and the current year's depreciation (\$4,430,283) is a net decrease to capital assets in the amount of \$69,104 for the fiscal year ended June 30, 2012. The net decrease in capital assets is due mainly to depreciation offset by capital acquisitions.

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Results of Operations

For the fiscal years ended June 30, 2012 and 2011, the results of operations, on a District-wide basis, were:

	Year ended June 30, 2012		Year ended June 30, 2011	
General Revenues				
Property taxes	\$ 29,949,617	18.3%	\$ 27,467,652	15.7%
Investment earnings	192,993	0.1%	160,206	0.1%
State sources	83,779,786	51.2%	86,752,192	49.7%
Federal-unrestricted-ARRA	-	0.0%	1,637,219	0.9%
Federal-unrestricted-EduJobs	203,298	0.1%	2,691,175	1.5%
County special education allocation	9,876,405	6.0%	10,298,259	5.9%
Other	2,667,559	1.6%	1,334,559	0.8%
Total general revenues	126,669,658	77.3%	130,341,262	74.7%
Program Revenues				
Charges for services	1,842,494	1.4%	2,369,647	1.4%
Operating grants	35,260,588	24.7%	41,800,645	24.0%
Total revenues	163,772,740	100.0%	174,511,554	100.0%
Expenses				
Instruction	88,823,076	55.0%	93,970,533	53.8%
Support services	61,498,910	38.1%	66,266,876	39.3%
Community services	517,152	0.3%	637,267	0.3%
Food services	6,780,210	4.2%	7,027,363	3.8%
Interest on long-term debt	2,298,845	1.4%	2,529,666	1.9%
Unallocated depreciation expense	1,473,123	0.9%	1,536,628	0.9%
Total expenses	161,391,316	100.0%	171,968,333	100.0%
Increase in net assets	\$ 2,381,424		\$ 2,543,221	

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

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 2011-2012 fiscal year, the District levied \$21,063,951 in non-principal property taxes. This amount represented a decrease of 3.5% from the prior year.

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

Fiscal year	Non-homestead tax levy	% Increase (decrease) from prior year
2011-2012	\$ 21,063,951	(3.5)%
2010-2011	21,831,230	(7.9)%
2009-2010	23,709,232	2.2%
2008-2009	23,203,833	(6.1)%
2007-2008	24,704,452	3.4%

2. State Sources

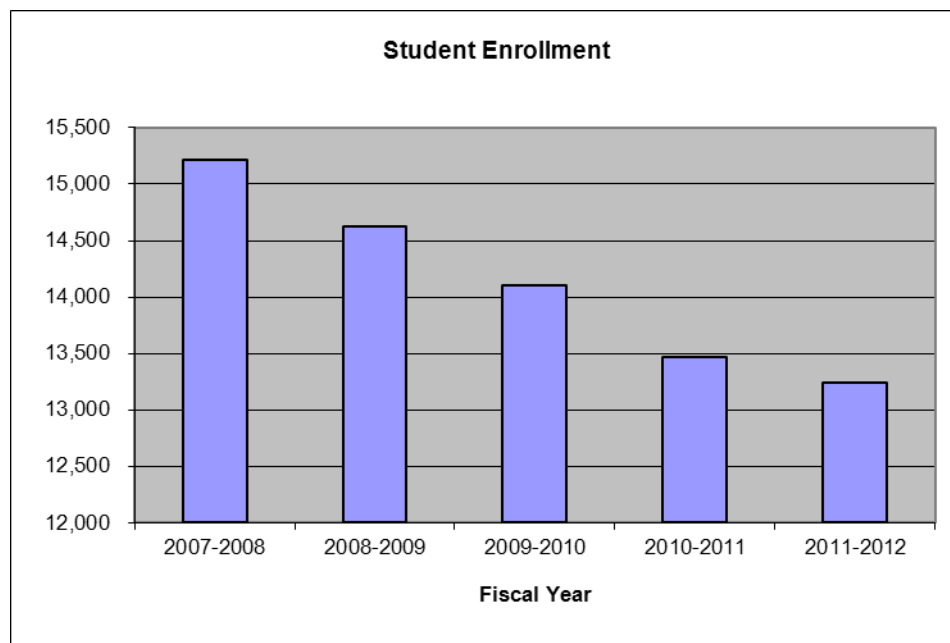
The majority of the state sources of revenue is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment. The blended enrollment consists of 90% of the current year's fall count and 10% of the prior fiscal year's spring count. For the 2011-2012 fiscal year, the District received \$7,314 per student (FTE) inclusive of the \$112 per pupil received for class size reduction, which represented a \$521 reduction per pupil from the amount received for the 2010-2011 fiscal year of \$7,835 (inclusive of the \$163 per pupil received for class size reduction). In lieu of reducing the per pupil allocation in 2010-2011, the State had assessed the District \$170 per pupil reduction (Section 11d) that was applied against the District's categorical 31A funds. The adjusted net reduction to the District for 2011-2012 was \$351 (inclusive of the \$51 reduction for class size reduction).

**Lansing School District
 Management Discussion and Analysis
 For the Fiscal Year Ended June 30, 2012**

3. Student Enrollment

Student enrollment has declined by 13% since 2007-2008.

Fiscal year	Actual Blended student FTE
2011-2012	13,236
2010-2011	13,465
2009-2010	14,098
2008-2009	14,630
2007-2008	15,215



4. Operating Grants

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2012, federal, state, and other grants accounted for \$35,260,588 (excludes \$203,298 EduJobs Funds). This amount represents a 23% decrease from the total grant sources of \$46,129,039 received for the 2010-2011 fiscal year.

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

5. County Special Education Allocation

For the fiscal year ended June 30, 2012, the District received a net allocation from the Ingham Intermediate School District in the amount of \$11,053,018 to assist with the education of students with special needs. This amount represents a decrease of \$596,862 as compared to the allocation of \$11,649,880 received during the 2010-2011 Fiscal Year.

6. Interest Earnings

The District received interest on its investment of short-term available cash in the amount of \$158,618 for the fiscal year ended June 30, 2012. Interest revenues are less than the prior fiscal year by \$1,589 due primarily to low interest rates. Invested funds were 100% insured.

7. Comparative Expenditures

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

	2011-2012 fiscal year	2010-2011 fiscal year	Increase (decrease)
Instruction	\$ 86,875,494	\$ 91,944,217	\$ (5,068,723)
Supporting services	61,374,722	67,282,047	(5,907,325)
Food service activities	6,752,924	7,015,016	(262,092)
Community service activities	517,137	637,368	(120,231)
Capital outlay	4,730,257	859,866	3,870,391
Debt service	8,036,866	6,367,150	1,669,716
	<u>\$ 168,287,400</u>	<u>\$ 174,105,664</u>	<u>\$ (5,818,264)</u>

The reductions in Instruction and Supporting Services are primarily related to the loss of ARRA funding and employee concessions related to employee health contributions/co-pays. The increase in capital outlay is related to the Sinking Fund projects that occurred during fiscal year 2011-2012.

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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 2011-2012 fiscal year, the District amended the general fund budget twice, with the Board adopting the final changes in June, 2012.

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	\$ 161,259,171	\$ 158,483,747	\$ 145,368,343	\$ (13,115,404)	-8.3%
Expenditures:					
Instruction	\$ 101,130,789	\$ 96,645,502	\$ 86,875,494	\$ 9,770,008	10.1%
Supporting Services	69,990,216	68,529,439	61,374,722	7,154,717	10.4%
Community Services	1,076,452	721,295	517,137	204,158	28.3%
Total expenditures	\$ 172,197,457	\$ 165,896,236	\$ 148,767,353	\$ 17,128,883	10.3%
Other financing sources (uses) – transfers out	\$ 420,450	\$ (281,740)	\$ (389,227)	\$ (107,487)	38.2%

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 \$13.6 million of the budget variance is accounted for by the variance in grants awarded versus grants expended. The remaining variance is accounted related to unused salary/benefits (approximately \$1.7 million) primarily due to open/unfilled positions and unused building and departmental discretionary budgets (approximately \$1.6 million).

**Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Capital Asset and Debt Administration

Capital Assets

By the end of the 2011-2012 fiscal year, the District had invested approximately \$183 million in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of approximately \$4 million over the prior fiscal year. Depreciation expense for the year amounted to approximately \$4.4 million, bringing the accumulated depreciation to approximately \$94 million as of June 30, 2012.

	Cost	Accumulated depreciation	2012 Net book value	2011 Net book value
Land	\$ 4,507,517	\$ -	\$ 4,507,517	\$ 4,507,517
Construction in progress	2,803,437	-	2,803,437	1,968,181
Land improvements	19,112,165	11,155,659	7,956,506	8,435,299
Buildings and additions	136,519,703	67,150,440	69,369,263	69,792,920
Machinery and equipment	13,742,065	10,516,110	3,225,955	3,841,335
Buses	5,110,371	3,916,336	1,194,035	568,213
Transportation equipment	1,387,480	1,379,555	7,925	20,277
	<u>\$ 183,182,738</u>	<u>\$ 94,118,100</u>	<u>\$ 89,064,638</u>	<u>\$ 89,133,742</u>

Long-term Debt

At June 30, 2012, the District had approximately \$56 million in bonded debt outstanding. Total outstanding debt decreased as the District continued to pay down its debt, retiring \$6 million of outstanding bonds and defeased approximately \$32 million in debt from a refunding bond.

Lansing School District

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

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 uncertainty of student foundation funding levels, as well as funding for other K-12 education programs, reflects the economic difficulties faced by the State of Michigan. Michigan continues to trail the national averages in most economic indicators. Analysts are predicting a continuation of the slow recovery to the situation.
- Future funding levels for education are expected to reflect the long-range outlook for the state economy. A number of factors were identified that continue to affect the overall financial health of the state as well as that of the residents of Michigan. Continuing population loss, decreasing birth rates, erosion of the automobile and other manufacturing bases and the resulting decline in tax revenue will have a direct effect on the District's ability to provide a quality education for the students of the Lansing School District. The Citizens Research Council is predicting a 14.3% decline over the next ten years in the population within the 5 to 17 year age range that makes up the student base across the state. This alarming downward trend and the resulting expected decrease in funding levels will make it difficult to continue existing educational programs and to plan and implement innovative programs to meet the needs of the students of the District.
- The development of a comprehensive plan to address ongoing budget needs will enable administrators and the board of education to financially support instructional initiatives. Budget development will be driven by student enrollment and the instructional needs of our student population.
- 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. Superintendent Caamal Canul has created a culture of caring, collaboration, and excellence. 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. The school district has also created five 4-6 buildings that will emphasize reading to learn so as to prepare students for success in high school. Lansing high schools will consist of grades 7-12. The current configuration will increase that sense of belonging and with the traditional transition issues that have occurred between middle school and high school. The school district 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.

Lansing School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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 Assistant Superintendent for Operations office, Lansing School District, 519 W. Kalamazoo Street, Lansing, Michigan, 48933.

BASIC FINANCIAL STATEMENTS

**LANSING SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>Governmental activities</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 27,724,118
Receivables:	
Accounts receivable	983,887
Taxes receivable	112,856
Due from other governmental units	24,067,801
Inventories	351,184
Prepaid expenditures	<u>715,470</u>
TOTAL CURRENT ASSETS	<u>53,955,316</u>
NONCURRENT ASSETS:	
Capital assets	183,182,738
Less accumulated depreciation	<u>(94,118,100)</u>
Capital assets net of accumulated depreciation	89,064,638
Deferred charges, net of amortization	424,793
Restricted cash - capital projects	<u>428,505</u>
TOTAL NONCURRENT ASSETS	<u>89,917,936</u>
TOTAL ASSETS	<u><u>\$ 143,873,252</u></u>

	Governmental activities
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 3,638,841
Accrued salaries and related items	13,583,860
Accrued interest	285,176
Unearned revenue	12,941,059
Current portion of long-term obligations	5,816,081
Current portion of compensated absences	2,153,237
	<hr/>
TOTAL CURRENT LIABILITIES	38,418,254
	<hr/>
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	51,189,720
Compensated absences	1,952,121
	<hr/>
TOTAL NONCURRENT LIABILITIES	53,141,841
	<hr/>
TOTAL LIABILITIES	91,560,095
	<hr/>
NET ASSETS:	
Invested in capital assets net of related debt	33,731,524
Restricted for debt service	3,862,628
Restricted for sinking fund	1,731,020
Unrestricted	12,987,985
	<hr/>
TOTAL NET ASSETS	52,313,157
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TOTAL LIABILITIES AND NET ASSETS	\$ 143,873,252
	<hr/> <hr/>

**LANSING SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 88,823,076	\$ 1,081,526	\$ 20,722,336	\$ (67,019,214)
Support services	61,498,910	446,958	6,405,368	(54,646,584)
Community services	517,152	-	1,162,269	645,117
Food services	6,780,210	314,010	6,970,615	504,415
Interest on long-term debt	2,298,845	-	-	(2,298,845)
Unallocated depreciation	1,473,123	-	-	(1,473,123)
Total governmental activities	<u>\$ 161,391,316</u>	<u>\$ 1,842,494</u>	<u>\$ 35,260,588</u>	<u>(124,288,234)</u>
General revenues:				
Property taxes, levied for general purposes				20,990,140
Property taxes, levied for debt service				5,209,531
Property taxes, levied for sinking fund				3,749,946
Investment earnings				158,618
State sources				83,779,786
Federal - EduJob sources - unrestricted				203,298
Ingham ISD special education allocation				9,876,405
Other				2,701,934
Total general revenues				<u>126,669,658</u>
CHANGE IN NET ASSETS				2,381,424
NET ASSETS, beginning of year				<u>49,931,733</u>
NET ASSETS, end of year				<u>\$ 52,313,157</u>

**LANSING SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General fund	2003 bond capital projects fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 22,979,883	\$ -	\$ 4,744,235	\$ 27,724,118
Receivables:				
Property taxes receivable	48,344	-	64,512	112,856
Accounts receivable	975,651	6	8,230	983,887
Due from other governmental units	23,113,856	-	953,945	24,067,801
Due from other funds	-	282,276	3,423,230	3,705,506
Inventories	122,614	-	228,570	351,184
Prepaid expenditures	715,470	-	-	715,470
Restricted cash - capital projects	-	428,505	-	428,505
TOTAL ASSETS	\$ 47,955,818	\$ 710,787	\$ 9,422,722	\$ 58,089,327
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 3,293,864	\$ -	\$ 344,977	\$ 3,638,841
Accrued salaries and related items	13,566,785	-	17,075	13,583,860
Due to other funds	2,650,460	-	1,055,046	3,705,506
Unearned revenue	14,499,630	-	131,398	14,631,028
TOTAL LIABILITIES	34,010,739	-	1,548,496	35,559,235

See notes to financial statements.

	General fund	2003 bond capital projects fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:				
Nonspendable:				
Prepaid expenditures	\$ 715,470	\$ -	\$ -	\$ 715,470
Inventories	122,614	-	228,570	351,184
Restricted:				
Capital projects	-	710,787	2,268,127	2,978,914
Debt service	-	-	4,147,804	4,147,804
Assigned:				
Subsequent years' expenditures	9,487,779	-	-	9,487,779
Capital projects	-	-	1,296,541	1,296,541
Unassigned:				
General Fund	3,619,216	-	-	3,619,216
Food Service	-	-	(66,816)	(66,816)
TOTAL FUND BALANCES	13,945,079	710,787	7,874,226	22,530,092
TOTAL LIABILITIES AND FUND BALANCES	\$ 47,955,818	\$ 710,787	\$ 9,422,722	\$ 58,089,327
Total governmental fund balances				\$ 22,530,092

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

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

Capital assets	\$ 183,182,738
Accumulated depreciation	(94,118,100)
The value of amortized bond issuance costs	704,961
Accumulated amortization	(280,168)
	<u>89,064,638</u>

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

Bonds payable	(56,613,982)
Notes payable	(391,819)
Compensated absences	(4,105,358)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid	(285,176)
Unearned due from other governmental units at June 30, 2012 expected to be collected after September 1, 2012	1,598,158
Unearned property taxes receivable at June 30, 2012 expected to be collected after September 1, 2012	91,811

Net assets of governmental activities

\$ 52,313,157

LANSING SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	<u>General fund</u>	<u>2003 Bond capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ 20,925,269	\$ -	\$ 8,935,597	\$ 29,860,866
Investment earnings	49,976	96	108,546	158,618
Food sales	-	-	293,573	293,573
Other	3,524,798	-	20,436	3,545,234
Total local sources	24,500,043	96	9,358,152	33,858,291
State sources	90,241,400	-	899,946	91,141,346
Federal sources	21,073,882	-	6,557,925	27,631,807
Incoming transfers	9,553,018	-	-	9,553,018
Total revenues	145,368,343	96	16,816,023	162,184,462
EXPENDITURES:				
Current:				
Instruction	86,875,494	-	-	86,875,494
Supporting services	61,374,722	-	-	61,374,722
Food service activities	-	-	6,752,924	6,752,924
Community service activities	517,137	-	-	517,137
Capital outlay	-	163,387	4,566,870	4,730,257

See notes to financial statements.

	<u>General fund</u>	<u>2003 Bond capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):				
Debt service:				
Principal payments	\$ -	\$ -	\$ 5,473,971	\$ 5,473,971
Interest	-	-	2,422,072	2,422,072
Bond issuance costs	-	-	139,582	139,582
Other expense	-	-	1,241	1,241
Total expenditures	<u>148,767,353</u>	<u>163,387</u>	<u>19,356,660</u>	<u>168,287,400</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(3,399,010)</u>	<u>(163,291)</u>	<u>(2,540,637)</u>	<u>(6,102,938)</u>
OTHER FINANCING SOURCES (USES):				
Proceed from issuance of bonds	-	-	30,765,000	30,765,000
Premium on issuance of bonds	-	-	5,050,200	5,050,200
Payment to refunded bond escrow agent	-	-	(35,533,641)	(35,533,641)
Discount on issuance of bonds	-	-	(138,443)	(138,443)
Proceeds from sale of capital assets	34,375	-	-	34,375
Transfers in	545,398	-	400,000	945,398
Transfers out	(969,000)	-	23,602	(945,398)
Total other financing sources (uses)	<u>(389,227)</u>	<u>-</u>	<u>566,718</u>	<u>177,491</u>
NET CHANGE IN FUND BALANCES	<u>(3,788,237)</u>	<u>(163,291)</u>	<u>(1,973,919)</u>	<u>(5,925,447)</u>
FUND BALANCES:				
Beginning of year	<u>17,733,316</u>	<u>874,078</u>	<u>9,848,145</u>	<u>28,455,539</u>
End of year	<u>\$ 13,945,079</u>	<u>\$ 710,787</u>	<u>\$ 7,874,226</u>	<u>\$ 22,530,092</u>

See notes to financial statements.

**LANSING SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Net change in fund balances total governmental funds \$ (5,925,447)

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	(4,430,283)
Capital outlay	4,361,178

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	408,403
Accrued interest payable end of the year	(285,176)

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

Proceeds from issuance of debt	(30,765,000)
Premium on issuance	(5,050,200)
Payments on debt	38,418,123
Loss on refunding	3,103,641
Bond issuance costs	139,582
Discount on issuance	138,443
Amortization expense	(34,516)
Amortized premium	192,887

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

Unearned revenue, beginning of the year	(136,063)
Unearned revenue, end of the year	1,689,967

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

Accrued compensated absences beginning of the year	4,661,243
Accrued compensated absences end of the year	(4,105,358)

Change in net assets of governmental activities \$ 2,381,424

**LANSING SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

ASSETS	Private purpose trust fund	Agency fund
	<u> </u>	<u> </u>
ASSETS:		
Cash	\$ 4,000	\$ 855,215
Accounts receivable	842,095	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 846,095</u>	<u>\$ 855,215</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 2,320	\$ 93,736
Accrued expenses	6,865	359
Due to student groups	-	761,120
	<u> </u>	<u> </u>
TOTAL LIABILITIES	9,185	855,215
 NET ASSETS:		
Restricted for trust activities	836,910	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 846,095</u>	<u>\$ 855,215</u>

**LANSING SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2012**

	Private purpose trust fund
ADDITIONS:	
Donations	\$ 114,592
Interest earnings	1,782
Other	8,809
Total additions	125,183
DEDUCTIONS:	
Scholarships awarded	53,388
Other	83,559
Total deductions	136,947
CHANGE IN NET ASSETS	(11,764)
NET ASSETS:	
Beginning of year	848,674
End of year	\$ 836,910

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District first utilizes restricted resources to finance qualifying activities.

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

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

The District does not allocate indirect costs.

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

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

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

The District reports the following major governmental funds:

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Revenue	<u>\$ 4,896,615</u>
Expenditures and transfers	<u>\$ 71,740,777</u>

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

Other Non-major Funds

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

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

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

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

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accrual Method

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

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

Modified Accrual Method

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

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

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2012, the foundation allowance was based on pupil membership counts taken in February and October of 2011.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

State Revenue (Concluded)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October 2011 to August 2012. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

D. Other Accounting Policies

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property taxes

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

For the year ended June 30, 2012, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	17.9262
Commercial Personal Property	5.9262
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	2.0189
Capital projects (sinking fund)	
PRE, Non-PRE. Commercial Personal Property	1.5000

3. Inventories and prepaid expenditures

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

4. Receivables and payables

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital assets

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

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

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

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

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

6. Compensated absences

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

7. Long-term obligations

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

7. Long-term obligations (Concluded)

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

8. Fund Balance

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

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

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

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

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

9. Use of estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, for the general fund are noted in the required supplementary information section.
4. The Deputy Superintendent of Business is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2012. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2012 the District had no investments.

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2012, \$30,691,621 of the District's bank balance of \$32,702,343 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of all deposits is \$29,011,838.

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

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

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

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$859,215	<u><u>\$ 29,011,838</u></u>
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The above amounts are reported in the financial statements as follows:

Cash - private purpose trust fund	\$ 4,000
Cash - agency fund	855,215
Cash - district-wide	27,724,118
Cash - restricted	<u>428,505</u>
	<u><u>\$ 29,011,838</u></u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2011	Additions	Reclassifications/ Deletions	Balance June 30, 2012
Assets not being depreciated:				
Land	\$ 4,507,517	\$ -	\$ -	\$ 4,507,517
Construction in progress	1,968,181	3,451,978	2,616,722	2,803,437
Subtotal	<u>6,475,698</u>	<u>3,451,978</u>	<u>2,616,722</u>	<u>7,310,954</u>
Other capital assets:				
Land improvements	19,018,286	93,879	-	19,112,165
Buildings and additions	133,947,950	2,571,753	-	136,519,703
Machinery and equipment	13,651,504	90,561	-	13,742,065
Buses	5,087,566	769,730	746,925	5,110,371
Transportation equipment	1,387,480	-	-	1,387,480
Subtotal	<u>173,092,786</u>	<u>3,525,923</u>	<u>746,925</u>	<u>175,871,784</u>
Accumulated depreciation:				
Land improvements	10,582,987	572,672	-	11,155,659
Buildings and additions	64,155,030	2,995,410	-	67,150,440
Machinery and equipment	9,810,169	705,941	-	10,516,110
Buses	4,519,353	143,908	746,925	3,916,336
Transportation equipment	1,367,203	12,352	-	1,379,555
Subtotal	<u>90,434,742</u>	<u>4,430,283</u>	<u>746,925</u>	<u>94,118,100</u>
Net other capital assets	<u>82,658,044</u>	<u>(904,360)</u>	<u>-</u>	<u>81,753,684</u>
Net capital assets	<u><u>\$ 89,133,742</u></u>	<u><u>\$ 2,547,618</u></u>	<u><u>\$ 2,616,722</u></u>	<u><u>\$ 89,064,638</u></u>

Depreciation for the fiscal year ended June 30, 2012 amounted to \$4,430,283.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (Concluded)

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

Instruction	\$ 2,242,483
Support service	691,589
Food service	23,088
Unallocated	<u>1,473,123</u>
	<u>\$ 4,430,283</u>

NOTE 5 - LONG-TERM DEBT

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

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2012:

	Self-insured workers compensation plan	Compensated absences	Notes payable	Bonds	Total
Balance, July 1, 2011	\$ 685,468	\$ 3,975,775	\$ 905,971	\$ 62,137,724	\$ 67,704,938
Additions	-	-	-	32,573,117	32,573,117
Deletions	<u>504,312</u>	<u>51,573</u>	<u>514,152</u>	<u>38,096,859</u>	<u>39,166,896</u>
Balance, June 30, 2012	181,156	3,924,202	391,819	56,613,982	61,111,159
Less current portion	<u>-</u>	<u>2,153,237</u>	<u>325,977</u>	<u>5,490,104</u>	<u>7,969,318</u>
Total due after one year	<u>\$ 181,156</u>	<u>\$ 1,770,965</u>	<u>\$ 65,842</u>	<u>\$ 51,123,878</u>	<u>\$ 53,141,841</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (Continued):

Bonds payable at June 30, 2012 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%.	\$ 30,765,000
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
2004 general obligation and refunding bonds due in annual installments of \$3,525,000 to \$3,650,000 through May 1, 2022 with interest at 3.550% to 5.000%	7,175,000
2011 school improvement bonds due in annual installments of \$1,500,000 through May 1, 2013 with interest at 1.350%	1,500,000
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)	7,305,595
Less: deferred loss on refundings (net)	<u>(3,356,717)</u>
Total general obligation debt	56,148,878
1998 Limited obligation bonds (Durant bonds) due in an annual installment of \$465,104 through May 2013 with interest at 4.76%	465,104
Note payable - buses - due in annual installments of \$65,842 to \$120,486 through January 1, 2013, with an interest rate of 3.16%	190,328
Note payable - Phone system - due in quarterly installments of \$92,046 to \$109,445 through September 1, 2013, with an interest rate of 5.31%	201,491
Accrued retirement benefits and worker's compensation:	
Obligation for compensated absences and termination benefits	3,924,202
Obligation for worker's compensation claims	<u>181,156</u>
Total debt	<u><u>\$ 61,111,159</u></u>

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (Continued)

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2012, \$39,950,000 of bonds outstanding are considered defeased.

The annual requirements to amortize bonded debt and notes payable outstanding as of June 30, 2012, including interest payments of \$23,529,129 are as follows: At June 30, 2012, \$4,147,804 is available to service the general obligation debt.

Year ending June 30,	Principal	Interest	Amounts payable
2013	\$ 5,816,081	\$ 3,523,323	\$ 9,339,404
2014	3,715,842	3,528,506	7,244,348
2015	3,595,000	3,396,850	6,991,850
2016	3,735,000	3,064,300	6,799,300
2017	8,875,000	2,718,650	11,593,650
2018 - 2022	22,255,000	7,196,200	29,451,200
2023	5,065,000	101,300	5,166,300
	<u>53,056,923</u>	<u>23,529,129</u>	<u>76,586,052</u>
Premium on bond issuance	7,305,595	-	7,305,595
Deferred amount on bond refunding	(3,356,717)	-	(3,356,717)
Compensated absences	3,924,202	-	3,924,202
Workers' compensation claims	181,156	-	181,156
	<u>\$ 61,111,159</u>	<u>\$ 23,529,129</u>	<u>\$ 84,640,288</u>

On June 20, 2012, the District issued general obligation bonds of \$30,765,000 with interest rates ranging from 4.00% to 5.00% to advance refund a portion of the District's outstanding 2004 bonds with an interest rate of 3.50% to 5.00%. The bonds mature at various times through May 1, 2022. The general obligation bonds were issued at a premium after paying issuance costs of \$139,582, the net proceeds were \$35,537,172. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$2,663,896, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$2,410,449.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2012 are as follows:

Receivable fund		Payable fund	
2003 Capital projects	\$ 282,276	General fund	\$ 2,650,460
Other nonmajor funds	3,423,230	Other nonmajor funds	1,055,046
	\$ 3,705,506		\$ 3,705,506

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 PENSION PLAN AND POSTEMPLOYMENT BENEFITS

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

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

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(Continued)**

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the period October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement

System ("MPSERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. In addition, the District is required to match 50% up to 1% of the employees contribution in the Pension Plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS were equal to the required contribution for those years.

The School District's contributions to MPSERS are as follows:

Contribution Period	Contribution Rate	
	Member	Pension Plus Member
October 1, 2011 - September 30, 2012	24.46%	23.23%
November 1, 2010 - September 30, 2011	20.66%	19.16%
October 1, 2010 - October 31, 2010	19.41%	17.91%
October 1, 2009 - September 30, 2010	16.94%	-
July 1, 2010 - September 30, 2010	-	15.44%

Fiscal Year Ending June 30,	Contributions to MPSERS
2012	\$ 18,876,468
2011	17,130,752
2010	15,715,166

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(Concluded)**

Other Post-employment Benefits - Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit and were paid less than \$18,000 in the prior school year and members who were hired on or after July 1, 2010, with a starting salary of less than \$18,000 are required to contribute 1.5% of the members' compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account.

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retiree health care trust at MPSERS. As a result, the State has adjusted the contribution rate due on employees' wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus members. In March 2011, the Court of Claims granted the plaintiffs' motions for summary disposition finding that the mandatory 3% contribution violated both the U.S. and Michigan constitutions. The State has appealed the ruling to the Michigan Court of Appeals. The Court of Appeals has accepted the appeal and ordered an expedited review. The Court of Appeals also granted the State's motion for a stay of proceedings and ordered that the 3% deduction continue to be collected and placed into an escrow account until further order of the court. Should the plaintiffs prevail in the litigation, the escrowed funds will be returned to the state employees.

On August 16, 2012 the State of Michigan Court of Appeals affirmed the trial court's orders granting summary dispositions in favor of the plaintiffs in each of the cases before it, terminating the stay ordered by this Court on March 18, 2011. The State of Michigan has appealed the decision to the Michigan Supreme Court. The Office of Retirement Services is instructing Michigan public school employers to continue withholding the 3% contribution. Should the plaintiffs prevail, the escrowed funds will be returned to the employees.

Pension recipients are generally eligible for Health Plan, Dental Plan, Vision Plan and Hearing coverage.

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RISK MANAGEMENT

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

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

NOTE 9 - CONTINGENCIES

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

NOTE 10 - TRANSFERS

The general fund transferred \$569,000 to the debt service funds, \$400,000 to the capital projects fund, and the food service funds transferred \$545,398 to general fund.

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

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - COMMITMENTS

The District has active capital projects outstanding at June 30, 2012. Approximately \$710,787 is restricted and recorded as fund balance in the 2003 capital projects fund.

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued in December 2010. This statement incorporates into the GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, was issued by the GASB in June 2011 and will be effective for the District's 2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued by the GASB in March 2012 and will be effective for the District's 2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement provides supplemental guidance when implementing GASB statement 63.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June 2012 and will be effective for the District's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. 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. Statement 68 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.

REQUIRED SUPPLEMENTARY INFORMATION

**LANSING SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
REVENUES:				
Local sources	\$ 23,867,142	\$ 24,495,832	\$ 24,500,043	\$ 4,211
State sources	93,041,650	95,710,216	90,241,400	(5,468,816)
Federal sources	34,187,379	28,495,472	21,073,882	(7,421,590)
Incoming transfers	10,163,000	9,782,227	9,553,018	(229,209)
Total revenues	<u>161,259,171</u>	<u>158,483,747</u>	<u>145,368,343</u>	<u>(13,115,404)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	64,533,771	63,419,441	59,669,361	3,750,080
Added needs	36,208,889	32,715,821	26,824,245	5,891,576
Adult and continuing education	388,129	510,240	381,888	128,352
Total instruction	<u>101,130,789</u>	<u>96,645,502</u>	<u>86,875,494</u>	<u>9,770,008</u>
Supporting services:				
Pupil	15,286,276	14,532,908	13,900,119	632,789
Instructional staff	10,951,733	9,202,908	8,025,199	1,177,709
General administration	841,622	1,089,346	1,026,381	62,965
School administration	7,891,284	7,452,438	7,008,166	444,272
Business	4,115,162	4,194,179	3,756,949	437,230
Operation/maintenance	15,332,436	15,976,887	15,061,831	915,056
Pupil transportation	10,746,067	11,014,856	8,336,881	2,677,975
Central	3,539,858	3,618,989	2,856,539	762,450
Other	1,285,778	1,446,928	1,402,657	44,271
Total supporting services	<u>69,990,216</u>	<u>68,529,439</u>	<u>61,374,722</u>	<u>7,154,717</u>
Community service activities	<u>1,076,452</u>	<u>721,295</u>	<u>517,137</u>	<u>204,158</u>
Total expenditures	<u>172,197,457</u>	<u>165,896,236</u>	<u>148,767,353</u>	<u>17,128,883</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,938,286)</u>	<u>(7,412,489)</u>	<u>(3,399,010)</u>	<u>4,013,479</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	500,000	34,375	34,375	-
Transfers in	500,000	663,435	545,398	(118,037)
Transfers out	(579,550)	(979,550)	(969,000)	10,550
Total other financing sources (uses)	<u>420,450</u>	<u>(316,115)</u>	<u>(389,227)</u>	<u>(107,487)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (10,517,836)</u>	<u>\$ (7,728,604)</u>	<u>(3,788,237)</u>	<u>\$ 3,905,992</u>
FUND BALANCE:				
Beginning of year			<u>17,733,316</u>	
End of year			<u>\$ 13,945,079</u>	

ADDITIONAL SUPPLEMENTARY INFORMATION

**LANSING SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2012**

	<u>Special revenue fund</u>	<u>Debt service funds</u>	<u>Capital projects funds</u>	<u>Total nonmajor governmental funds</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ -	\$ 3,100,053	\$ 1,644,182	\$ 4,744,235
Accounts receivable	4,696	3,534	-	8,230
Taxes receivable	-	8,255	56,257	64,512
Due from other governmental units	953,945	-	-	953,945
Due from other funds	-	1,114,435	2,308,795	3,423,230
Inventories	228,570	-	-	228,570
	<u>228,570</u>	<u>-</u>	<u>-</u>	<u>228,570</u>
TOTAL ASSETS	<u>\$ 1,187,211</u>	<u>\$ 4,226,277</u>	<u>\$ 4,009,234</u>	<u>\$ 9,422,722</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 261,348	\$ -	\$ 83,629	\$ 344,977
Accrued salaries and related items	17,075	-	-	17,075
Due to other funds	747,034	3,332	304,680	1,055,046
Unearned revenue	-	75,141	56,257	131,398
	<u>-</u>	<u>75,141</u>	<u>56,257</u>	<u>131,398</u>
TOTAL LIABILITIES	<u>1,025,457</u>	<u>78,473</u>	<u>444,566</u>	<u>1,548,496</u>
FUND BALANCES:				
Nonspendable for inventories	228,570	-	-	228,570
Restricted:				
Debt service	-	4,147,804	-	4,147,804
Capital projects	-	-	2,268,127	2,268,127
Assigned			1,296,541	1,296,541
Unassigned	(66,816)	-	-	(66,816)
	<u>(66,816)</u>	<u>-</u>	<u>-</u>	<u>(66,816)</u>
TOTAL FUND BALANCES	<u>161,754</u>	<u>4,147,804</u>	<u>3,564,668</u>	<u>7,874,226</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,187,211</u>	<u>\$ 4,226,277</u>	<u>\$ 4,009,234</u>	<u>\$ 9,422,722</u>

LANSING SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2012

	Special revenue fund	Debt service funds	Capital projects funds	Total nonmajor governmental funds
REVENUES:				
Local sources:				
Property taxes	\$ -	\$ 5,185,651	\$ 3,749,946	\$ 8,935,597
Investment earnings	-	104,034	4,512	108,546
Food sales	293,573	-	-	293,573
Other	20,436	-	-	20,436
Total local sources	314,009	5,289,685	3,754,458	9,358,152
State sources	412,690	487,256	-	899,946
Federal sources	6,557,925	-	-	6,557,925
Total revenues	7,284,624	5,776,941	3,754,458	16,816,023
EXPENDITURES:				
Current:				
Food service activities	6,752,924	-	-	6,752,924
Capital outlay	-	-	4,566,870	4,566,870
Debt service:				
Redemption of serial bonds	-	3,973,971	1,500,000	5,473,971
Interest on bonded debt	-	2,386,634	35,438	2,422,072
Bond issuance costs	-	139,582	-	139,582
Other	-	1,241	-	1,241
Total expenditures	6,752,924	6,501,428	6,102,308	19,356,660
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	531,700	(724,487)	(2,347,850)	(2,540,637)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of debt	-	30,765,000	-	30,765,000
Premium	-	5,050,200	-	5,050,200
Payment to refunded bond escrow agent	-	(35,533,641)	-	(35,533,641)
Discount on issuance of bonds	-	(138,443)	-	(138,443)
Transfers in	-	-	400,000	400,000
Transfers out	(545,398)	569,000	-	23,602
Total other financing sources (uses)	(545,398)	712,116	400,000	566,718
NET CHANGE IN FUND BALANCES	(13,698)	(12,371)	(1,947,850)	(1,973,919)
FUND BALANCES:				
Beginning of year	175,452	4,160,175	5,512,518	9,848,145
End of year	\$ 161,754	\$ 4,147,804	\$ 3,564,668	\$ 7,874,226

**LANSING SCHOOL DISTRICT
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

	QZAB	2002 Energy	2004	2006 Refunding	2012 Refunding	Totals
ASSETS						
Cash and cash equivalents	\$ 3,033,394	\$ 17,467	\$ -	\$ 49,192	\$ -	\$ 3,100,053
Accounts receivable	-	-	-	-	3,534	3,534
Taxes receivable	-	-	8,255	-	-	8,255
Due from other funds	594,266	-	520,169	-	-	1,114,435
	\$ 3,627,660	\$ 17,467	\$ 528,424	\$ 49,192	\$ 3,534	\$ 4,226,277
 TOTAL ASSETS						
 LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Due to other funds	\$ -	\$ -	\$ -	\$ 3,332	\$ -	\$ 3,332
Unearned revenue	-	-	75,141	-	-	75,141
	-	-	75,141	3,332	-	78,473
 TOTAL LIABILITIES						
 FUND BALANCES:						
Restricted for debt service	3,627,660	17,467	453,283	45,860	3,534	4,147,804
	\$ 3,627,660	\$ 17,467	\$ 528,424	\$ 49,192	\$ 3,534	\$ 4,226,277
 TOTAL LIABILITIES AND FUND BALANCES						

**LANSING SCHOOL DISTRICT
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2012**

	1998		2002		2006	2012	
	Durant	QZAB	Energy	2004	Refunding	Refunding	Totals
REVENUES:							
Local sources:							
Current property taxes	\$ -	\$ -	\$ -	\$ 5,175,800	\$ 9,851	\$ -	\$ 5,185,651
Interest on investments	-	103,378	24	-	632	-	104,034
State sources	487,256	-	-	-	-	-	487,256
Total revenues	487,256	103,378	24	5,175,800	10,483	-	5,776,941
EXPENDITURES:							
Redemption of serial bonds	443,971	-	130,000	3,400,000	-	-	3,973,971
Interest on bonded debt	43,285	-	4,875	2,028,075	310,399	-	2,386,634
Bond issuance costs	-	-	-	-	-	139,582	139,582
Other	-	250	500	250	241	-	1,241
Total expenditures	487,256	250	135,375	5,428,325	310,640	139,582	6,501,428
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	103,128	(135,351)	(252,525)	(300,157)	(139,582)	(724,487)
OTHER FINANCING SOURCES:							
Proceeds from sale of refunding bonds	-	-	-	-	-	30,765,000	30,765,000
Premium	-	-	-	-	-	5,050,200	5,050,200
Payment to refunded bond escrow agent	-	-	-	-	-	(35,533,641)	(35,533,641)
Discount on issuance of bonds	-	-	-	-	-	(138,443)	(138,443)
Transfers in	-	430,000	139,000	-	-	-	569,000
	-	430,000	139,000	-	-	143,116	712,116
NET CHANGE IN FUND BALANCES	-	533,128	3,649	(252,525)	(300,157)	3,534	(12,371)
FUND BALANCES:							
Beginning of year	-	3,094,532	13,818	705,808	346,017	-	4,160,175
End of year	\$ -	\$ 3,627,660	\$ 17,467	\$ 453,283	\$ 45,860	\$ 3,534	\$ 4,147,804

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

	<u>Capital projects</u>	<u>Sinking Fund</u>	<u>BTS capital project</u>	<u>Replacement fund</u>	<u>QZAB</u>	<u>Technology fund</u>	<u>Southside Hill Center Fund</u>	<u>Totals</u>
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ 225,468	\$ 871,144	\$ 83,127	\$ -	\$ 464,443	\$ 1,644,182
Property taxes receivable	-	56,257	-	-	-	-	-	56,257
Due from other funds	40,166	1,814,649	-	-	-	453,980	-	2,308,795
TOTAL ASSETS	<u>\$ 40,166</u>	<u>\$ 1,870,906</u>	<u>\$ 225,468</u>	<u>\$ 871,144</u>	<u>\$ 83,127</u>	<u>\$ 453,980</u>	<u>\$ 464,443</u>	<u>\$ 4,009,234</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES:								
Accounts payable	\$ -	\$ 83,629	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,629
Unearned revenues	-	56,257	-	-	-	-	-	56,257
Due to other funds	-	-	-	-	-	-	304,680	304,680
Total liabilities	<u>-</u>	<u>139,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,680</u>	<u>444,566</u>
FUND BALANCES:								
Restricted for capital projects	-	1,731,020	-	-	83,127	453,980	-	2,268,127
Assigned for capital projects	40,166	-	225,468	871,144	-	-	159,763	1,296,541
TOTAL FUND BALANCES	<u>40,166</u>	<u>1,731,020</u>	<u>225,468</u>	<u>871,144</u>	<u>83,127</u>	<u>453,980</u>	<u>159,763</u>	<u>3,564,668</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 40,166</u>	<u>\$ 1,870,906</u>	<u>\$ 225,468</u>	<u>\$ 871,144</u>	<u>\$ 83,127</u>	<u>\$ 453,980</u>	<u>\$ 464,443</u>	<u>\$ 4,009,234</u>

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2012**

	Capital projects	Sinking Fund	BTS capital project	Replacement fund	QZAB	Technology fund	Southside Hill Center Fund	Totals
REVENUES:								
Interest on Investments	\$ -	\$ -	\$ 408	\$ 2,970	\$ 150	\$ -	\$ 984	\$ 4,512
Current property taxes	-	3,749,946	-	-	-	-	-	3,749,946
Total revenues	-	3,749,946	408	2,970	150	-	984	3,754,458
EXPENDITURES:								
Capital outlay	59,834	3,266,940	-	769,730	-	43,097	427,269	4,566,870
Principal payments	-	1,500,000	-	-	-	-	-	1,500,000
Interest on debt	-	35,438	-	-	-	-	-	35,438
Total expenditures	59,834	4,802,378	-	769,730	-	43,097	427,269	6,102,308
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(59,834)	(1,052,432)	408	(766,760)	150	(43,097)	(426,285)	(2,347,850)
OTHER FINANCING SOURCES:								
Transfers in	100,000	-	-	-	-	300,000	-	400,000
NET CHANGE IN FUND BALANCES	40,166	(1,052,432)	408	(766,760)	150	256,903	(426,285)	(1,947,850)
FUND BALANCES:								
Beginning of year	-	2,783,452	225,060	1,637,904	82,977	197,077	586,048	5,512,518
End of year	\$ 40,166	\$ 1,731,020	\$ 225,468	\$ 871,144	\$ 83,127	\$ 453,980	\$ 159,763	\$ 3,564,668

**LANSING SCHOOL DISTRICT
FIDUCIARY FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2012**

	<u>Private purpose trust fund</u>	<u>Agency fund</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 4,000	\$ 855,215	\$ 859,215
Accounts receivable	842,095	-	842,095
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 846,095</u>	<u>\$ 855,215</u>	<u>\$ 1,701,310</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 2,320	\$ 93,736	\$ 96,056
Accrued expenses	6,865	359	7,224
Due to student groups	-	761,120	761,120
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>9,185</u>	<u>855,215</u>	<u>864,400</u>
 FUND BALANCES:			
Restricted for trust activities	<u>836,910</u>	<u>-</u>	<u>836,910</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 846,095</u>	<u>\$ 855,215</u>	<u>\$ 1,701,310</u>

**LANSING SCHOOL DISTRICT
FIDUCIARY FUND TYPES
STATEMENT OF REVENUES, EXPENDITURES
AND FUND BALANCES - PRIVATE PURPOSE TRUST FUND
YEAR ENDED JUNE 30, 2012**

	Balance 07/01/11	Revenues and transfers	Expenditures and transfers	Balance 06/30/12
Donations:				
Library revolving funds	\$ 99,339	\$ 200	\$ -	\$ 99,539
Memorial fund donations	67,036	15,303	-	82,339
Special education donations	1,536	3	119	1,420
Geraldine M. Curtis Trust	426,552	2,995	27,851	401,696
RIF	27,615	51,419	52,259	26,775
Stapleton Reading Material Fund	20,700	43	-	20,743
College Tour	360	1	-	361
	<u>643,138</u>	<u>69,964</u>	<u>80,229</u>	<u>632,873</u>
Scholarships:				
Harold Norton award	434	1	150	285
Carl McLean award	12,277	106	-	12,383
Grabow Scholarship	241	-	-	241
Windfuhr Scholarship	23	-	-	23
Putnam Scholarship	55,785	6,107	15,000	46,892
Hinman Award	48,243	31,085	32,588	46,740
Winslow Memorial Fund	3,441	8,946	629	11,758
Lett's Scholarship	6,846	14	-	6,860
Elsie A/ Maile Award	6,399	10	5,000	1,409
	<u>133,689</u>	<u>46,269</u>	<u>53,367</u>	<u>126,591</u>
Other:				
Spink - Cable	10,303	21	-	10,324
Administration Pepsi Fund	9,289	730	1,073	8,946
Physical Plant Pop Fund	6,020	115	-	6,135
Miscellaneous funds	46,235	8,084	2,278	52,041
	<u>71,847</u>	<u>8,950</u>	<u>3,351</u>	<u>77,446</u>
	<u>\$ 848,674</u>	<u>\$ 125,183</u>	<u>\$ 136,947</u>	<u>\$ 836,910</u>

**LANSING SCHOOL DISTRICT
 FIDUCIARY FUND TYPES
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND LIABILITIES BY SCHOOL - AGENCY FUND
 YEAR ENDED JUNE 30, 2012**

	Balance 07/01/11	Additions	Deductions	Balance 06/30/12
Eastern High School	\$ 184,886	\$ 116,222	\$ 139,030	\$ 162,078
Hill Vocational School	53,356	60,623	66,761	47,218
Sexton High School	57,214	75,792	73,753	59,253
Everett High School	99,190	144,837	152,994	91,033
Pattengill Middle School - new	12,355	6,835	8,603	10,587
Gardner Middle School	80,961	45,637	47,846	78,752
Otto Middle School	30,776	22,879	33,187	20,468
Rich Middle School	37,159	160	37,319	-
Elementary schools and other	294,455	474,195	476,919	291,731
	<u>\$ 850,352</u>	<u>\$ 947,180</u>	<u>\$ 1,036,412</u>	<u>\$ 761,120</u>

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2012**

2012 Refunding Bonds

Calendar year	Interest rate	Principal	Interest due		Total
		due May 1	May 1	November 1	due annually
2012		\$ -	\$ -	\$ 533,079	\$ 533,079
2013		-	732,475	732,475	1,464,950
2014		-	732,475	732,475	1,464,950
2015	4.000%	3,595,000	732,475	660,575	4,988,050
2016	4.000%	3,735,000	660,575	585,875	4,981,450
2017	5.000%	3,875,000	585,875	489,000	4,949,875
2018	5.000%	4,065,000	489,000	387,375	4,941,375
2019	5.000%	4,205,000	387,375	282,250	4,874,625
2020	5.000%	4,385,000	282,250	172,625	4,839,875
2021	5.000%	4,575,000	172,625	58,250	4,805,875
2022	5.000%	2,330,000	58,250	-	2,388,250
Total 2012 bonded debt		\$ 30,765,000	\$ 4,833,375	\$ 4,633,979	\$ 40,232,354

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, 2012**

2006 Refunding Bonds

Calendar year	Interest rate	Principal	Interest due		Total
		due May 1	May 1	November 1	due annually
2012		\$ -	\$ -	\$ 155,200	\$ 155,200
2013		-	155,200	155,200	310,400
2014		-	155,200	155,200	310,400
2015		-	155,200	155,200	310,400
2016		-	155,200	155,200	310,400
2017		-	155,200	155,200	310,400
2018		-	155,200	155,200	310,400
2019	4.000%	55,000	155,200	154,100	364,300
2020	4.000%	55,000	154,100	153,000	362,100
2021	4.000%	60,000	153,000	151,800	364,800
2022	4.000%	2,525,000	151,800	101,300	2,778,100
2023	4.000%	5,065,000	101,300	-	5,166,300
Total 2006 bonded debt		<u>\$ 7,760,000</u>	<u>\$ 1,646,600</u>	<u>\$ 1,646,600</u>	<u>\$ 11,053,200</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, 2012**

2004 School Building and Site and Refunding Bonds

Calendar year	Interest rate	Principal	Interest due		Total
		due May 1	May 1	November 1	due annually
2012	4.000%	\$ -	\$ -	\$ 135,288	\$ 135,288
2013	4.000%	3,525,000	135,288	64,788	3,725,076
2014	3.550%	3,650,000	64,787	-	3,714,787
Total 2004 bonded debt		<u>\$ 7,175,000</u>	<u>\$ 200,075</u>	<u>\$ 200,076</u>	<u>\$ 7,575,151</u>

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

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2012**

2011 School Improvement Bonds

Calendar year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2012	1.350%	\$ -	\$ -	\$ 10,125	\$ 10,125
2013	1.350%	1,500,000	10,125	-	1,510,125
Total 2011 bonded debt		<u>\$1,500,000</u>	<u>\$ 10,125</u>	<u>\$ 10,125</u>	<u>\$1,520,250</u>

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

**LANSING SCHOOL DISTRICT
BONDED DEBT - PRINCIPAL REQUIREMENTS
JUNE 30, 2012**

2002 Qualified Zone Academy Bonds

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

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

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

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2012**

1998 School Improvement Bonds (Durant Bonds)

Calendar year	Interest rate	Principal due May 15	Interest due May 15	Total due annually
2013	4.76%	<u>465,104</u>	<u>22,145</u>	<u>487,249</u>

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

**LANSING SCHOOL DISTRICT
 BUS INSTALLMENT PURCHASE - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2012**

2010 Installment Purchase of Buses

<u>Calendar year</u>	<u>Interest rate</u>	<u>Principal Due September 24</u>	<u>Interest Due September 24</u>	<u>Total due annually</u>
2012	3.16%	\$ 124,486	\$ 6,014	\$ 130,500
2013	3.16%	<u>65,842</u>	<u>2,081</u>	<u>67,923</u>
Total 2010 Installment Purchase Debt		<u><u>\$ 190,328</u></u>	<u><u>\$ 8,095</u></u>	<u><u>\$ 198,423</u></u>

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

**LANSING SCHOOL DISTRICT
LEASE PURCHASE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2012**

2006 Lease Purchase of Telephone Equipment

Calendar year	Interest rate	Principal Due	Principal Due	Principal Due	Principal Due	Interest due				Total due annually
		January 1	March 1	July 1	September 1	January 1	March 1	July 1	September 1	
2012	5.31%	\$ -	\$ -	\$ -	\$ 92,046	\$ -	\$ -	\$ -	\$ 1,783	\$ 93,829
2013	5.31%	109,445	-	-	-	5,102	-	-	-	114,547
Total 2006 Lease Purchase Debt		<u>\$ 109,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,046</u>	<u>\$ 5,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,783</u>	<u>\$ 208,376</u>

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

**LANSING SCHOOL DISTRICT
SCHEDULE OF INVESTMENTS AND CERTIFICATES OF DEPOSIT
JUNE 30, 2012**

	<u>Maturity date</u>	<u>Interest rate</u>	<u>Amount</u>
Pooled Funds:			
Bank of New York	N/A	0.01%	\$ 428,505
Money market fund:			
Fifth Third Bank	N/A	0.00%	7,401,217
Huntington Bank	N/A	0.37%	569,357
Flagstar Bank	N/A	0.65%	10,609
PNC Bank	N/A	0.30%	4,311,881
Comerica Bank	N/A	0.40%	7,642,480
Independent Bank	N/A	0.25%	464,443
Citizens Bank	N/A	0.30%	4,405,384
Bank of America	N/A	0.28%	173
Bank of New York	N/A	3.26%	<u>3,033,394</u>
Total investments and certificates of deposit			28,267,443
Less:			
Certificates of deposit and money markets classified as cash and cash equivalents.			28,267,443
			<hr/>
Total investments shown in district-wide statements			<u><u>\$ -</u></u>

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Federal grantor/pass-through grantor/program title</u>	<u>District ID Number</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Approved Award Amount</u>	<u>(Memo only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Adjustments</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>
<u>U.S. Department of Agriculture:</u>										
Passed through Michigan Department of Education:										
Child Nutrition Cluster:										
<u>Non-Cash Assistance (donated foods):</u>										
National School Lunch - Entitlement	N/A	10.555	--	\$ 279,997	\$ 248,084	\$ -	\$ -	\$ 279,997	\$ 279,997	\$ -
National School Lunch - Bonus	N/A	10.555	--	25,143	32,005	-	-	25,143	25,143	-
				305,140	280,089	-	-	305,140	305,140	-
Summer Food Service	N/A	10.559	--	67,071	171,260	-	-	67,071	67,071	-
Total non-cash assistance				372,211	451,349	-	-	372,211	372,211	-
<u>Cash Assistance:</u>										
National School Lunch - Section 4	N/A	10.555	111950	363,814	363,814	7,678	-	-	7,678	-
National School Lunch - Section 11	N/A	10.555	111960	3,340,745	3,340,745	590,570	-	-	590,570	-
National School Lunch - Snack	N/A	10.555	121980	41,438	-	-	-	41,438	34,741	6,697
National School Lunch - All Lunches	N/A	10.555	121960	3,894,382	-	-	-	3,894,382	3,323,224	571,158
				7,640,379	3,704,559	598,248	-	3,935,820	3,956,213	577,855
Summer Food Service	5993	10.559	112900	48,744	-	-	-	48,744	-	48,744
Summer Food Service	5992	10.559	111900	166,713	39,620	39,620	-	127,093	166,713	-
				215,457	39,620	39,620	-	175,837	166,713	48,744
National School Lunch - Breakfast	N/A	10.553	111970	1,931,614	1,931,614	327,043	-	-	327,043	-
National School Lunch - Breakfast	N/A	10.553	121970	2,074,057	-	-	-	2,074,057	1,746,711	327,346
				4,005,671	1,931,614	327,043	-	2,074,057	2,073,754	327,346
Total cash assistance				11,861,507	5,675,793	964,911	-	6,185,714	6,196,680	953,945
Total child nutrition cluster				12,233,718	6,127,142	964,911	-	6,557,925	6,568,891	953,945
Fruit and Vegetable Program - North	5791	10.582	110950/06662	19,700	19,045	1,633	-	-	1,633	-
North School Gardens Grant	1230	10.574	0919-F1	2,500	795	336	-	-	336	-
<u>Passed through Eaton ISD</u>										
SPLASH	4052	10.561	--	6,500	-	-	-	6,267	6,267	-
SPLASH	4051	10.561	--	45,234	27,385	22,640	-	-	22,640	-
				51,734	27,385	22,640	-	6,267	28,907	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				12,307,652	6,174,367	989,520	-	6,564,192	6,599,767	953,945

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Federal grantor/pass-through grantor/program title</u>	<u>District ID Number</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Approved Award Amount</u>	<u>(Memo only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Adjustments</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>
U.S. Department of Education:										
Direct programs:										
Impact Aid	1361	84.041	--	\$ 1,555	\$ -	\$ -	\$ -	\$ 1,554	\$ 1,554	\$ -
Indian Education	1301	84.060A	S060A090962	31,505	27,738	2,762	-	-	2,762	-
Indian Education	1302	84.060A	S060A090962	34,384	-	-	-	10,353	9,499	854
				65,889	27,738	2,762	-	10,353	12,261	854
Magnet Schools - SMART - Carryover	1501	84.165A	U165A070064-09	482,049	476,930	155,593	-	5,120	160,713	-
CHILD: Counseling Helps Individuals Learn & Develop	1532	84.215E	--	367,363	-	-	-	226,054	149,013	77,041
Teaching American History	1570	84.215X	U215X090579	326,621	86,057	127	-	6,816	6,638	305
Teaching American History	1572	84.215X	U215X090579	338,308	-	-	-	284,144	235,409	48,735
Teaching American History	1571	84.215X	U215X090579	335,070	236,644	65,217	-	72,998	139,002	(787)
				999,999	322,701	65,344	-	363,958	381,049	48,253
Foreign Language Assistance Program	1521	84.293B	--	299,402	191,905	22,834	-	94,954	111,794	5,994
Foreign Language Assistance Program	1522	84.293B	--	299,984	-	-	-	249,089	209,256	39,833
				599,386	191,905	22,834	-	344,043	321,050	45,827
PAINTS	1591	84.351D	U351D060071-09	267,178	267,177	33,976	-	(958)	33,018	-
Passed through Michigan Department of Education:										
Federal Adult Ed English	1081	84.002A	111120/115057	13,500	12,812	2,588	-	-	2,588	-
Federal Adult Ed English	4061	84.002A	111130/111057	72,000	71,402	14,471	-	-	14,471	-
Federal Adult Ed English	4091	84.002A	111190/111057	58,500	56,310	11,048	-	-	11,048	-
Federal Adult Ed English	1082	84.002A	121120/125057	13,000	-	-	-	12,566	9,567	2,999
Federal Adult Ed English	4062	84.002A	121130/121057	72,000	-	-	-	67,034	54,000	13,034
Federal Adult Ed English	4092	84.002A	121190/121057	58,500	-	-	-	54,962	41,841	13,121
				287,500	140,524	28,107	-	134,562	133,515	29,154
ECIA Title I - Regular	1001	84.010	111530/1011	10,708,642	6,926,994	547,022	-	127,717	674,739	-
ECIA Title I - School Improvement	1011	84.010	111550/1011	75,000	21,895	2,278	-	21,725	24,003	-
ECIA Title I - Regular	1002	84.010	121530/1112	9,400,509	-	-	-	6,254,390	4,463,263	1,791,127
				20,184,151	6,948,889	549,300	-	6,403,832	5,162,005	1,791,127

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, 2012**

<u>Federal grantor/pass-through grantor/program title</u>	<u>District ID Number</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Approved Award Amount</u>	<u>(Memo only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Adjustments</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>
ARRA Title I, School Improvement	1311	84.389A	101555/0910	\$ 179,221	\$ 26,585	\$ 25,211	\$ -	\$ 64,201	\$ 89,412	\$ -
ARRA Title I, School Improvement	1312	84.389A	101555/0910	55,420	-	-	-	12,902	-	12,902
ARRA Title I, Part A	1031	84.389	111705/1011	111,913	111,913	77,655	-	-	77,655	-
ARRA Title I, Part A	1331	84.389	11535/1011	2,333,977	2,333,977	1,445,671	-	-	1,445,671	-
				<u>2,680,531</u>	<u>2,472,475</u>	<u>1,548,537</u>	<u>-</u>	<u>77,103</u>	<u>1,612,738</u>	<u>12,902</u>
Total Title I Cluster				<u>22,864,682</u>	<u>9,421,364</u>	<u>2,097,837</u>	<u>-</u>	<u>6,480,935</u>	<u>6,774,743</u>	<u>1,804,029</u>
ECIA Title I - N & D	1021	84.013	111700/1011	348,963	49,863	(33,742)	-	18,116	(15,626)	-
ECIA Title I - N & D	1022	84.013	121700/1112	352,802	-	-	-	179,386	122,427	56,959
				<u>701,765</u>	<u>49,863</u>	<u>(33,742)</u>	<u>-</u>	<u>197,502</u>	<u>106,801</u>	<u>56,959</u>
Drug Free Schools	4001	84.186	112860/1011	19,438	17,696	3,657	-	-	3,657	-
Michigan-Safe and Supportive Schools	4022	84.184	112790/SSC2011	117,330	-	-	-	102,882	86,119	16,763
Michigan-Safe and Supportive Schools	4032	84.184	122790/SSC2012	175,500	-	-	-	70,093	53,890	16,203
				<u>292,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,975</u>	<u>140,009</u>	<u>32,966</u>
CSHP Grant	1551	84.186A	--	1,328	1,326	23	-	-	-	23
CSHP Grant	1552	84.186A	--	714	-	-	-	478	478	-
24/7 Tobacco Free Schools	4011	84.186A	112861/1101B	5,000	2,752	2,490	-	2,247	4,737	-
				<u>7,042</u>	<u>4,078</u>	<u>2,513</u>	<u>-</u>	<u>2,725</u>	<u>5,215</u>	<u>23</u>
Education for Homeless Children and Youth	4402	84.196A	122320/0910	52,336	-	-	-	29,139	25,008	4,131
Education for Homeless Children and Youth	4401	84.196A	112320/1011	45,291	30,605	4,773	-	14,683	19,456	-
Education for Homeless Children and Youth - Carryover	4411	84.196A	102320/1011	27,040	27,040	11,337	-	-	11,337	-
Education for Homeless Children and Youth - Carryover	4412	84.196A	112320/1011	3	-	-	-	3	3	-
				<u>124,670</u>	<u>57,645</u>	<u>16,110</u>	<u>-</u>	<u>43,825</u>	<u>55,804</u>	<u>4,131</u>
ARRA Homeless Child & Youth Grant	4420	84.387A	102325/0910	40,203	29,249	1,051	-	-	1,051	-
Total Education for Homeless Children & Youth Cluster				<u>164,873</u>	<u>86,894</u>	<u>17,161</u>	<u>-</u>	<u>43,825</u>	<u>56,855</u>	<u>4,131</u>
21st Century	1371	84.287C	112110/D07043	600,000	536,523	94,958	-	-	94,958	-
21st Century	1372	84.287C	122110/D07043	540,000	-	-	-	478,747	367,050	111,697
				<u>1,140,000</u>	<u>536,523</u>	<u>94,958</u>	<u>-</u>	<u>478,747</u>	<u>462,008</u>	<u>111,697</u>
Title IID Technology (ARRA)	1271	84.386A	114295/1011	179,819	169,055	29,835	-	-	29,835	-

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, 2012**

<u>Federal grantor/pass-through grantor/program title</u>	<u>District ID Number</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Approved Award Amount</u>	<u>(Memo only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Adjustments</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>
Title III Limited English	1122	84.365A	120580/1112	\$ 333,011	\$ -	\$ -	\$ -	\$ 229,805	\$ 173,765	\$ 56,040
Title III Limited English	1121	84.365A	110580/1011	362,451	182,252	76,549	-	32,493	109,042	-
Title III Limited English	1162	84.365A	120570/1112	356,516	-	-	-	180,423	110,901	69,522
Title III Limited English	1161	84.365A	110570/1011	274,992	86,950	20,027	-	8,028	28,055	-
				<u>1,326,970</u>	<u>269,202</u>	<u>96,576</u>	<u>-</u>	<u>450,749</u>	<u>421,763</u>	<u>125,562</u>
Title II Part A	1091	84.367	110520/1011	3,601,754	1,322,040	207,352	-	26,914	234,266	-
Title II Part A	1092	84.367	120520/1112	3,544,302	-	-	-	1,508,750	1,088,456	420,294
				<u>7,146,056</u>	<u>1,322,040</u>	<u>207,352</u>	<u>-</u>	<u>1,535,664</u>	<u>1,322,722</u>	<u>420,294</u>
Education Jobs Fund	1341	84.410A	112545/1011	2,691,175	2,691,175	1,004,664	-	-	1,004,664	-
Education Jobs Fund	1342	84.410A	112545/1112	203,298	-	-	-	203,298	203,298	-
				<u>2,894,473</u>	<u>2,691,175</u>	<u>1,004,664</u>	<u>-</u>	<u>203,298</u>	<u>1,207,962</u>	<u>-</u>
Total passed through Michigan Department of Education				<u>37,025,448</u>	<u>14,708,414</u>	<u>3,548,918</u>	<u>-</u>	<u>9,700,982</u>	<u>10,665,085</u>	<u>2,584,815</u>
Special Education Cluster										
Passed through Ingham Intermediate School District:										
Regional Asst IISD	2242	84.010A	--	6,997	-	-	-	6,996	6,996	-
Regional Asst IISD	2252	84.010A	--	22,000	-	-	-	16,899	-	16,899
				<u>28,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,895</u>	<u>6,996</u>	<u>16,899</u>
Title I Accountability	2232	84.377A	1112	10,609	-	-	-	4,117	4,117	-
IDEA Flowthrough A	2201	84.027	110450/1011	10,321,869	10,321,869	2,289,676	-	-	2,289,676	-
IDEA Flowthrough A	2202	84.027	120450/1112	10,542,912	-	-	-	10,487,971	7,123,355	3,364,616
IDEA Flowthrough A C/O	2212	84.027	110450/1112	171,790	-	-	-	171,790	44,113	127,677
				<u>21,036,571</u>	<u>10,321,869</u>	<u>2,289,676</u>	<u>-</u>	<u>10,659,761</u>	<u>9,457,144</u>	<u>3,492,293</u>
IDEA Pre-school Development A	2102	84.173A	120460/1112	155,061	-	-	-	74,716	56,591	18,125
IDEA Pre-school Development A	2101	84.173A	110460/1011	161,848	161,848	38,902	-	-	38,902	-
IDEA Pre-school Development A	2111	84.173A	100460/0910	20,650	20,650	4,075	-	-	4,075	-
				<u>337,559</u>	<u>182,498</u>	<u>42,977</u>	<u>-</u>	<u>74,716</u>	<u>99,568</u>	<u>18,125</u>

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Federal grantor/pass-through grantor/program title</u>	<u>District ID Number</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Approved Award Amount</u>	<u>(Memo only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Adjustments</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>
ARRA IDEA Flowthrough	2221	84.391	100455/0910	\$ 1,696,725	\$ 1,379,995	\$ 424,815	\$ -	\$ 346,710	\$ 771,525	\$ -
ARRA IDEA Preschool	2121	84.392	100465/0910	121,728	67,621	33,802	-	54,103	87,905	-
TOTAL SPECIAL EDUCATION CLUSTER				23,232,189	11,951,983	2,791,270	-	11,163,302	10,427,255	3,527,317
Passed through Central Michigan University										
CMU Improving Quality	6502	84.367B	110290-6620	12,320	-	-	-	6,556	6,556	-
CMU Excel	6510	84.367B	100290-9848	14,000	7,294	1,140	-	1,129	2,269	-
				26,320	7,294	1,140	-	7,685	8,825	-
Passed through Ferris State University:										
Freedom to Learn	4206	84.318X	064280-5A	14,312	-	(2,967)	-	-	-	(2,967)
Freedom to Learn	4217	84.318X	--	15,000	-	(1,515)	-	-	-	(1,515)
Freedom to Learn	4226	84.318X	--	8,647	-	(3,647)	-	-	-	(3,647)
Freedom to Learn	4227	84.318X	--	1,250	-	(1,250)	-	-	-	(1,250)
				39,209	-	(9,379)	-	-	-	(9,379)
Passed through Macomb ISD:										
MIBLSI - Gier Park	1561	84.027A		1,000	978	(22)	-	22	-	-
Passed through Clinton County RESA:										
Voc Ed Special Needs	4072	84.048A	--	44,487	-	-	-	44,305	35,326	8,979
Voc Ed Special Needs	4071	84.048A	--	249,936	201,978	65,665	-	-	65,665	-
				294,423	201,978	65,665	-	44,305	100,991	8,979
Passed through Western Michigan University										
WMU Aspiring Leaders	6521	84.363A	--	15,000	920	920	-	17,152	17,990	82
Passed through Oakland University										
Oakland I3	6512	84.396A	--	6,000	-	-	-	1,939	1,567	372
TOTAL U.S. DEPARTMENT OF EDUCATION				63,423,008	28,158,018	6,679,021	-	21,885,511	22,280,371	6,284,161
<u>National Endowment for the Humanities</u>										
Direct program:										
Promotion of the Humanities Professional Development	1472	45.163	--	75,000	-	-	-	58,486	36,681	21,805

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, 2012**

<u>Federal grantor/pass-through grantor/program title</u>	<u>District ID Number</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Approved Award Amount</u>	<u>(Memo only) Prior Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Adjustments</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>
<u>U.S. Department of Health and Human Services</u>										
Passed through Eaton ISD										
Pregnancy Prevention	4042	93.032	--	\$ 38,012	\$ -	\$ -	\$ -	\$ 32,252	\$ 24,859	\$ 7,393
Passed through Ingham ISD										
Medicaid Outreach Reimbursement		93.778	--	57,319	66,260	-	-	57,319	57,319	-
<u>U.S. Department of Labor:</u>										
<u>WIA Program Cluster</u>										
Passed through Capital Area Michigan Works:										
WIA Youth	1382	17.259	--	6,551	-	-	-	6,551	3,763	2,788
WIA Youth	1421	17.259	--	526,162	526,162	74,544	-	-	74,544	-
WIA Youth	1422	17.259	--	505,767	-	-	-	483,807	402,225	81,582
				<u>1,038,480</u>	<u>526,162</u>	<u>74,544</u>	<u>-</u>	<u>490,358</u>	<u>480,532</u>	<u>84,370</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 76,939,471</u>	<u>\$ 34,924,807</u>	<u>\$ 7,743,085</u>	<u>\$ -</u>	<u>\$ 29,088,118</u>	<u>\$ 29,479,529</u>	<u>\$ 7,351,674</u>

**LANSING SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Lansing School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. Title I Cluster, CFDA #84.010 and #84.389, Title II, CFDA #84.367, and National School Lunch Cluster, CFDA #10.553, #10.555 and #10.559 were audited major programs, representing 51% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$872,644.
4. Management has utilized the Grant Section Auditors Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 21,073,882
Special revenue fund	6,557,925
	27,631,807
 Federal revenue not reported in the financial statements due to not being received within 60 days of year end	 1,456,311
Federal expenditures on the Schedule of Expenditures of Federal Awards	\$ 29,088,118

6. Program clusters contained within the schedule are as follows:
National School Lunch Cluster consists of CFDA #10.553, #10.555 and #10.559
Title I Cluster consists of CFDA #84.010 and #84.389
Title II consists of CFDA #84.367

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

To the Board of Education
Lansing School District

We have audited 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, 2012, which collectively comprise Lansing School District's basic financial statements and have issued our report thereon dated October 16, 2012. 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.

Internal Control Over Financial Reporting

Management of Lansing School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lansing School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lansing School District internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lansing School District internal control over financial reporting.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting, 2012-1. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lansing School District's financial statements are free of 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*.

We noted certain matters that we reported to management of Lansing School District in a separate letter dated October 16, 2012.

Lansing School District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit Lansing School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Manes Costeiran PC

October 16, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Lansing School District

Compliance

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, 2012. Lansing School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lansing School District's management. Our responsibility is to express an opinion on Lansing School District's compliance based on our audit.

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. 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. Our audit does not provide a legal determination of Lansing School District's compliance with those requirements.

In our opinion, Lansing School District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Lansing School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lansing School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lansing School District's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maney Costeiran PC

October 16, 2012

**LANSING SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

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

➤ Significant deficiency(ies) identified? _____ X Yes _____ 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 No

Type of auditors' report issued on compliance for major programs: Unqualified

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
84.010 and 84.389	Title I Cluster
84.367	Title II
10.553, 10.555, and 10.559	National School Lunch Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 872,644

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

**LANSING SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Section II - Findings - Financial Statement Audit

Finding 2012-1

Finding considered a significant deficiency

Criteria: Pupil counts in the Single Record Student Database (SRSD) should be accurate for all pupil counts requested for funding.

Condition: During the year, Ingham Intermediate School District's pupil membership auditors found significant errors in the reporting of pupil counts while performing their pupil audit. Errors were discovered primarily at the High School level for part time students.

Context: Failure to properly report student counts to the State of Michigan through the SRSD system could result in the District not receiving the appropriate amount of state aid. The District did correct this issue by year-end and did receive the correct amount of state aid. The independent pupil membership auditor noted some improvements, however numerous errors were still detected.

Effect: Inaccurate amount of state aid could be received by the District.

Cause: Lack of accurate reporting of pupil rosters to the final pupil membership counts.

Recommendation: Membership pupil count procedures need to be revised to ensure accurate counts particularly at the High School level. In addition, improved oversight should be implemented to ensure this process is properly completed.

Section III – Federal Awards Finding and Questioned Costs

None

**LANSING SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2012**

Section II - Findings - Financial Statement Audit

Finding 2011-1

Finding considered a material weakness

Criteria: There is a significant budget to actual variance at current year-end.

Condition: When final revenues and expenditures were compared to the budget during the audit process, there was a significant variance of approximately \$7,000,000.

Context: Failure to budget properly could result in the Board of Education and management not receiving accurate balances of expected revenues and expenditures. The District is aware of this issue and understands the implications of having significant budget to actual variances.

Effect: Financial decisions could be made based on inaccurate budget information.

Cause: Several reasons were the cause of the larger than expected budget variances. Unusually large unfilled positions, one time federal education jobs fund revenue and other reductions in expenditures greater than expected. Historically, this has not been an issue at the District.

Recommendation: We recommend that the budget process be improved to ensure that all factors affecting the financial status of the District are considered during the budgeting process. We also recommend reviewing year-to-date actual revenues and expenditures and amending the budget based on this information. It is our understanding that all these factors have been considered in the past prior to making final amendments, but due to time constraints, this process was unable to be followed in the current year.

Response: The District believes this was a one-time deficiency and has increased efforts to amend budgets accordingly.

Status: The District accurately budgeted the 2011-2012 fiscal year within two percent of actual expenditures.

**LANSING SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2012**

Finding 2011-2

Finding considered a significant deficiency

Criteria: Pupil counts in the Single Record Student Database (SRSD) should be reconciled to the detail pupil rosters to ensure accuracy.

Condition: During the year, Ingham Intermediate School District's pupil membership auditors found significant errors in the reporting of pupil counts while performing their pupil audit.

Context: Failure to properly report student counts to the State of Michigan through the SRSD system could result in the District not receiving the appropriate amount of state aid. The District did correct this issue by year-end and did receive the correct amount of state aid. The independent pupil membership auditor noted some improvements, however numerous errors were still detected.

Effect: Inaccurate amount of state aid could be received by the District.

Cause: Lack of reconciliation process between SRSD and detail pupil rosters and other review of the final pupil membership counts.

Recommendation: Paper membership rosters should be reconciled to the SRSD system in a timely manner prior to submission to the State. In addition, improved oversight should be implemented to ensure this process is completed. Consideration should be given to have the business office review reporting in this area.

Response: The District is aware of the deficiency and is currently investigating various ways to improve the pupil accounting process.

Status: The lack of reconciliation process between SRSD and detail pupil rosters continues for the year ended June 30, 2012. See finding 2012-1.

**LANSING SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2012**

Section III - Findings - Federal Awards Audit

Finding 2011-3

Considered a material weakness

Federal Program: All federal programs requiring personnel activity reports

Specific Requirement: Federal timekeeping requirements OMB circular A-87

Criteria: Lansing School District is required to follow specific timekeeping requirements related to employee payroll charged to federal programs. OMB Circular A-87 11h4 states; where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in the distribution of salaries and wages to awards must be supported by personnel activity reports (PAR). Reports reflecting the distribution of activity of each employee must be maintained for all staff members whose compensation is charged in whole or in part, directly to awards. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that certain conditions are met.

Condition: We selected 40 individuals for PAR documentation. The results were while PAR reports were prepared they were not prepared for every time period. It was noted during our audit the district only required personal activity reports once a month and not for every pay period required by federal regulations. This was the first year the Michigan Department of Education did not allow lesson plans and other supporting documentation to fulfill this requirement.

Context: The District's compliance staff was aware of the new Personal Activity Report requirements and in fact redesigned the form. Subsequent to our initial review district personnel were able to supply supporting documentation to support the previously undocumented time periods.

Questioned Costs: \$0 - In accordance with the guidance provided by the Kansas City office of Inspector General, the District was able to substantiate federally funded activity with other supporting documentation and therefore able to avoid any questioned costs related to this finding.

Effect: Costs charged to the grants related to split-funded individuals were not documented in accordance with OMB Circular A-87. Because of the violation, the funding sources of the grants could request repayment of some of the grant funds charged for payroll-related charges not adequately documented.

Cause: The District's compliance staff misinterpreted the new requirements. During implementation the District required one pay period to be completed every month and not every pay period.

**LANSING SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2012**

Finding 2011-3 (Concluded)

Recommendation: We recommend Lansing School District establish improved controls for reviewing the federal compliance supplements related to the grants, and verify that adequate timekeeping requirements are monitored and complied with. Personnel Activity Reports should be used weekly to document the actual time spent on each activity by individuals allocating time to more than one activity. These time reports should account for the total number of hours worked by the individual and should be used to allocate the actual costs to the individual activities. These reports should be reviewed and reconciled on a monthly basis. The District should also continue utilizing semi-annual certifications for employees fully charged to a federal program. It is our understanding District personnel are aware of the regulations and have changed procedures to comply with federal regulations in the area of time reporting.

Response: The District is aware of the deficiency and is currently investigating various ways to improve the time and effort documentation process.

Status: The District has greatly improved the process over time and effort reporting but timely compliance continues to not be met for the year ended June 30, 2012. For the 2012 fiscal year the issue no longer met the definition of a finding as defined in section 510(a) of Circular A-133.

**LANSING SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2012**

Finding 2011-4

Considered a material weakness

Federal Program: Title I Cluster (CFDA #'s 84.010 and 84.389)

Specific Requirement: Federal timekeeping requirements OMB circular A-87

Criteria: Lansing School District is required to follow specific timekeeping requirements related to employee payroll charged to federal programs. OMB Circular A-87 11h4 states; at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect the changed circumstances.

Condition: We selected 40 individuals for PAR documentation. The results were while PAR reports were prepared they were not consistently compared to the budgeted allocations.

Context: The lack of comparison to the budgeted allocations led to some distribution percentages being allocated to a federal program when they should not have been.

Questioned Costs: \$73,874 - we extrapolated the differences noted during testing of Title I.

Effect: Costs charged to the grants related to split-funded individuals were compared to the personnel activity reports in accordance with OMB Circular A-87. Because of the violation, the funding sources of the grants could request repayment of some of the grant funds charged for payroll-related charges.

Cause: The District's compliance staff did not consistently review the distribution percentages being allocated to the federal programs.

Recommendation: The District's compliance staff should compare PAR documentation to how the employee is being allocated to the grant and notify the accounting staff of any necessary changes, at least quarterly.

Response: The District believes this was a one-time deficiency and has increased efforts to reconcile budget to actual activity on a quarterly basis.

Status: The District accurately reconciled federally charged individuals based on time and effort reports for the year ending June 30, 2012.



**LANSING SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDING JUNE 30, 2012**

U.S. Department of Education:

Lansing School District respectfully submits the following corrective action plan for the year ended June 30, 2012.

Name and address of independent public accounting firm:

Maner Costerisan
2425 East Grand River Avenue, Suite 1
Lansing, Michigan 48912

Audit Period: For the year ended June 30, 2012

The finding from the June 30, 2012 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding - Financial statement audit

Finding 2012-1: Considered a significant deficiency

Recommendation: Membership pupil count procedures need to be revised to ensure accurate counts particularly at the High School level. In addition, improved oversight should be implemented to ensure this process is properly completed.

Action to be taken: We are aware of the deficiency and are currently investigating various ways to improve the pupil accounting process. This will be given much more scrutiny in the current year to ensure all student counts are accurate. The business office will be overseeing reporting in this area for the year ended June 30, 2013.