

**LANSING SCHOOL DISTRICT**

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

**YEAR ENDED JUNE 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Lansing School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014 on our consideration of Lansing School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lansing School District's internal control over financial reporting and compliance.

*Manes Costeiran PC*

October 17, 2014

# **Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014**

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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, 2014. 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, deferred outflows of resources, 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's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

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**Summary of Net Position**

The following schedule summarizes the net position for fiscal years ended June 30, 2014 and 2013:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets:		
Current and other assets	\$ 38,128,521	\$ 45,209,910
Capital assets	<u>88,232,845</u>	<u>89,077,533</u>
Total assets	<u>126,361,366</u>	<u>134,287,443</u>
Deferred outflows of resources	<u>2,686,519</u>	<u>3,021,618</u>
Liabilities:		
Long-term outstanding liabilities	53,501,677	57,993,173
Other liabilities	<u>25,486,569</u>	<u>30,268,976</u>
Total liabilities	<u>78,988,246</u>	<u>88,262,149</u>
Net position:		
Net investment in capital assets	41,506,365	38,261,512
Restricted for debt service	5,043,219	4,340,392
Restricted for sinking fund	416,383	222,381
Restricted for food service	1,081,301	683,064
Unrestricted	<u>2,012,371</u>	<u>5,539,563</u>
Total net position	<u>\$ 50,059,639</u>	<u>\$ 49,046,912</u>

# **Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014**

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## **Analysis of Financial Position**

During the fiscal year ended June 30, 2014, the District's net position increased by \$1,012,727. A few of the more significant factors affecting net position 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 position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the assets less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2014, \$4,556,372 was recorded for depreciation expense.

### **2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2014, \$4,173,397 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 (\$4,173,397), assets disposed of and reclassified during the fiscal year, and the current year's depreciation (\$4,556,372) is a net decrease to capital assets in the amount of \$844,688 for the fiscal year ended June 30, 2014. The net decrease in capital assets is due mainly to depreciation offset by capital acquisitions.

**Lansing School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

**Results of Operations**

For the fiscal years ended June 30, 2014, the results of operations, on a District-wide basis, were:

	Year ended June 30, 2014		Year ended June 30, 2013	
<b>General revenues:</b>				
Property taxes	\$ 29,117,995	17.8%	\$ 29,236,371	18.2%
Investment earnings	151,943	0.1%	150,264	0.1%
State sources	79,096,179	48.3%	80,654,586	50.3%
IISD special education allocation	16,932,747	10.3%	6,623,788	4.1%
Other	2,505,908	1.5%	2,412,086	1.5%
<b>Total general revenues</b>	<b>127,804,772</b>	<b>78.0%</b>	<b>119,077,095</b>	<b>74.3%</b>
<b>Program revenues:</b>				
Charges for services	1,190,388	0.7%	1,522,294	0.9%
Operating grants	34,825,618	21.3%	39,688,952	24.8%
<b>Total revenues</b>	<b>163,820,778</b>	<b>100.0%</b>	<b>160,288,341</b>	<b>100.0%</b>
<b>Expenses:</b>				
Instruction	86,935,073	53.4%	90,937,947	55.7%
Support services	65,863,955	40.5%	61,611,340	37.8%
Community services	448,967	0.3%	523,618	0.3%
Food services	6,829,638	4.2%	6,739,145	4.1%
Interest on long-term debt	1,881,768	1.2%	1,923,749	1.2%
Unallocated depreciation expense	848,650	0.5%	1,393,994	0.9%
<b>Total expenses</b>	<b>162,808,051</b>	<b>100.0%</b>	<b>163,129,793</b>	<b>100.0%</b>
<b>Change in net position</b>	<b>\$ 1,012,727</b>		<b>\$ (2,841,452)</b>	

# Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

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## Analysis of Significant Revenue and Expenses

Significant revenues and expenditures are discussed in the segments below:

### 1. Property Taxes

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

For the 2014 and 2013 fiscal year, the District levied \$20,246,638 in non-principal property taxes. This amount represented an increase of 2.0% from the prior year.

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

Fiscal year	Non-PRE tax levy	% Increase (decrease) from prior year
2013-2014	\$ 20,246,638	2.0%
2012-2013	19,855,704	-5.7%
2011-2012	21,063,951	-3.5%
2010-2011	21,831,230	-7.9%
2009-2010	23,709,232	2.2%

### 2. State Sources

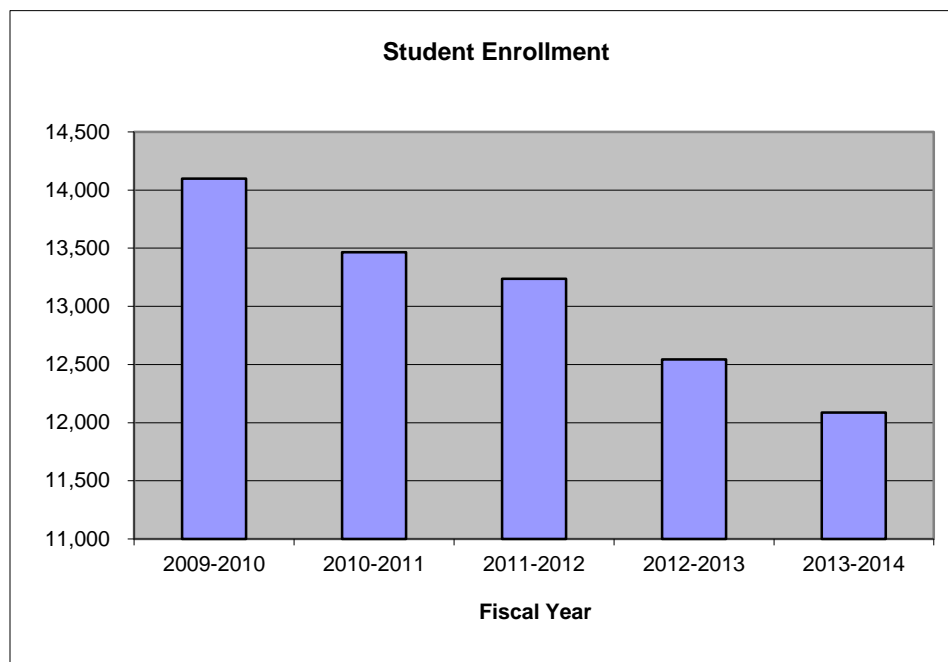
The majority of the state sources of revenue is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment. The blended enrollment consists of 90% of the current year's fall count and 10% of the current fiscal year's spring count. For the 2014 and 2013 fiscal year, the District received \$7,368 per student (FTE) inclusive of the \$112 per pupil received for class size reduction, which represented a \$54 change per pupil from the amount received for the 2012-2013 fiscal year of \$7,314 (inclusive of the \$112 per pupil received for class size reduction).

**Lansing School District  
 Management’s Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2014**

**3. Student Enrollment**

Student enrollment has declined by 14% since 2009-2010.

Fiscal year	Actual Blended student FTE
2013-2014	12,088
2012-2013	12,544
2011-2012	13,236
2010-2011	13,465
2009-2010	14,098



**4. Operating Grants**

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2014, federal, state, and other grants accounted for \$34,825,618. This amount represents a 12% decrease from the total grant sources of \$39,688,952 received for the 2013 fiscal year.

**Lansing School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

**5. County Special Education Allocation**

For the fiscal year ended June 30, 2014, the District received a net allocation from the Ingham Intermediate School District in the amount of \$16,948,096 to assist with the education of students with special needs. This amount represents an increase of \$9,405,938 as compared to the allocation of \$7,542,158 received during the 2013 fiscal year. Part of this increase was offset with a reduction of federal flow through funds.

**6. Interest Earnings**

The District received interest on its investment of short-term available cash in the amount of \$151,943 for the fiscal year ended June 30, 2014. Interest revenues are more than the prior fiscal year by \$1,679.

**7. Comparative Expenditures**

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

	2013-2014 fiscal year	2012-2013 fiscal year	Increase (decrease)
Instruction	\$ 84,508,234	\$ 88,638,247	\$ (4,130,013)
Supporting services	63,708,515	60,982,961	2,725,554
Food service activities	6,829,636	6,720,199	109,437
Community service activities	451,330	522,937	(71,607)
Capital outlay	4,860,509	4,875,351	(14,842)
Debt service	5,784,693	7,508,725	(1,724,032)
Total expenditures	<u>\$ 166,142,917</u>	<u>\$ 169,248,420</u>	<u>\$ (3,105,503)</u>

The reduction in Instruction is primarily related to a decrease in total added needs expenditures for the year. The increase in Support Services is due to additional instructional staff expenditures as well as an increase in operation and maintenance as a result of a very cold winter and increased utility costs.

**Lansing School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

**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 2013-2014 fiscal year, the District amended the general fund budget twice, with the Board adopting the final changes in June 2014.

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	\$141,997,226	\$161,826,243	\$146,298,629	\$(15,527,614)	(7.3%)
Expenditures:					
Instruction	\$ 82,179,880	\$ 92,290,100	\$ 84,508,234	\$ 7,781,866	8.4%
Supporting services	59,260,002	70,289,383	63,708,515	6,580,868	9.4%
Community services	497,316	904,545	451,330	453,215	50.1%
Total expenditures	\$141,937,198	\$163,484,028	\$148,668,079	\$ 14,815,949	9.1%
Other financing sources (uses) – transfers out	\$ (17,900)	\$ (1,076,440)	\$ (1,167,655)	\$ (91,215)	8.5%

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 \$15.3 million of the budget variance is accounted for by the variance in grants awarded verses grants expended.

**Lansing School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

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**Capital Asset and Debt Administration**

**Capital Assets**

By the end of the 2013-2014 fiscal year, the District had invested approximately \$188 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 \$2 million over the prior fiscal year. Depreciation expense for the year amounted to approximately \$4.6 million, bringing the accumulated depreciation to approximately \$100 million as of June 30, 2014.

	Cost	Accumulated depreciation	2014 Net book value	2013 Net book value
Land	\$ 4,309,217	\$ -	\$ 4,309,217	\$ 4,419,517
Construction in progress	-	-	-	1,790,787
Land improvements	20,568,609	12,190,265	8,378,344	8,542,418
Buildings and additions	142,022,323	71,483,201	70,539,122	69,539,060
Machinery and equipment	15,599,864	11,874,797	3,725,067	3,651,844
Buses	4,444,428	3,438,459	1,005,969	1,085,141
Transportation equipment	1,510,399	1,235,273	275,126	48,766
	<u>\$ 188,454,840</u>	<u>\$ 100,221,995</u>	<u>\$ 88,232,845</u>	<u>\$ 89,077,533</u>

**Long-term Debt**

At June 30, 2014, the District had approximately \$49 million in bonded debt outstanding. Total outstanding debt decreased as the District continues to pay down its debt.



# **Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014**

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## **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.

- In 2013/2014 the District was awarded a three year \$10 million dollar Magnet Grant to provide choice options to our students. Offerings now include: STEAM at Cavanaugh and Mt Hope, STEM at Fairview and Sheridan Road, Global Studies at Lewton and New Tech at Everett.
- The District implemented a new Integrated Financial Management system in 2013/2014. The software modernized the Finance and HR systems that had been in place for many years. As a result we anticipate that the District will recognize savings in the future due to streamlining duties and gaining efficiencies from the new system.
- The District technology plans for the 2014/2015 school year includes: the implementation of a new Student Information system, development of a cloud presence for the Lansing School District users that facilitates sharing and collaboration among departments and schools, and supporting the Magnet school initiatives.
- Since 2012, the district has addressed surplus properties aggressively: Bingham Elementary School was sold to Sparrow Health System; Moore's Park Elementary was sold to PSO Labs; the sale of a parking lot adjacent to the Administration Building is pending; Northwestern Elementary, closed for several years, was demolished; a significant portion of the massive Hill Center was leased to the Lansing Police Department; two schools that were closed in the 2012 restructuring, Elmhurst and Wainwright, have been converted into a Community Learning Center and the Special Education Offices, respectively.
- The District continues to address a comprehensive plan for ongoing budget needs. 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. The school buildings and the instructional programs have been reconfigured into twelve PreK-3 buildings that will emphasize all students learning to read at grade level before they exit the PreK-3 building; five 4-6 buildings that will emphasize reading to learn so as to prepare students for success in high school. Lansing high schools consist of grades 7-12 which will increase that sense of belonging and with the traditional transition issues that have occurred between middle school and high school. In addition to the six new magnet schools, Lansing offers the following K-8 academies: Lansing STEM, Pleasant View Performing Arts, Wexford Montessori, and Gardner Law and Government. These options allow for students and families to explore in more depth a particular area of interest. Woodcreek Achievement Center was initiated in 2012-13 to provide a blended learning environment for credit recovery and for students to continue their education when they have been suspended from their home school.

## **Contacting the District's Financial Management**

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

**BASIC FINANCIAL STATEMENTS**

**LANSING SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	<u><b>Governmental activities</b></u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 12,402,962
Receivables:	
Accounts receivable	334,553
Intergovernmental	19,198,557
Inventories	270,474
Cash and cash equivalents - restricted QZAB debt service	4,676,081
Prepays	1,245,894
Capital assets not being depreciated	4,309,217
Capital assets, net of accumulated depreciation	<u>83,923,628</u>
<b>TOTAL ASSETS</b>	<u><b>126,361,366</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred charge on refunding	<u>2,686,519</u>
<b>LIABILITIES:</b>	
Accounts payable	3,076,791
Accrued salaries and related items	12,986,238
Accrued interest	295,891
Unearned revenue	9,127,649
Noncurrent liabilities:	
Due within one year	5,535,662
Due in more than one year	<u>47,966,015</u>
<b>TOTAL LIABILITIES</b>	<u><b>78,988,246</b></u>
<b>NET POSITION:</b>	
Net investment in capital assets	41,506,365
Restricted for debt service	5,043,219
Restricted for capital projects - sinking fund	416,383
Restricted for food service	1,081,301
Unrestricted	<u>2,012,371</u>
<b>TOTAL NET POSITION</b>	<u><u><b>\$ 50,059,639</b></u></u>

**LANSING SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

<b>Functions/programs</b>	<b>Expenses</b>	<b>Program revenues</b>		<b>Governmental activities</b>
		<b>Charges for services</b>	<b>Operating grants</b>	<b>Net (expense) revenue and changes in net position</b>
Governmental activities:				
Instruction	\$ 86,935,073	\$ 780,449	\$ 16,814,673	\$ (69,339,951)
Support services	65,863,955	175,732	10,345,571	(55,342,652)
Community services	448,967	-	339,090	(109,877)
Food services	6,829,638	234,207	7,326,284	730,853
Interest on long-term debt	1,881,768	-	-	(1,881,768)
Unallocated depreciation	848,650	-	-	(848,650)
Total governmental activities	<u>\$ 162,808,051</u>	<u>\$ 1,190,388</u>	<u>\$ 34,825,618</u>	<u>(126,792,045)</u>
General revenues:				
Property taxes, levied for general purposes				20,000,878
Property taxes, levied for debt service				5,704,129
Property taxes, levied for sinking fund				3,412,988
Investment earnings				151,943
State sources - unrestricted				79,096,179
Intermediate sources				16,932,747
Other				2,505,908
Total general revenues				<u>127,804,772</u>
<b>CHANGE IN NET POSITION</b>				1,012,727
<b>NET POSITION, beginning of year</b>				<u>49,046,912</u>
<b>NET POSITION, end of year</b>				<u>\$ 50,059,639</u>

**LANSING SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General fund</u>	<u>QZAB debt service fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 11,239,145	\$ -	\$ 1,163,817	\$ 12,402,962
Cash and cash equivalents - restricted QZAB debt service		4,676,081		4,676,081
Receivables:				
Accounts receivable	331,866	-	2,687	334,553
Intergovernmental	18,999,489	-	199,068	19,198,557
Due from other funds	-	-	3,986,487	3,986,487
Inventories	207,074	-	63,400	270,474
Prepays	1,245,894	-	-	1,245,894
<b>TOTAL ASSETS</b>	<u>\$ 32,023,468</u>	<u>\$ 4,676,081</u>	<u>\$ 5,415,459</u>	<u>\$ 42,115,008</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 2,411,011	\$ -	\$ 665,780	\$ 3,076,791
Accrued salaries and related items	12,965,559	-	20,679	12,986,238
Due to other funds	3,986,487	-	-	3,986,487
Unearned revenue	9,127,649	-	-	9,127,649
<b>TOTAL LIABILITIES</b>	<u>28,490,706</u>	<u>-</u>	<u>686,459</u>	<u>29,177,165</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - intergovernmental	<u>132,991</u>	<u>-</u>	<u>-</u>	<u>132,991</u>

See notes to the financial statements

	<u>General fund</u>	<u>QZAB debt service fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories	\$ 207,074	\$ -	\$ 63,400	\$ 270,474
Prepays	1,245,894	-	-	1,245,894
Restricted:				
Debt service	-	4,676,081	663,029	5,339,110
Capital projects - sinking fund	-	-	416,383	416,383
Food service	-	-	1,081,301	1,081,301
Assigned:				
Subsequent year expenditures	485,597	-	-	485,597
Capital projects	-	-	2,504,887	2,504,887
Unassigned:				
General fund	1,461,206	-	-	1,461,206
<b>TOTAL FUND BALANCES</b>	<u>3,399,771</u>	<u>4,676,081</u>	<u>4,729,000</u>	<u>12,804,852</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS     OF RESOURCES AND FUND BALANCES</b>	<u>\$ 32,023,468</u>	<u>\$ 4,676,081</u>	<u>\$ 5,415,459</u>	<u>\$ 42,115,008</u>
<b>Total governmental fund balances</b>				\$ 12,804,852
Amounts reported for governmental activities in the statement of net position are different because:				
Deferred charge on refunding, net of amortization				2,686,519
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
Capital assets			\$ 188,454,840	
Accumulated depreciation			<u>(100,221,995)</u>	
				88,232,845
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(49,412,999)
Compensated absences, termination benefits, and self-insured workers' compensation plan				(4,088,678)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid				(295,891)
Unavailable revenue from other governmental units at June 30th, expected to be collected after September 1st				132,991
<b>Net position of governmental activities</b>				<u>\$ 50,059,639</u>

**LANSING SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	<u>General fund</u>	<u>QZAB debt service fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 20,019,045	\$ -	\$ 9,117,117	\$ 29,136,162
Investment earnings	16,814	131,326	3,803	151,943
Food sales	-	-	234,002	234,002
Other	2,072,527	-	400,205	2,472,732
Total local sources	22,108,386	131,326	9,755,127	31,994,839
State sources	92,317,093	-	289,819	92,606,912
Federal sources	14,925,054	-	7,128,160	22,053,214
Incoming transfers	16,948,096	-	-	16,948,096
Total revenues	146,298,629	131,326	17,173,106	163,603,061
<b>EXPENDITURES:</b>				
Current:				
Instruction	84,508,234	-	-	84,508,234
Supporting services	63,708,515	-	-	63,708,515
Food service activities	-	-	6,829,636	6,829,636
Community service activities	451,330	-	-	451,330
Capital outlay	-	-	4,860,509	4,860,509

See notes to the financial statements

	<u>General fund</u>	<u>QZAB debt service fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>EXPENDITURES (Concluded):</b>				
Debt service:				
Principal payments	\$ -	\$ -	\$ 3,650,000	\$ 3,650,000
Interest	-	-	1,904,925	1,904,925
Other expense	-	-	229,768	229,768
Total expenditures	<u>148,668,079</u>	<u>-</u>	<u>17,474,838</u>	<u>166,142,917</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,369,450)</u>	<u>131,326</u>	<u>(301,732)</u>	<u>(2,539,856)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	-	-	251,233	251,233
Transfers in	394,527	400,000	1,522,409	2,316,936
Transfers out	<u>(1,562,182)</u>	<u>-</u>	<u>(754,754)</u>	<u>(2,316,936)</u>
Total other financing sources (uses)	<u>(1,167,655)</u>	<u>400,000</u>	<u>1,018,888</u>	<u>251,233</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(3,537,105)</u>	<u>531,326</u>	<u>717,156</u>	<u>(2,288,623)</u>
<b>FUND BALANCES:</b>				
Beginning of year	<u>6,936,876</u>	<u>4,144,755</u>	<u>4,011,844</u>	<u>15,093,475</u>
End of year	<u><u>\$ 3,399,771</u></u>	<u><u>\$ 4,676,081</u></u>	<u><u>\$ 4,729,000</u></u>	<u><u>\$ 12,804,852</u></u>

See notes to the financial statements



**LANSING SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

<b>Net change in fund balances total governmental funds</b>	<b>\$ (2,288,623)</b>
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	(4,556,372)
Capital outlay	4,173,397
Unrecovered cost on asset disposal	(461,713)
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	319,048
Accrued interest payable, end of the year	(295,891)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial sources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of premiums and discounts when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items as follows:	
Payments on debt	3,715,842
Amortization of deferred charge on refunding	(335,099)
Amortization of bond premium	708,798
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue, beginning of the year	(166,507)
Unavailable revenue, end of the year	132,991
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and other termination benefits, beginning of the year	4,155,534
Accrued compensated absences and other termination benefits, end of the year	(4,088,678)
<b>Change in net position of governmental activities</b>	<b>\$ 1,012,727</b>

**LANSING SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014**

	<b>Private purpose trust fund</b>	<b>Agency fund</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,555,541	\$ 642,356
Accounts receivable	5,788	3,837
<b>TOTAL ASSETS</b>	<u>1,561,329</u>	<u>646,193</u>
<b>LIABILITIES:</b>		
Accounts payable	3,000	52,623
Accrued expenses	-	4,170
Due to student groups	-	589,400
<b>TOTAL LIABILITIES</b>	<u>3,000</u>	<u>646,193</u>
<b>NET POSITION:</b>		
Restricted for trust activities	<u>\$ 1,558,329</u>	<u>\$ -</u>

**LANSING SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2014**

	<b>Private purpose trust fund</b>
<b>ADDITIONS:</b>	
Donations	\$ 124,725
Interest earnings	4,290
Other	7,937
Total additions	136,952
<b>DEDUCTIONS:</b>	
Scholarships awarded	45,111
Other	26,142
Total deductions	71,253
<b>CHANGE IN NET POSITION</b>	65,699
<b>NET POSITION:</b>	
Beginning of year	1,492,630
End of year	\$ 1,558,329

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-wide Financial Statements**

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

**B. Reporting Entity**

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

**C. Basis of Presentation - Government-wide Financial Statements**

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

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

**D. Basis of Presentation - Fund Financial Statements**

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

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The District reports the following major governmental funds:

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

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

**Other Non-major Funds**

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

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

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

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

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

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

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

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**E. Measurement Focus and Basis of Accounting**

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

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

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

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

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (Concluded)**

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

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

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

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

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

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

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Budgetary Information**

Budgetary basis of accounting:

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

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

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year end June 30, 2014. The District does not consider these amendments to be significant.



**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

1. Cash and cash equivalents

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

2. Investments

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

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

3. Inventories and prepaids

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

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

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

4. Capital assets

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

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

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

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

5. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

5. Deferred outflows/inflows of resources (Concluded)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues primarily from two sources: property taxes and receipts that exceeded 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Net position flow assumption

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

7. Fund balance flow assumptions

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

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

8. Fund balance policies

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

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

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

**H. Revenues and Expenditures/Expenses**

1. Program revenues

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

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Revenues and Expenditures/Expenses (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, 2014, 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	2.4800
Capital projects (sinking fund)	
PRE, Non-PRE. Commercial Personal Property	1.5000

3. Compensated absences

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

4. Long-term obligations

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

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**H. Revenues and Expenditures/Expenses (Concluded)**

4. Long-term obligations (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.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As of June 30, 2014 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.

**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, 2014, \$14,183,939 of the District's bank balance of \$15,181,909 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of all deposits is \$19,276,940.

**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.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)**

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

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

The above amounts as previously reported in Note 2:

Deposits - including fiduciary funds of \$2,197,897	<u><u>\$ 19,276,940</u></u>
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The above amounts are reported in the financial statements as follows:

Cash - private purpose trust fund	\$ 1,555,541
Cash - agency fund	642,356
Cash and cash equivalents - restricted QZAB debt service	4,676,081
Cash and cash equivalents - district-wide	<u>12,402,962</u>
	<u><u>\$ 19,276,940</u></u>

**NOTE 3 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at June 30, 2014 consist of the following:

	Governmental Funds
Other governmental units:	
State aid	\$ 14,981,137
Federal	3,970,444
Other	<u>246,976</u>
	<u><u>\$ 19,198,557</u></u>

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

No allowance for doubtful accounts is considered necessary.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS**

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

	Balance July 1, 2013	Additions	Reclassifications/ Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 4,419,517	\$ -	\$ 110,300	\$ 4,309,217
Construction in progress	1,790,787	3,856,799	5,647,586	-
Subtotal	<u>6,210,304</u>	<u>3,856,799</u>	<u>5,757,886</u>	<u>4,309,217</u>
Capital assets, being depreciated				
Land improvements	20,191,742	476,863	99,996	20,568,609
Buildings and additions	139,126,476	4,438,145	1,542,298	142,022,323
Machinery and equipment	14,800,237	806,341	6,714	15,599,864
Buses	4,444,428	-	-	4,444,428
Transportation equipment	1,267,564	242,835	-	1,510,399
Subtotal	<u>179,830,447</u>	<u>5,964,184</u>	<u>1,649,008</u>	<u>184,145,623</u>
Accumulated depreciation:				
Land improvements	11,649,324	639,727	98,786	12,190,265
Buildings and additions	69,587,416	3,089,610	1,193,825	71,483,201
Machinery and equipment	11,148,393	731,388	4,984	11,874,797
Buses	3,359,287	79,172	-	3,438,459
Transportation equipment	1,218,798	16,475	-	1,235,273
Subtotal	<u>96,963,218</u>	<u>4,556,372</u>	<u>1,297,595</u>	<u>100,221,995</u>
Total capital assets being depreciated, net	<u>82,867,229</u>	<u>1,407,812</u>	<u>351,413</u>	<u>83,923,628</u>
Governmental activities capital assets, net	<u>\$ 89,077,533</u>	<u>\$ 5,264,611</u>	<u>\$ 6,109,299</u>	<u>\$ 88,232,845</u>

Depreciation for the fiscal year ended June 30, 2014 amounted to \$4,556,372.

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

Instruction	\$ 2,526,153
Support service	1,173,537
Food service	8,032
Unallocated	848,650
	<u>\$ 4,556,372</u>



**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM DEBT**

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

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2014:

	Self-insured workers' compensation plan	Compensated absences and termination benefits	Note payable	Bonds	Total
Balance, July 1, 2013	\$ 167,810	\$ 3,987,724	\$ 65,842	\$ 53,771,797	\$ 57,993,173
Additions	-	39,344	-	-	39,344
Deletions	106,200	-	65,842	4,358,798	4,530,840
Balance, June 30, 2014	61,610	4,027,068	-	49,412,999	53,501,677
Due within one year	-	1,940,662	-	3,595,000	5,535,662
Due in more than one year	\$ 61,610	\$ 2,086,406	\$ -	\$ 45,817,999	\$ 47,966,015

Bonds payable at June 30, 2014 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
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)	5,887,999
Total general obligation debt	49,412,999
Accrued retirement benefits and worker's compensation:	
Obligation for compensated absences and termination benefits	4,027,068
Obligation for workers' compensation claims	61,610
Total debt	\$ 53,501,677

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM DEBT (Concluded)**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2014, \$7,520,000 of bonds outstanding are considered defeased.

At June 30, 2014, \$5,339,110 is available to service the general obligation debt. The annual requirements to amortize bonded debt and notes payable outstanding as of June 30, 2014, including interest payments of \$9,409,250 are as follows:

Year ending June 30,	Principal	Interest	Amounts payable
2015	\$ 3,595,000	\$ 1,775,350	\$ 5,370,350
2016	3,735,000	1,631,550	5,366,550
2017	8,875,000	1,482,150	10,357,150
2018	4,065,000	1,288,400	5,353,400
2019	4,260,000	1,085,150	5,345,150
2020 - 2023	18,995,000	2,146,650	21,141,650
	43,525,000	9,409,250	52,934,250
Premium on bond issuance	5,887,999	-	5,887,999
Compensated absences and termination benefits	4,027,068	-	4,027,068
Workers' compensation claims	61,610	-	61,610
	<u>\$ 53,501,677</u>	<u>\$ 9,409,250</u>	<u>\$ 62,910,927</u>

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2014 are as follows:

Receivable fund		Payable fund	
Special revenue fund	\$ 1,152,621	General fund	<u>\$ 3,986,487</u>
Debt service funds	630,883		
Capital projects funds	<u>2,202,983</u>		
	<u>\$ 3,986,487</u>		<u>\$ 3,986,487</u>

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES (Concluded)**

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

**NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS**

**Plan Description** - The District participates in the statewide Michigan Public School Employees' Retirement System (MPERS) which is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111. It is also available at <http://www.michigan.gov/orsschools>.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

**Benefit Provisions - Pension**

***Introduction***

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members. A DB member or Pension Plus hybrid plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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

**Funding Policy**

***Member Contributions***

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. 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 between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 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 of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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

*Employer Contributions*

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits on a prefunded basis. 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 following table. The District contributions to MPSERS were equal to the required contribution for those years.

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

Fiscal Year Ending June 30,	Contributions to MPSERS
2014	\$ 23,093,932
2013	21,286,378
2012	19,121,619

Included in the amounts paid above, the District received \$4,000,795 and \$1,530,721 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the years ended June 30, 2014 and 2013.

PA 464 Retirees Returning to Work, effective December 27, 2012 also requires applicable employer contributions to the defined benefit and defined contribution plans. These amounts if any are included in the amounts paid above.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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

Contribution rates		<b>Fiscal Year 2014</b>					
		Effective October 1, 2013					
Public School Employee Pension Rates (FYE Sept. 30th)	Basic MIP	Pension Plus	Pension Plus PHF - First worked after 9/2/13	Pension Plus to DC with PHF First worked after 9/2/13	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
	<b>DB Contributions</b>						
Pension Normal Cost	2.90%	2.67%	2.67%	0.00%	0.00%	0.00%	2.90%
Pension UAL	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%
Pension Early Retirement Incentive	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
<b>Pension Contributions - Total Rate</b>	<b>18.34%</b>	<b>18.11%</b>	<b>18.11%</b>	<b>15.44%</b>	<b>15.44%</b>	<b>15.44%</b>	<b>18.34%</b>
Health Normal Cost	0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%
<b>Health Contributions - Total Rate</b>	<b>6.45%</b>	<b>6.45%</b>	<b>5.52%</b>	<b>5.52%</b>	<b>6.45%</b>	<b>5.52%</b>	<b>5.52%</b>
<b>Total</b>	<b>24.79%</b>	<b>24.56%</b>	<b>23.63%</b>	<b>20.96%</b>	<b>21.89%</b>	<b>20.96%</b>	<b>23.86%</b>
<b>DC Contributions</b>							
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%
<b>Total</b>	<b>0.00%</b>	<b>1.00%</b>	<b>3.00%</b>	<b>5.00%</b>	<b>4.00%</b>	<b>6.00%</b>	<b>2.00%</b>
<b>Grand Total</b>	<b>24.79%</b>	<b>25.56%</b>	<b>26.63%</b>	<b>25.96%</b>	<b>25.89%</b>	<b>26.96%</b>	<b>25.86%</b>

Contribution rates		<b>Fiscal Year 2013</b>					
		Effective February 1, 2013					
Public School Employee Pension Rates (FYE Sept. 30th)	Basic MIP	Pension Plus	Pension Plus PHF - First worked after 9/3/12	Pension Plus to DC with PHF First worked after 9/3/12	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
	<b>Grand Total</b>	<b>24.32%</b>	<b>24.13%</b>	<b>26.20%</b>	<b>25.96%</b>	<b>25.89%</b>	<b>26.96%</b>

Contribution rates		<b>Fiscal Year 2013</b>			
		4 months ended 1/31/2013			
Public School Employee Pension Rates (FYE Sept. 30th)	First worked before 7/1/10	First worked between 6/30/10 and 9/3/12	Pension Plus and First worked after 9/3/12	Elected DC and First worked after 9/3/12	
	<b>Total</b>	<b>25.36%</b>	<b>24.13%</b>	<b>23.20%</b>	<b>20.96%</b>

Contribution rates		<b>Fiscal Year 2012</b>			
		FY 2011 - 2012		11 months ended 9/30/11	
Public School Employee Pension Rates (FYE Sept. 30th)	First worked before 7/1/10	First worked after 6/30/10	First worked before 7/1/10	First worked after 6/30/10	
	<b>Total</b>	<b>24.46%</b>	<b>23.23%</b>	<b>20.66%</b>	<b>19.16%</b>

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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

**Benefit Provisions - Other Postemployment**

***Introduction***

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

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

***Retiree Healthcare Reform of 2012***

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

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

**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, 2014 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 \$1,162,182 to the capital projects funds, and \$400,000 to the debt funds, and \$394,527 was transferred from the food service fund to the general fund. The 2004 debt service fund transferred \$360,227 to the 2006 refunding debt service fund.

The general fund transfer to the debt service fund is for future retirement of debt and the transfer to the capital projects funds were to cover future capital acquisitions. The transfer from the food service fund to the general fund was to reimburse indirect cost. The transfer between debt service funds was to close out the 2004 debt service fund.



**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENT**

Governmental Accounting Standards Board (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 and actuarial calculation. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. 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. The District is in the process of evaluating the financial statement impact of this statement and believes the impact of this statement will be significant.

**NOTE 12 - SUBSEQUENT EVENT**

Effective June 30, 2014 the district entered into an agreement to sell its transportation fleet and contract for transportation services.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LANSING SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>REVENUES:</b>				
Local sources	\$ 23,333,159	\$ 22,121,365	\$ 22,108,386	\$ (12,979)
State sources	89,615,594	95,853,612	92,317,093	(3,536,519)
Federal sources	21,491,732	26,950,198	14,925,054	(12,025,144)
Incoming transfers	7,556,741	16,901,068	16,948,096	47,028
Total revenues	<u>141,997,226</u>	<u>161,826,243</u>	<u>146,298,629</u>	<u>(15,527,614)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	52,203,260	62,392,246	58,390,825	4,001,421
Added needs	29,523,884	29,415,026	25,644,368	3,770,658
Adult and continuing education	452,736	482,828	473,041	9,787
Total instruction	<u>82,179,880</u>	<u>92,290,100</u>	<u>84,508,234</u>	<u>7,781,866</u>
Supporting services:				
Pupil	14,584,080	15,472,467	14,996,615	475,852
Instructional staff	5,867,655	12,761,120	7,931,208	4,829,912
General administration	804,263	826,842	812,579	14,263
School administration	7,063,601	7,997,649	7,862,723	134,926
Business	3,748,964	3,872,089	3,644,482	227,607
Operation and maintenance	14,192,847	14,075,682	14,568,584	(492,902)
Pupil transportation	8,421,808	9,324,565	8,791,950	532,615
Central	3,200,555	4,673,699	3,871,001	802,698
Other	1,376,229	1,285,270	1,229,373	55,897
Total supporting services	<u>59,260,002</u>	<u>70,289,383</u>	<u>63,708,515</u>	<u>6,580,868</u>
Community service activities	497,316	904,545	451,330	453,215
Total expenditures	<u>141,937,198</u>	<u>163,484,028</u>	<u>148,668,079</u>	<u>14,815,949</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>60,028</u>	<u>(1,657,785)</u>	<u>(2,369,450)</u>	<u>(711,665)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	514,061	517,703	394,527	(123,176)
Transfers out	(531,961)	(1,594,143)	(1,562,182)	31,961
Total other financing sources (uses)	<u>(17,900)</u>	<u>(1,076,440)</u>	<u>(1,167,655)</u>	<u>(91,215)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 42,128</u>	<u>\$ (2,734,225)</u>	<u>(3,537,105)</u>	<u>\$ (802,880)</u>
<b>FUND BALANCE:</b>				
Beginning of year			6,936,876	
End of year			<u>\$ 3,399,771</u>	

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**LANSING SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2014**

	<b>Special revenue fund</b>	<b>Debt service funds</b>	<b>Capital projects funds</b>	<b>Total nonmajor funds</b>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ -	\$ 32,146	\$ 1,131,671	\$ 1,163,817
Accounts receivable	2,687	-	-	2,687
Intergovernmental	199,068	-	-	199,068
Due from other funds	1,152,621	630,883	2,202,983	3,986,487
Inventories	63,400	-	-	63,400
<b>TOTAL ASSETS</b>	<b>\$ 1,417,776</b>	<b>\$ 663,029</b>	<b>\$ 3,334,654</b>	<b>\$ 5,415,459</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 252,396	\$ -	\$ 413,384	\$ 665,780
Accrued salaries and related items	20,679	-	-	20,679
<b>TOTAL LIABILITIES</b>	<b>273,075</b>	<b>-</b>	<b>413,384</b>	<b>686,459</b>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories	63,400	-	-	63,400
Restricted:				
Debt service	-	663,029	-	663,029
Capital projects	-	-	416,383	416,383
Food service	1,081,301	-	-	1,081,301
Assigned	-	-	2,504,887	2,504,887
<b>TOTAL FUND BALANCES</b>	<b>1,144,701</b>	<b>663,029</b>	<b>2,921,270</b>	<b>4,729,000</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,417,776</b>	<b>\$ 663,029</b>	<b>\$ 3,334,654</b>	<b>\$ 5,415,459</b>

**LANSING SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2014**

	<b>Special revenue fund</b>	<b>Debt service funds</b>	<b>Capital projects funds</b>	<b>Total nonmajor funds</b>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ -	\$ 5,704,129	\$ 3,412,988	\$ 9,117,117
Investment earnings	-	144	3,659	3,803
Food sales	234,002	-	-	234,002
Other	205	-	400,000	400,205
Total local sources	234,207	5,704,273	3,816,647	9,755,127
State sources	289,819	-	-	289,819
Federal sources	7,128,160	-	-	7,128,160
Total revenues	7,652,186	5,704,273	3,816,647	17,173,106
<b>EXPENDITURES:</b>				
Current:				
Food service activities	6,829,636	-	-	6,829,636
Capital outlay	-	-	4,860,509	4,860,509
Debt service:				
Principal payments	-	3,650,000	-	3,650,000
Interest on debt	-	1,904,925	-	1,904,925
Other	-	1,004	228,764	229,768
Total expenditures	6,829,636	5,555,929	5,089,273	17,474,838
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	822,550	148,344	(1,272,626)	(301,732)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	-	-	251,233	251,233
Transfers in	-	360,227	1,162,182	1,522,409
Transfers out	(394,527)	(360,227)	-	(754,754)
Total other financing sources (uses)	(394,527)	-	1,413,415	1,018,888
<b>NET CHANGE IN FUND BALANCES</b>	428,023	148,344	140,789	717,156
<b>FUND BALANCES:</b>				
Beginning of year	716,678	514,685	2,780,481	4,011,844
End of year	\$ 1,144,701	\$ 663,029	\$ 2,921,270	\$ 4,729,000

**LANSING SCHOOL DISTRICT  
NONMAJOR DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2014**

	<u>2004</u>	<u>2006 Refunding</u>	<u>2012 Refunding</u>	<u>Totals</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ -	\$ 32,146	\$ -	\$ 32,146
Due from other funds	-	360,741	270,142	630,883
	<u>-\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>TOTAL ASSETS</b>	<u>-</u>	<u>392,887</u>	<u>270,142</u>	<u>663,029</u>
<b>FUND BALANCES:</b>				
Restricted for debt service	<u>\$ -</u>	<u>\$ 392,887</u>	<u>\$ 270,142</u>	<u>\$ 663,029</u>

**LANSING SCHOOL DISTRICT  
NONMAJOR DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2014**

	<u>2004</u>	<u>2006 Refunding</u>	<u>2012 Refunding</u>	<u>Totals</u>
<b>REVENUES:</b>				
Local sources:				
Current property taxes	\$ 3,682,894	\$ 320,722	\$ 1,700,513	\$ 5,704,129
Interest on investments	-	144	-	144
Total revenues	<u>3,682,894</u>	<u>320,866</u>	<u>1,700,513</u>	<u>5,704,273</u>
<b>EXPENDITURES:</b>				
Principal payments	3,650,000	-	-	3,650,000
Interest on debt	129,575	310,400	1,464,950	1,904,925
Other	-	804	200	1,004
Total expenditures	<u>3,779,575</u>	<u>311,204</u>	<u>1,465,150</u>	<u>5,555,929</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(96,681)</u>	<u>9,662</u>	<u>235,363</u>	<u>148,344</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	360,227	-	360,227
Transfers out	(360,227)	-	-	(360,227)
Total other financing sources (uses)	<u>(360,227)</u>	<u>360,227</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(456,908)</u>	<u>369,889</u>	<u>235,363</u>	<u>148,344</u>
<b>FUND BALANCES:</b>				
Beginning of year	456,908	22,998	34,779	514,685
End of year	<u>\$ -</u>	<u>\$ 392,887</u>	<u>\$ 270,142</u>	<u>\$ 663,029</u>



**LANSING SCHOOL DISTRICT  
CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2014**

	<u>Capital projects</u>	<u>Sinking Fund</u>	<u>BTS capital project</u>	<u>Replacement fund</u>	<u>Technology fund</u>	<u>Lansing Police Department Fund</u>	<u>Sale of Assets Fund</u>	<u>Totals</u>
<b>ASSETS:</b>								
Cash and cash equivalents	\$ -	\$ -	\$ 226,135	\$ 905,536	\$ -	\$ -	\$ -	\$ 1,131,671
Due from other funds	147,056	676,179	439	1,758	196,049	317,687	863,815	2,202,983
<b>TOTAL ASSETS</b>	<u>\$ 147,056</u>	<u>\$ 676,179</u>	<u>\$ 226,574</u>	<u>\$ 907,294</u>	<u>\$ 196,049</u>	<u>\$ 317,687</u>	<u>\$ 863,815</u>	<u>\$ 3,334,654</u>
<b>LIABILITIES:</b>								
Accounts payable	\$ 134,671	\$ 259,796	\$ -	\$ -	\$ 18,917	\$ -	\$ -	\$ 413,384
<b>FUND BALANCES:</b>								
Restricted for capital projects	-	416,383	-	-	-	-	-	416,383
Assigned for capital projects	12,385	-	226,574	907,294	177,132	317,687	863,815	2,504,887
<b>TOTAL FUND BALANCES</b>	<u>12,385</u>	<u>416,383</u>	<u>226,574</u>	<u>907,294</u>	<u>177,132</u>	<u>317,687</u>	<u>863,815</u>	<u>2,921,270</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 147,056</u>	<u>\$ 676,179</u>	<u>\$ 226,574</u>	<u>\$ 907,294</u>	<u>\$ 196,049</u>	<u>\$ 317,687</u>	<u>\$ 863,815</u>	<u>\$ 3,334,654</u>

**LANSING SCHOOL DISTRICT  
CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2014**

	Capital projects	Sinking Fund	BTS capital project	Replacement fund	Technology fund	Southside Hill Center Fund	Lansing Police Department Fund	Sale of Assets Fund	Totals
<b>REVENUES:</b>									
Interest on investments	\$ -	\$ -	\$ 694	\$ 2,956	\$ -	\$ 9	\$ -	\$ -	\$ 3,659
Current property taxes	-	3,412,988	-	-	-	-	-	-	3,412,988
Other	-	-	-	-	-	-	400,000	-	400,000
Total revenues	-	3,412,988	694	2,956	-	9	400,000	-	3,816,647
<b>EXPENDITURES:</b>									
Capital outlay	1,130,457	3,075,788	-	406,974	160,740	4,237	82,313	-	4,860,509
Other	4,112	143,198	-	-	81,454	-	-	-	228,764
Total expenditures	1,134,569	3,218,986	-	406,974	242,194	4,237	82,313	-	5,089,273
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>									
	(1,134,569)	194,002	694	(404,018)	(242,194)	(4,228)	317,687	-	(1,272,626)
<b>OTHER FINANCING SOURCES:</b>									
Proceeds from sale of capital assets	-	-	-	-	-	-	-	251,233	251,233
Transfers in	549,600	-	-	-	-	-	-	612,582	1,162,182
Total other financing sources	549,600	-	-	-	-	-	-	863,815	1,413,415
<b>NET CHANGE IN FUND BALANCES</b>	(584,969)	194,002	694	(404,018)	(242,194)	(4,228)	317,687	863,815	140,789
<b>FUND BALANCES:</b>									
Beginning of year	597,354	222,381	225,880	1,311,312	419,326	4,228	-	-	2,780,481
End of year	\$ 12,385	\$ 416,383	\$ 226,574	\$ 907,294	\$ 177,132	\$ -	\$ 317,687	\$ 863,815	\$ 2,921,270

**LANSING SCHOOL DISTRICT  
FIDUCIARY FUND TYPES  
STATEMENT OF REVENUES, EXPENDITURES  
AND NET POSITION - PRIVATE PURPOSE TRUST FUND  
YEAR ENDED JUNE 30, 2014**

	<u>Balance July 1, 2013</u>	<u>Revenues and transfers</u>	<u>Expenditures and transfers</u>	<u>Balance June 30, 2014</u>
<b>Donations:</b>				
Library revolving funds	\$ 99,718	\$ 105	\$ -	\$ 99,823
Memorial fund donations	82,339	87	181	82,245
Special education donations	1,423	2	-	1,425
Geraldine M. Curtis Trust	384,616	1,813	10,805	375,624
RIF	44,786	41,562	2,163	84,185
Stapleton Reading Material Fund	20,782	26	-	20,808
College tour	362	-	-	362
Winfuhr Trust	6,865	-	-	6,865
Hebbard Trust	647,935	-	-	647,935
	<u>1,288,826</u>	<u>43,595</u>	<u>13,149</u>	<u>1,319,272</u>
<b>Scholarships:</b>				
Harold Norton award	286	-	-	286
Carl McLean award	12,423	44	-	12,467
Grabow Scholarship	242	-	-	242
Windfuhr Scholarship	34	1,562	6	1,590
Putnam Scholarship	46,977	16,050	10,000	53,027
Hinman Award	22,926	34,172	12,611	44,487
Winslow Memorial Fund	26,841	6,687	950	32,578
Lett's Scholarship	6,873	9	-	6,882
Elsie A. Maile Award	6,413	15,002	15,000	6,415
Hebbard Trust	405	794	100	1,099
	<u>123,420</u>	<u>74,320</u>	<u>38,667</u>	<u>159,073</u>
<b>Other:</b>				
Spink - Cable	10,343	13	-	10,356
Administration Pepsi Fund	1,113	4,193	1,995	3,311
Physical Plant Pop Fund	5,989	8	-	5,997
Miscellaneous funds	62,939	14,823	17,442	60,320
	<u>80,384</u>	<u>19,037</u>	<u>19,437</u>	<u>79,984</u>
	<u>\$ 1,492,630</u>	<u>\$ 136,952</u>	<u>\$ 71,253</u>	<u>\$ 1,558,329</u>

**LANSING SCHOOL DISTRICT  
 FIDUCIARY FUND TYPES  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND LIABILITIES BY SCHOOL - AGENCY FUND  
 YEAR ENDED JUNE 30, 2014**

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
Eastern High School	\$ 152,362	\$ 88,145	\$ 79,591	\$ 160,916
Hill Vocational School	15,550	3,348	9,299	9,599
Sexton High School	99,216	69,822	86,035	83,003
Everett High School	80,804	139,185	141,550	78,439
Pattengill Middle School	5,542	25,737	23,008	8,271
Gardner Middle School	82,191	21,653	36,116	67,728
Otto Middle School	-	49	49	-
Elementary schools and other	248,254	309,190	376,000	181,444
	<u>\$ 683,919</u>	<u>\$ 657,129</u>	<u>\$ 751,648</u>	<u>\$ 589,400</u>

**LANSING SCHOOL DISTRICT  
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2014**

2012 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2015	4.000%	\$ 3,595,000	\$ 732,475	\$ 732,475	\$ 5,059,950
2016	4.000%	3,735,000	660,575	660,575	5,056,150
2017	5.000%	3,875,000	585,875	585,875	5,046,750
2018	5.000%	4,065,000	489,000	489,000	5,043,000
2019	5.000%	4,205,000	387,375	387,375	4,979,750
2020	5.000%	4,385,000	282,250	282,250	4,949,500
2021	5.000%	4,575,000	172,625	172,625	4,920,250
2022	5.000%	<u>2,330,000</u>	<u>58,250</u>	<u>58,250</u>	<u>2,446,500</u>
Total 2012 bonded debt		<u>\$ 30,765,000</u>	<u>\$ 3,368,425</u>	<u>\$ 3,368,425</u>	<u>\$ 37,501,850</u>

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

**LANSING SCHOOL DISTRICT  
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2014**

2006 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
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	155,200	365,400
2020	4.000%	55,000	154,100	154,100	363,200
2021	4.000%	60,000	153,000	153,000	366,000
2022	4.000%	2,525,000	151,800	151,800	2,828,600
2023	4.000%	5,065,000	101,300	101,300	5,267,600
Total 2006 bonded debt		<u>\$ 7,760,000</u>	<u>\$ 1,336,200</u>	<u>\$ 1,336,200</u>	<u>\$ 10,432,400</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, 2014**

2002 Qualified Zone Academy Bonds

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

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

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

**LANSING SCHOOL DISTRICT  
SCHEDULE OF INTEREST BEARING DEPOSITS  
JUNE 30, 2014**

	<u>Maturity date</u>	<u>Interest rate</u>	<u>Amount</u>
Money market fund:			
Fifth Third Bank	N/A	0.06%	\$ 100,050
Huntington Bank	N/A	0.15%	571,425
Flagstar Bank	N/A	0.35%	20,679
PNC Bank	N/A	0.20%	122,523
Independent Bank	N/A	0.15%	50,034
First Merit	N/A	0.15%	50,734
MILAF	N/A	0.02%	6,156,399
Bank of New York	N/A	2.76%	<u>4,676,081</u>
Total interest bearing deposits			<u><u>\$ 11,747,925</u></u>



**LANSING SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal grantor/pass-through grantor/program title</b>	<b>CFDA Number</b>	<b>Pass-through number</b>	<b>Approved Award</b>	<b>Prior year expenditures (memorandum only)</b>	<b>Accrued 7/1/2013</b>	<b>Current year expenditures</b>	<b>Current year receipts</b>	<b>Accrued 6/30/2014</b>
<b>U.S. Department of Agriculture:</b>								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
Non-Cash Assistance (donated foods):								
National School Lunch - Entitlement	10.555	----	\$ 362,618	\$ 387,400	\$ -	\$ 362,618	\$ 362,618	\$ -
Summer Food Service	10.559	----	8,945	9,920	-	8,945	8,945	-
Total non-cash assistance			<u>371,563</u>	<u>397,320</u>	<u>-</u>	<u>371,563</u>	<u>371,563</u>	<u>-</u>
Cash Assistance:								
National School Lunch - Section 4	10.555	131980	34,296	34,296	6,247	-	6,247	-
National School Lunch - Section 11	10.555	131960	4,155,004	4,155,004	593,587	-	593,587	-
National School Lunch - CACFP	10.555	141920	12,078	-	-	12,078	11,798	280
National School Lunch - Section 4	10.555	141980	20,427	-	-	20,427	20,404	23
National School Lunch - Section 11	10.555	141960	4,302,847	-	-	4,302,847	4,222,265	80,582
			<u>8,524,652</u>	<u>4,189,300</u>	<u>599,834</u>	<u>4,335,352</u>	<u>4,854,301</u>	<u>80,885</u>
Summer Food Service	10.559	142900	50,997	-	-	50,997	-	50,997
Summer Food Service	10.559	132900	200,228	50,474	50,474	149,754	200,228	-
			<u>251,225</u>	<u>50,474</u>	<u>50,474</u>	<u>200,751</u>	<u>200,228</u>	<u>50,997</u>
National School Lunch - Breakfast	10.553	131970	2,162,692	2,162,692	335,881	-	335,881	-
National School Lunch - Breakfast	10.553	141970	2,179,796	-	-	2,179,796	2,120,514	59,282
			<u>4,342,488</u>	<u>2,162,692</u>	<u>335,881</u>	<u>2,179,796</u>	<u>2,456,395</u>	<u>59,282</u>
Total cash assistance			<u>13,118,365</u>	<u>6,402,466</u>	<u>986,189</u>	<u>6,715,899</u>	<u>7,510,924</u>	<u>191,164</u>
Total child nutrition cluster			<u>13,489,928</u>	<u>6,799,786</u>	<u>986,189</u>	<u>7,087,462</u>	<u>7,882,487</u>	<u>191,164</u>
Fresh Fruit & Veggie Grant	10.582	----	45,650	-	-	40,698	32,794	7,904
Passed through Eaton ISD:								
SPLASH	10.561	----	6,570			3,423	3,423	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>13,542,148</u>	<u>6,799,786</u>	<u>986,189</u>	<u>7,131,583</u>	<u>7,918,704</u>	<u>199,068</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal grantor/pass-through grantor/program title</b>	<b>CFDA Number</b>	<b>Pass-through number</b>	<b>Approved Award</b>	<b>Prior year expenditures (memorandum only)</b>	<b>Accrued 7/1/2013</b>	<b>Current year expenditures</b>	<b>Current year receipts</b>	<b>Accrued 6/30/2014</b>
<u>U.S. Department of Education:</u>								
Direct programs:								
Indian Education	84.060A	S060A090962	\$ 26,873	\$ -	\$ -	\$ 8,975	\$ 6,534	\$ 2,441
Indian Education	84.060A	S060A090962	29,787	25,409	141	-	141	-
			<u>56,660</u>	<u>25,409</u>	<u>141</u>	<u>8,975</u>	<u>6,675</u>	<u>2,441</u>
Magnet	84.165A	----	3,396,230	-	-	1,404,505	547,387	857,118
CHILD: Counseling Helps Individuals Learn & Develop	84.215E	----	367,363	97,906	13,536	37,787	43,596	7,727
CHILD: Counseling Helps Individuals Learn & Develop	84.215E	----	267,352	299,654	92,243	60,461	146,481	6,223
CHILD: Counseling Helps Individuals Learn & Develop	84.215E	----	372,263	-	-	278,678	207,827	70,851
			<u>1,006,978</u>	<u>397,560</u>	<u>105,779</u>	<u>376,926</u>	<u>397,904</u>	<u>84,801</u>
Teaching American History	84.215X	U215X090579	326,621	11,403	10,888	834	11,722	-
Teaching American History	84.215X	U215X090579	335,070	18,716	19,016	6,442	25,458	-
Teaching American History	84.215X	U215X090579	338,308	42,043	22,058	7,675	29,733	-
			<u>999,999</u>	<u>72,162</u>	<u>51,962</u>	<u>14,951</u>	<u>66,913</u>	<u>-</u>
Foreign Language Assistance Program	84.293B	----	299,402	5,853	3,066	-	3,066	-
Foreign Language Assistance Program	84.293B	----	299,984	50,031	1,690	-	1,690	-
			<u>599,386</u>	<u>55,884</u>	<u>4,756</u>	<u>-</u>	<u>4,756</u>	<u>-</u>
Passed through Michigan Department of Education:								
Federal Adult Ed English	84.002A	121190/121057	58,000	54,013	9,769	-	9,769	-
ECIA Title I - Regular	84.010	141530/1314	10,844,348	-	-	8,140,631	6,092,626	2,048,005
ECIA Title I - Regular	84.010	131530/1213	13,045,161	9,154,656	1,508,638	337,873	1,846,511	-
ECIA Title I - Part D, Subpart 2	84.010	121701/1213	92,629	-	-	35,694	35,694	-
			<u>23,982,138</u>	<u>9,154,656</u>	<u>1,508,638</u>	<u>8,514,198</u>	<u>7,974,831</u>	<u>2,048,005</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal grantor/pass-through grantor/program title</b>	<b>CFDA Number</b>	<b>Pass-through number</b>	<b>Approved Award</b>	<b>Prior year expenditures (memorandum only)</b>	<b>Accrued 7/1/2013</b>	<b>Current year expenditures</b>	<b>Current year receipts</b>	<b>Accrued 6/30/2014</b>
<u>U.S. Department of Education (Continued):</u>								
ECIA Title I - N & D	84.013	141700/1314	\$ 291,501	\$ -	\$ -	\$ 184,645	\$ 153,023	\$ 31,622
ECIA Title I - N & D	84.013	131700/1213	308,326	155,079	25,276	22,156	47,432	-
			<u>599,827</u>	<u>155,079</u>	<u>25,276</u>	<u>206,801</u>	<u>200,455</u>	<u>31,622</u>
Michigan-Safe and Supportive Schools	84.184	132790/SSS2013	93,868	58,541	23,864	15,022	38,886	-
Michigan-Safe and Supportive Schools	84.184	132791/SSC2013	121,117	-	-	35,019	35,019	-
Michigan-Safe and Supportive Schools	84.184	122791/SSC2012	119,946	105,325	4,908	-	4,908	-
Michigan-Safe and Supportive Schools	84.184	142790/SSS2014	175,500	-	-	124,264	113,335	10,929
Michigan-Safe and Supportive Schools	84.184	132790/SSS2013	175,500	84,944	4,591	33,526	38,117	-
			<u>685,931</u>	<u>248,810</u>	<u>33,363</u>	<u>207,831</u>	<u>230,265</u>	<u>10,929</u>
Education for Homeless Children and Youth	84.196A	142320/1314	31,418	-	-	24,456	21,746	2,710
Education for Homeless Children and Youth	84.196A	132320/1213	57,297	47,570	6,907	6,577	13,484	-
Education for Homeless Children and Youth - Carryover	84.196A	122320/1112-C	15,397	15,397	38	-	38	-
			<u>104,112</u>	<u>62,967</u>	<u>6,945</u>	<u>31,033</u>	<u>35,268</u>	<u>2,710</u>
Title III Limited English	84.365A	140580/1314	177,144	-	-	148,589	134,926	13,663
Title III Limited English	84.365A	130580/1213	239,095	212,220	10,451	-	10,451	-
Title III Limited English	84.365A	140570/1314	231,343	-	-	163,191	85,062	78,129
Title III Limited English	84.365A	130570-1213	384,910	226,485	12,029	46,884	58,913	-
			<u>1,032,492</u>	<u>438,705</u>	<u>22,480</u>	<u>358,664</u>	<u>289,352</u>	<u>91,792</u>
Title II Part A	84.367	140520/1314	3,031,239	-	-	1,839,237	1,524,023	315,214
Title II Part A	84.367	130520/1213	3,278,539	1,542,517	369,604	214,519	584,123	-
			<u>6,309,778</u>	<u>1,542,517</u>	<u>369,604</u>	<u>2,053,756</u>	<u>2,108,146</u>	<u>315,214</u>
Total passed through Michigan Department of Education			<u>32,772,278</u>	<u>11,656,747</u>	<u>1,976,075</u>	<u>11,372,283</u>	<u>10,848,086</u>	<u>2,500,272</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal grantor/pass-through grantor/program title</b>	<b>CFDA Number</b>	<b>Pass-through number</b>	<b>Approved Award</b>	<b>Prior year expenditures (memorandum only)</b>	<b>Accrued 7/1/2013</b>	<b>Current year expenditures</b>	<b>Current year receipts</b>	<b>Accrued 6/30/2014</b>
U.S. Department of Education (Continued):								
Special Education Cluster:								
Passed through Ingham Intermediate School District:								
Regional Asst IISD	84.010A	----	\$ 172,850	\$ -	\$ -	\$ 54,654	\$ 30,928	\$ 23,726
IDEA Flowthrough A	84.027	130450/1213	10,533,581	9,704,851	1,913,741	-	1,913,741	-
IDEA Flowthrough A C/O	84.027	140450/1314	828,730	-	-	828,730	649,153	179,577
IDEA Flowthrough A C/O	84.027	120450/1213	54,941	54,941	12,910	-	12,910	-
			<u>11,417,252</u>	<u>9,759,792</u>	<u>1,926,651</u>	<u>828,730</u>	<u>2,575,804</u>	<u>179,577</u>
IDEA Pre-school Development A	84.173A	140460/1314	149,691	-	-	143,095	110,284	32,811
IDEA Pre-school Development A	84.173A	130460/1213	160,704	160,704	48,468	-	48,468	-
IDEA Pre-school Development A	84.173A	120460/1213	81,615	81,615	16,924	-	16,924	-
			<u>392,010</u>	<u>242,319</u>	<u>65,392</u>	<u>143,095</u>	<u>175,676</u>	<u>32,811</u>
Total Special Education Cluster			<u>11,982,112</u>	<u>10,002,111</u>	<u>1,992,043</u>	<u>1,026,479</u>	<u>2,782,408</u>	<u>236,114</u>
Passed through Ferris State University:								
Freedom to Learn	84.318X	064280-5A	14,312	-	(2,967)	-	-	(2,967)
Freedom to Learn	84.318X	----	15,000	-	(1,515)	-	-	(1,515)
Freedom to Learn	84.318X	----	8,647	-	(3,647)	-	-	(3,647)
Freedom to Learn	84.318X	----	1,250	-	(1,250)	-	-	(1,250)
			<u>39,209</u>	<u>-</u>	<u>(9,379)</u>	<u>-</u>	<u>-</u>	<u>(9,379)</u>
Passed through Clinton County RESA:								
Voc Ed Special Needs	84.048A	----	32,360	-	-	29,152	25,015	4,137
Voc Ed Special Needs	84.048A	----	44,544	44,544	6,714	-	6,714	-
			<u>76,904</u>	<u>44,544</u>	<u>6,714</u>	<u>29,152</u>	<u>31,729</u>	<u>4,137</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal grantor/pass-through grantor/program title</b>	<b>CFDA Number</b>	<b>Pass-through number</b>	<b>Approved Award</b>	<b>Prior year expenditures (memorandum only)</b>	<b>Accrued 7/1/2013</b>	<b>Current year expenditures</b>	<b>Current year receipts</b>	<b>Accrued 6/30/2014</b>
<u>U.S. Department of Education (Continued):</u>								
Passed through Western Michigan University:								
WMU Aspiring Leaders	84.363A	----	\$ 18,500	\$ -	\$ -	\$ 8,009	\$ 6,368	\$ 1,641
Passed through Oakland University:								
Oakland I3	84.396A	----	6,000	804	804	-	804	-
TOTAL U.S. DEPARTMENT OF EDUCATION			50,954,256	22,255,221	4,128,895	14,241,280	14,693,030	3,677,145
<u>U.S. Department of Health and Human Services:</u>								
Passed through Ingham ISD:								
Medicaid Outreach Reimbursement	93.778	----	82,834	68,704	-	82,834	82,834	-
Passed through Eaton County RESA:								
Pregnancy Prevention	93.092	----	34,589	-	-	29,530	21,776	7,754
Pregnancy Prevention	93.092	----	33,032	27,503	8,832	5,189	14,021	-
			67,621	27,503	8,832	34,719	35,797	7,754
MI APPP	93.500	----	2,600	-	-	286	-	286
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			153,055	96,207	8,832	117,839	118,631	8,040
<u>U.S. Department of Labor:</u>								
WIA Program Cluster:								
Passed through Capital Area Michigan Works:								
WIA Youth	17.259	----	471,338	461,257	55,031	-	55,031	-
WIA Youth	17.259	----	599,377	-	-	545,245	460,201	85,044
WIA Youth	17.259	----	30,048	-	-	1,147	-	1,147
TOTAL US DEPARTMENT OF LABOR			1,100,763	461,257	55,031	546,392	515,232	86,191
<u>U.S. Department of Justice:</u>								
Passed through Calhoun County:								
Byrne Justice Assistance Grant	16.738	----	16,120			16,120	16,120	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 65,766,342	\$ 29,612,471	\$ 5,178,947	\$ 22,053,214	\$ 23,261,717	\$ 3,970,444

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

1. Basis of presentation - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lansing School District programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Lansing School District, it is not intended to and does not present the net position or changes in net position of Lansing School District.
2. Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.
3. Title 1, CFDA #84.010 and #84.010A, and Magnet Program, CFDA #84.165A were audited major programs, representing 45% of expenditures.
4. The threshold for distinguishing Type A and Type B programs was \$661,596.
5. Management has utilized the Grant Section Auditors Report in preparing the Schedule of Expenditures of Federal Awards.
6. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 14,925,054
Special revenue fund	7,128,160
	22,053,214
Federal expenditures on the Schedule of Expenditures of Federal Awards	\$ 22,053,214

7. Program clusters contained within the schedule are as follows:  
National School Lunch Cluster consists of CFDA #10.553, #10.555, #10.55 bond, and #10.559  
Special Education Cluster consists of CFDA #84.010A, #84.027 and #84.173A
8. Total funding from multiple funding sources:

	Title I
84.010	\$ 8,514,198
84.010A	54,654
	\$ 8,568,852

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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Lansing School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Lansing School District's basic financial statements and have issued our report thereon dated October 17, 2014

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Maney Costeiran PC*

October 17, 2014



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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Lansing School District

**Report on Compliance for Each Major Federal Program**

We have audited Lansing School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lansing School District's major federal programs for the year ended June 30, 2014. Lansing School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, Lansing School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

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

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

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

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

*Maney Costeiran PC*

October 17, 2014

**LANSING SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

**Section I - Summary of Auditor's Results**

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***Financial Statements***

Type of auditor's report issued: Unmodified

➤ Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

➤ Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   No

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010 and 84.010A 84.165A	Title I Magnet

Dollar threshold used to distinguish between type A and type B \$ 661,596

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**Section II - Financial Statement Findings**

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None

**Section III - Federal Award Findings and Questioned Costs**

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None

**LANSING SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2014**

There were no audit findings in the prior year.