



AGENDA
Committee of the Whole
Monday, January 11, 2016 – 5:30 p.m.
City Council Chambers, City Hall 10th Floor

Councilmember Judi Brown Clarke, Chair
Councilmember Jessica Yorke, Vice Chair

- 1. Call to Order**
- 2. Roll Call**
- 3. Approval of Minutes:**
 - January 4, 2016
- 4. Public Comment on Agenda Items**
- 5. Presentations**
 - Rehmamn Robson – Comprehensive Annual Financial Report (CAFR)
(Stephen Blann, Director of Government Audit Quality)
- 6. Discussion/Action**
- 7. Other**
- 8. Pending:**
 - A.) RESOLUTION – Appointment of Tina Houghton to Tri-County Regional Planning Commission; City of Lansing Representative; Term to Expire December 31, 2016.
 - B.) RESOLUTION – Appointment of Kathie Dunbar to Tri-County Regional Planning Commission; City of Lansing Representative; Term to Expire December 31, 2016
 - C.) RESOLUTION – Appointment of Chris Swope to Tri-County Regional Planning Commission; City of Lansing Representative; Term to Expire December 31, 2016
- 9. Adjourn**

The City of Lansing's Mission is to ensure quality of life by:

- I. Promoting a vibrant, safe, healthy and inclusive community that provides opportunity for personal and economic growth for residents, businesses and visitors
- II. Securing short and long term financial stability through prudent management of city resources.
- III. Providing reliable, efficient and quality services that are responsive to the needs of residents and businesses.
- IV. Adopting sustainable practices that protect and enhance our cultural, natural and historical resources.
- V. Facilitating regional collaboration and connecting communities



MINUTES
Committee of the Whole
Monday, January 11, 2016 @ 5:30 p.m.
City Council Chambers

CALL TO ORDER

City Clerk Swope called the meeting called to order at 5:30 p.m.

PRESENT

Councilmember Brown Clarke
Councilmember Jessica Yorke
Councilmember Patricia Spitzley
Councilmember Adam Hussain
Councilmember Kathie Dunbar- arrived at 5:31 p.m.
Councilmember Carol Wood
Councilmember Jody Washington
Councilmember Tina Houghton – arrived at 5:37 p.m.

OTHERS PRESENT

Sherrie Boak, Council Staff
Angela Bennett, Finance Director
Stephen Blann, Rehmann Robson
Randy Hannan, Mayor Executive Assistant
Joseph Abood, Deputy City Attorney
Mary Ann Prince
Todd Heywood, Lansing City Pulse
Eric Lacy, LSJ

Approval of Minutes

MOTION BY COUNCIL MEMBER YORKO TO APPROVE THE MINUTES FROM JANUARY 4, 2016 AS PRESENTED. MOTION CARRIED 8-0.

Public Comment on Agenda Items

No Comments.

PRESENTATIONS

Comprehensive Annual Financial Report (CAFR)

Ms. Bennett gave introductions and then gave an overview of the year end results. Handouts included the CAFR, the independent audit report; management responses to the auditor letter; accounting standards on financial position and where it ended with the fiscal year.

The report includes the snap shot of the City as a whole, looking at long term and the financial position. The report included a financial highlight found on page 18 of the CAFR and an overview. There were changes in the standards, which created a report that was issued known as GASB 68. The net pension liability ending June 30, 2014 was \$245,966,852 found on page 34 of the CAFR, and the starting amount was \$226 million noted in the Financial Highlights on page 18. A significant amount of time was spent on page 34 of the report which was a break down on activities including governmental, business-type. This new breakdown is now required by all municipalities on their CAFR.

Council Member Wood asked for confirmation that the legacy cost was always known but we were not required to place it on the balance sheet before, and Ms. Bennett confirmed that.

Council Member Spitzley asked for a breakdown on “business-type” referenced in the report, and Ms. Bennett clarified they are items where they structure rates such as sewer, garbage, recycling, etc.

Council Member Wood stated the pension reports use a calendar year schedule and the City uses fiscal, and Ms. Bennett confirmed.

Ms. Bennett informed the Council that previous to this the only time pensions would hit the balance sheet would be if the City was not making annual required contributions. The City funds the actuarial determined amount each year. There is \$56,984,136 in “net other postemployment benefit obligation”, which is retiree health care. In that, if you can’t make that required contributions, can’t annually meet, municipalities across the nation have not been pre-funding retiree health care like they have been pensions. This retiree health care is on the old standard therefore that obligation appears much larger. We do pre-fund retiree health care a lot sooner than other municipalities, however we pre-funded pension much later. Council President Brown Clarke asked if this amount is the difference of pre-funding, with the outstanding still due. Ms. Bennett confirmed and added that municipalities did not have to report retiree health care obligations.

Council Member Yorke asked what the difference was with health care vs pension. Ms. Bennett answered it was \$57 million, an amount since the standard came that now says the City should be placing retire health care on the statement, amount we are not able to commit to, since prefunding did not occur. Council Member Yorke asked if this was a statutory requirement. Ms. Bennett stated it was government standards. Council Member Wood added to the conversation by clarifying that the City receives an actuarial amount that needs to be contributed by the City and the Retirement Board votes on that and then the City is required to fill that.

The Committee moved on to page 156 in the CAFR which is the breakdown on the deferred pension amounts between funds such as cemetery, golf, garbage, recycling, etc. This puts some funds in deficit, which is happening to all communities, not just Lansing. All funds ending the year in June 2015 was a positive fund balance, however with net pension liability all but two (2) end up with a deficit. Council Member Brown Clarke asked if the City can predict a better model in the future. Ms. Bennett stated they have had actuarial all along , so it is not new knowledge, but different ways now to look at things.

Council Member Dunbar referenced page 156 and asked for a list of non major and major enterprises. Ms. Bennett referred the Committee to page 48 in the CAFR.

Council Member Yorke asked where the origin of the amount in the GASB came from and Ms. Bennett said the origin goes back to the actuarial evaluations, and the difference between 12/31 and June 30 can be found on page 34. Council Member Dunbar asked if the amount

distributed is based on active employees in a unit at a time, or based on percentage of budget taken up. Ms. Bennett detailed the practice of looking at pulling numbers from retirees, then compare to allocation vs based on employees. Employee and retire so close, decided to use on employee based number not dollar. Council Member Dunbar added to the questions, if this is reflective of liability and a choice we made. It was confirmed.

Council Member Brown Clarke asked how the pension liability in positions is allocated, and she was informed if there is a vacancy during the year there is less into vacancy. Once the position is filled, then there are pension contributions. If positions were budgeted, but went unspent, then more funds at the end of year.

Council Member Washington asked as far as projections if the City is taking into account mortality rate, so the number will be lower. Ms. Bennett confirmed that they look at current employees and look at actuarial assumptions as standards. Council Member Wood added that when they do actuarial they adopt the charts and projection rates to deal with.

Ms. Bennett referenced page 40-42 in the CAFR and handout for general fund/budget stabilization fund. The changes of unassigned are at \$2,731,083 which was below the goal.

Council Member Brown Clarke asked if the surplus from the stadium fund was reinvested into maintenance of the facility. She was informed it was budgeted for the bond payments for the coming year, and restricted for the stadium. This surplus will be to offset in the general fund. It was also noted the Police and Fire millage stay with the Police and Fire.

Council Member Spitzley asked if the surplus from the stadium will pay off the Bond, and Ms. Bennett agreed, but added there were some maintenance items this year and the City did issue a bond this year for that. We will not see this next year. Ms. Bennett was not able to provide the projected payment and would bring that information back to the Committee. Council Member Washington asked what year the City started putting funds in for maintenance and what they are obligated to do. Ms. Bennett stated she would have to provide that later. With the anticipation of all the upgrades will allow the City not to have use for maintenance. As in the prior year agreement we have a clause that sets aside funds for maintenance.

Ms. Bennett referenced page 42 noting the difference was monies set aside from 2013 which were police, fire and road millage, and because of the spending from restrictive it appears unrestricted. Council Member Brown Clarke asked if with the restrictive dollars if there is carry over without restrictions or a time frame. Ms. Bennett noted the 2015 were appropriated, but not all dollars were spent.

Council Member Wood asked if there is \$2.7 million, how much is in the vacancy factor. Ms. Bennett stated \$1 million more than budgeted, expenses \$1.7 less than budget, of that \$1 million was due to fringe benefits being less than budgeted \$700,000 other expenses. Council Member Spitzley asked if the savings in fringe was in unfilled positions, and Ms. Bennett confirmed and added that health care came in less. Ms. Bennett was not able to provide the percentage. Council Member Brown Clarke added that some funds could have been used to cover the overtime.

Council Member Yorke asked what the changes in fund balance were in the spending from 2013 and then in 2015. Ms. Bennett referenced page 42 of the CAFR "Net Change in Fund Balance"

Ms. Bennett informed the Committee that all funds came within expectations for FY 2015 with three (3) exceptions, Building Safety Fund ending at \$10,000; Stadium anticipated at \$410,000 and ended at \$328,000 and Garbage/Rubbish with within \$1,000. None of these will affect the FY 2016 budget.

Council President Brown Clarke asked Mr. Blann to expand on the findings. Mr. Blann provided an overview noting that the responsibility in their report rests with the City and management, their job is to provide the reports. The key question is "Can the City Council rely on the financial data brought forth?" and Rehmann Robson provided a statement that the City can. Mr. Blann then went briefly thru their report on findings, system of control and noted and additional report on Federal grants. (INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS). Finding 2015-001 Material Audit Adjustments has a recommendation to minimize in the future.

Council Member Dunbar stepped away from the meeting at 6:37 p.m.

Ms. Bennett explained that this was a finding during Finance staffing level changes. Council Member Wood informed Ms. Bennett that this is the answer Council hears every year, and it appears that most auditor comments are due to lack of staff. The administration needs to work on filling those positions, not contract moving forward. Ms. Bennett added that one position was filled. Council Member Wood suggested that a monthly updated be provided at Committee of the Whole where the Finance positions are.

Council Member Dunbar returned to the meeting at 6:42 p.m.

With 2015-002 the recommendation is to be timelier. Council Member Spitzley asked if the City was still on target for liabilities. Mr. Blann noted that when exposed to an increased risk, the reason they reconcile is to make sure nothing does go askew. They did not find any issues.

With 2015-003 Mr. Blann noted this is seen in most city accounting systems and is handled thru internal controls.

Council Member Brown Clarke passed the gavel at 6:46 p.m. and stepped away from the meeting.

It is manually done at year end, and Rehmann Robson recommends that year end transactions that are currently large manual spreadsheets be updated. The references in CONDITION have been corrected, but they are still are encouraging the same set.

Council Member Wood referred back to 2015-002 and asked if there has there been an audit done of all retiree health care to make sure they are only paying exactly what they were told.

Council Member Yorke passed the gavel back to Council Member Brown Clarke at 6:47 p.m.

Ms. Bennett stated it had been done. Mr. Blann added that it was not that the retirees were paying the inappropriate amount, but it was not reported correctly. No one was mispaid.

Lastly, in regards to 2015-004, Rehmann Robson encourages them to keep watching.

Council Member Wood asked Mr. Blann how many of the findings are more than one year old. Mr. Blann admitted he would have to look at older reports but it appears there were 5 of the 7 in the 2013 report, but he can go back further.

Mr. DeLine asked about the budget deficit. Mr. Blann stated it was not a balance on the income statement side but on overall.

Council President Brown Clarke acknowledged Mr. Blann for his attendance and presentation and Ms. Bennett.

DISCUSSION/ACTION

No Topics

Other

Council President Brown Clarke referenced the Committee assignments at each seat, and stated there were two more changes. Council Staff will make those changes and she will announce Committee Assignments for the record at the Council Meeting.

Council Member Yorke left the meeting at 6:58 p.m.

Council President Brown Clarke outlined the proposed training by Susan Combs for February 2, 2016.

Pending

No action remained pending.

RESOLUTION – Appointment of Tina Houghton to Tri-County Regional Planning Commission; City of Lansing Representative; Term to Expire December 31, 2016.

RESOLUTION – Appointment of Kathie Dunbar to Tri-County Regional Planning Commission; City of Lansing Representative; Term to Expire December 31, 2016

RESOLUTION – Appointment of Chris Swope to Tri-County Regional Planning Commission; City of Lansing Representative; Term to Expire December 31, 2016

ADJOURN

The meeting was adjourned at 7:00 p.m.

Respectfully Submitted by,
Sherrie Boak, Recording Secretary
Lansing City Council

Approved by the Committee on February 8, 2016



MINUTES
Committee of the Whole
Monday, January 4, 2016 @ 5:30 p.m.
City Council Chambers

CALL TO ORDER

City Clerk Swope called the meeting called to order at 5:30 p.m.

PRESENT

Councilmember Brown Clarke
Councilmember Kathie Dunbar
Councilmember Tina Houghton
Councilmember Adam Hussain
Councilmember Patricia Spitzley
Councilmember Jody Washington
Councilmember Carol Wood
Councilmember Jessica Yorke

OTHERS PRESENT

Sherrie Boak, Council Staff
Chris Swope, City Clerk
Randy Hannan, Mayor Executive Assistant
Deb Parrish
Mary Ann Prince

Approval of Minutes

MOTION BY COUNCILMEMBER BROWN CLARKE TO APPROVE THE MINUTES OF DECEMBER 14, 2015 AS PRESENTED. MOTION CARRIED 8-0.

Public Comment on Agenda Items

No Public Comments

DISCUSSION/ACTION

Election of Council President

MOTION BY COUNCILMEMBER WASHINGTON TO NOMINATE COUNCILMEMBER BROWN CLARKE AS COUNCIL PRESIDENT.

No further nominations for Council President.

DRAFT

ON THE MOTION TO ELECT COUNCILMEMBER BROWN CLARKE AS COUNCIL PRESIDENT, MOTION CARRIED 8-0.

Election of Council Vice President

MOTION BY COUNCILMEMBER WOOD TO NOMINATE COUNCILMEMBER YORKO AS COUNCIL VICE PRESIDENT.

ON MOTION TO ELECT COUNCILMEMBER YORKO AS COUNCIL VICE PRESIDENT, MOTION CARRIED 8-0.

ADJOURN

The meeting was adjourned at 5:32 p.m.

Respectfully Submitted by,

Sherrie Boak, Recording Secretary

Lansing City Council

Approved by the Committee on

City of Lansing,
Michigan



Year Ended
June 30, 2015

Comprehensive
Annual Financial
Report

Prepared by: Department of Finance

Finance Director
Angela Bennett

Accounting Manager
Randy Endsley

CITY OF LANSING, MICHIGAN

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INTRODUCTORY SECTION

CITY OF LANSING, MICHIGAN

ELECTED AND APPOINTED OFFICERS

For the Year Ended June 30, 2015

MAYOR

Virg Bernero

CLERK

Chris Swope

DISTRICT COURT JUDGES

Louise Alderson, Chief Judge

Patrick F. Cherry

Hugh B. Clarke, Jr.

Frank J. Deluca

CITY COUNCIL

AT LARGE

Judi Brown Clarke

Vincent Delgado

Kathie Dunbar

Carol Wood

BY WARDS

Jody Washington - 1st Ward

Tina Houghton - 2nd Ward

A'Lynne Boles - 3rd Ward

Jessica Yorke - 4th Ward

OFFICERS

Randy Hannan

Chad Gamble

Janene McIntyre

Angela Bennett

William Fowler

Antonia Kraus

Randy Talifarro

Michael Yankowski

Joan Jackson Johnson

Brett Kaschinske

Robert Johnson

Jim DeLine

Executive Assistant/Chief of Staff

Chief Operating Officer/Public Service Director

City Attorney, Interim Human Resources Director

Finance Director

City Assessor

City Treasurer

Fire Chief

Police Chief

Human Relations & Community Services Director

Parks & Recreation Director

Planning & Neighborhood Development Director

Internal Auditor



FINANCE DEPARTMENT

124 W. Michigan Ave., 8th Floor
Lansing, Michigan 48933
(517) 483-4500

December 21, 2015

Council President Tina Houghton
and Council Members
10th Floor City Hall
Lansing, Michigan 48933-1694

Dear President Houghton and Council Members:

We are pleased to submit the comprehensive annual financial report of the City of Lansing, Michigan for the fiscal year ended June 30, 2015.

The City assumes full responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations government wide and of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's fiscal year 2014/2015 financial statements have been audited by Rehmann Robson, an independent firm of licensed, certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements for the City of Lansing for the fiscal year-ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements; assessing the accounting principles used; and evaluating the overall financial statement presentation. The independent audit concluded with the rendering of an unmodified opinion on the statements, meaning the financial statements present, fairly and accurately in all material respects, the financial position of the City in conformity with Generally Accepted Accounting Principles ("GAAP"). The independent auditors report is presented as the first component of the financial section of this report.

This letter of transmittal is designed to complement the Management Discussion and Analysis (MD&A) and should be read in conjunction with it. The Management Discussion and Analysis can be found immediately following the Independent Auditor Report.

Profile of the City of Lansing

Serving as Michigan's capital since 1848, the City of Lansing was incorporated in 1859 and operates under provisions of Public Act 279 of 1909, as amended (the "Home Rule City Act"). The City incorporates 34.7 square miles and is located in the lower middle of Michigan's Lower Peninsula and operates under a strong mayor form of government established by 1978 Charter revision.

Lansing is a mature core city with a population of 114,297, according to the 2010 census, and offers a full range of services. During the fiscal year ended June 30, 2015, the City operated police headquarters and a precinct with over 190 sworn police officers; six fire stations with a fire protection force of over 170; over 350 miles of sanitary sewers, 230 miles of storm sewers, and 180 miles of combined sewers; over 400 miles of roads; 113 parks; a District Court; and support for human services and cultural events. The City's main sources of revenue are property taxes, income taxes, State revenue sharing, Federal entitlement grants, and charges for services, including utility billings.

Reporting Entity

The financial reporting entity (the City) includes all of the funds and of the primary government (i.e., the City as legally defined), as well as its blended component units. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. The Lansing Building Authority is a blended component unit. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Lansing Entertainment & Public Facilities Authority, Tax Increment Finance Authority, Brownfield Redevelopment Authority, and Smart Zone are reported as a discretely presented component units.

Financial Management and Control

Management of the City of Lansing is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft, or misuse and to assure that adequate accounting data is compiled to allow for the accurate presentation of financial statements in conformity with generally accepted accounting principles.

To provide a reasonable basis for making these presentations, management has established a comprehensive system of internal controls designed to reasonably ensure that assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of these financial statements in conformity with generally accepted accounting principles. Such controls include appropriate policies and procedures, ongoing risk assessment, and monitoring and review processes which are communicated throughout City operations. Because the cost of internal controls generally should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that these objectives are met.

Because the City is a recipient of federal grant dollars, the independent audit of the financial statements of the City of Lansing was part of a broader, federally-mandated "single audit" in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. The standards governing the single audits require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements involving the administration of the federal awards. These reports are available in the City's separately-issued Single Audit Report.

Financial results and applicable policies affecting year-end results for the fiscal year-ended June 30, 2015 are discussed in the Management Discussion and Analysis (MD&A), located immediately following the Independent Auditor's Report.

Budgeting Controls

The annual budget serves as the foundation for the City's financial planning, policy-making, and control. The City Charter requires that the Mayor submit to the City Council a proposed budget by the fourth Monday in March. Budgetary controls and limitations are noted in the Note Disclosure Section of the financial statements.

The City also maintains an encumbrance accounting system, whereby purchase orders amounts are deducted from the available budget, as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end and require Council approval to be carried forward to the ensuing fiscal year for amounts greater than \$5,000 or greater than eight months old.

Economic Condition and Outlook

2015 is the culmination of an historic turning point of a ten year (2006 - 2015) re-birth and growth decade for the city of Lansing. In 2015, the City's economic development projects surpassed the \$2 billion level in new private investment. Never before, in that type of time period, has the City experienced that type of growth. And it is moving the needle: The City, for two straight years, according to the US Census Bureau, states that the City has grown in population. In the 2010 US Census, the Lansing area was one of only two regions that grew in population in the state of Michigan.

- Jackson National Life, a Fortune 500 company and the nation's #1 individual annuities company, completed construction on its \$130 million new expansion of its national headquarters, creating 1,000 new jobs (average \$76,000 salary) project.
- Niowave completed construction on its new \$79 million medical isotope production facility, creating 120 jobs and producing the nation's only Molly 99 isotope.
- General Motors completed construction on its new \$40 million Logistics Center (200 jobs), its new \$162 million Stamping plant (65 jobs), its new \$520 million Lansing Delta Car Assembly plant expansion, culminating in the new Camaro production, moved here from Canada. The Camaro was just named as the 2015 Motor Trend Car of the Year, and production has resulted in the addition of a second shift at the Lansing Grand River plant.
- Sparrow Health System began construction on its new \$44 million Cancer Center on Michigan Avenue.
- The \$12 million, downtown riverfront mixed use Market Place building opened and had 100% occupancy immediately, and the \$10 million mixed use Midtown mixed-use development on Michigan Avenue also opened.
- The \$12 million Outfield project (the only one like it in the entire United States - a mixed use building built inside a professional baseball stadium) commenced construction.
- Neogen's purchase and rehabilitation of an additional building as part of their biotechnology campus was completed.
- The \$2 million Lansing Brewing Company opened, creating 70 new jobs, along with the Beer Grotto, Arcadia and Zoobies which were begun and/or completed as well in 2015.
- The Hope Soccer Complex completed construction and improvements to the Hope Soccer Complex valued at \$2 million, making it a Midwest-wide multi-sport attraction complex.
- Lansing Community College completed construction, interior and exterior, on its \$65 million downtown campus investment.

New announcements during 2015 include:

- An \$80 million, nine-story mixed use new building, in a key stretch of Michigan Avenue, the gateway between the cities of Lansing and East Lansing, as well as a \$3.5 million expansion of the Bud Kouts auto dealership, on that same stretch of Michigan Avenue.
- The \$6 million East Town Flats mixed use building.
- The rehabilitation of the eight-story vacant downtown Oliver Towers building into an \$11 million mixed use structure.
- A \$12 million 616 downtown/I-496 mixed use building.
- Redevelopment of the Snethkamp Chevrolet auto dealership site, starting as a \$3 million expansion on the southside of the City, with a potential hotel on site as yet undetermined.

Further 2015 updates, accomplishments, and awards include:

- Planning and design for the Downtown Lansing casino continues, prevailing in lawsuits thus far, including two important US Supreme Court decisions.
- The City's new fashion incubator, the Runway, enjoyed its grand re-opening in the recently rehabilitated Knapps building in downtown.
- Downtown Lansing was named a National Main Street certified community.
- The City received a special SW Lansing grant to help redevelop that portion of the south city.
- The Beacon Soccer Field opened, one of the few urban, downtown specialized soccer fields open 24 hours a day to the public.
- Work continues toward the \$250 million Red Cedar global village project on Michigan Avenue, with the development agreement being adopted by Lansing City Council in late 2014.
- The City received a new \$500,000 EPA brownfield assessment grant.
- The US-127 bridge over Michigan Avenue received \$100,000 in grants/contributions for a complete place making upgrade.

The City of Lansing is one of the leading communities in the state of Michigan, in terms of development, hope and future growth opportunities. Lansing is an environment for high-growth, a place where one can expect a good return on investment. Lansing is also poised to benefit from a new generation of young people, entrepreneurs: its economy is diverse; its workforce creative.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This was the 37th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance Department, as well as support by other departments. All those who contributed to this document, especially Accounting Manager Randy Endsley, have our sincere appreciation for their contributions made in the preparation of this report and in the financial management of the City. The 37th consecutive GFOA award, recognizing their efforts, is well deserved indeed.

Sincerely,

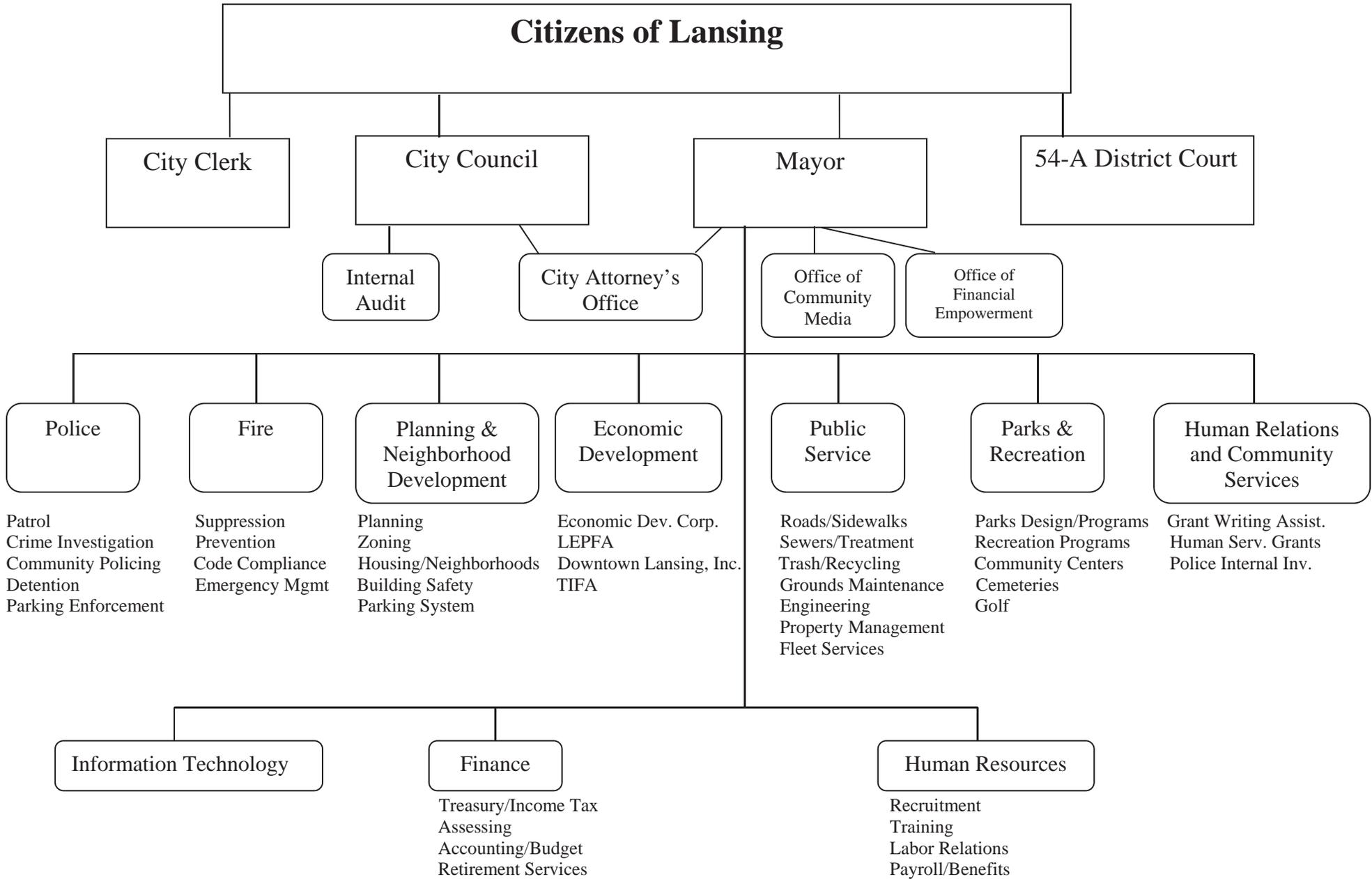
A handwritten signature in black ink, appearing to read "Virg Bernero". The signature is fluid and cursive, with a prominent loop at the end.

Virg Bernero
Mayor

A handwritten signature in black ink, appearing to read "Angela Bennett". The signature is cursive and includes a long horizontal stroke at the end.

Angela Bennett
Finance Director

Citizens of Lansing



CITY OF LANSING, MICHIGAN

GFOA Certificate of Achievement



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lansing
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive style.

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

December 21, 2015

Honorable Mayor and
Members of the City Council
City of Lansing, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Lansing, Michigan* (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City'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 from material misstatement, whether due to fraud or error.

Independent Auditors' 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 auditors' 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lansing, Michigan, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

As described in Note 19, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. Accordingly, beginning net position of governmental activities, the Sewage Disposal System, Municipal Parking System and nonmajor enterprise funds, and business-type activities was restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension and other postemployment benefits plans, as listed 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 the City's basic financial statements. The combining and individual fund financial statements and schedules, and the introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 21, 2015, on our consideration of the City of Lansing, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Rehmann Lobarr LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

The management of the City of Lansing, Michigan ("the City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015 for the benefit of the readers of these financial statements. This management's discussion and analysis ("MD&A") is intended to assist the reader in focusing on significant financial issues and provide an overview of the City's financial activity. The City encourages the readers to consider the following information here in conjunction with the financial statements taken as a whole, which follow this section.

Financial Highlights

- The City implemented Governmental Accounting Standards Board (GASB) Statement 68, resulting in full recognition of a net pension liability (i.e. unfunded pension liability) on its balance sheet. This implementation, as required by the Standard, resulted in the retroactive restatement of FY 2014/2015 beginning net position, amounting to a total of \$226.6 million, \$199.8 million for governmental activities and \$26.8 million in business-type activities. Because pension liabilities are long-term, government-wide balances were impacted, as were enterprise funds which use full accrual accounting. Because individual governmental funds utilize modified accrual accounting, governmental fund statements were not affected.
- Total government-wide assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$151.6 million (reported as net position), a decrease of \$635,560 from fiscal year 2013/2014.
- As of the close of the 2014/2015 fiscal year, the City's governmental funds reported combined ending fund balances of \$26.7 million, a \$4.0 million increase from fiscal year 2013/2014. Of the \$26.7 million fiscal year 2014/2015 combined ending fund balance, \$9.5 million is legally restricted and/or unavailable to spend (i.e. amounts tied up in inventories), and \$7.9 million is committed for designated projects, leaving \$9.3 million unassigned.
- At the end of the fiscal year, unassigned fund balance for the General Fund, (including the amount internally identified as a Budget Stabilization Fund), was \$9.8 million, an increase of \$2.7 million from FY 2013/2014. Please see the "General Fund and Budgetary Highlights" section of this Management Discussion and Analysis for further detail.
- The business-type activities reported net position at year-end of \$238.9 million, an increase of \$4.7 million during the year.
- The City's total bonded and loaned debt was \$237.1 million at June 30, 2015, an increase of \$1.3 million (or 0.6%), which represents the net difference between new issuances and payments. More detailed information regarding these activities and funds can be found in footnote 9, Long-Term Debt of the Notes to the Financial Statements section of the CAFR.

Overview of the Financial Statements

This MD&A is an introduction to the City's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

Government-Wide Financial Statements. These statements include all non-fiduciary assets and liabilities but exclude assets and liabilities related to pensions. The Statement of Net Position and the Statement of Activities are two financial statements that report information about the City, as a whole, and about its activities, which provide measurements of long term trends that should help answer this question: Is the City, as a whole, better off or worse off as a result of this year's activities? Unlike the governmental funds, the current year's revenues and expenses are taken into account regardless of when cash is received or paid, known as "full accrual accounting".

The Statement of Net Position presents all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the these categories reported as "net position". Over time, increases and decreases in net position are an indicator of whether the City's long term financial position is improving or deteriorating, but can also change as a result of governmental accounting standards, as is the case for fiscal year 2014/2015.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The Statement of Net Position and the Statement of Activities report three activities, as follows:

- *Governmental Activities.* Most of the City's basic services are reported under this category. Property taxes, income taxes, and intergovernmental revenues generally fund these services. The Council (legislative branch), the District Court (judicial branch), and general operations of the executive branch departments, such as police, fire, parks, public works, and staff departments fall within the governmental activities.
- *Business-type Activities.* The City charges fees to customers to help cover all or most of the costs of certain services it provides. Sewage collection and treatment and commercial area parking are examples of business-type activities.
- *Discretely Presented Component Units.* Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City has four such discretely presented units; the Lansing Entertainment and Public Facilities Authority, the Tax Increment Finance Authority, the Brownfield Redevelopment Authority, and the SmartZone.

These financial statements include two schedules that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (full accrual accounting) on the appropriate government-wide statements. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain revenues that are earned, but not available for use within the reporting period, are reported as revenues for governmental activities, but are reported as deferred inflows of resources on the governmental fund statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements.
- Bond discounts and premiums in the issuance of long term debt, are reported as expenditures in governmental fund statements, but are capitalized and amortized in the government-wide statements.
- Unless due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending in excess of capitalization thresholds are recorded as capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outflows, such as debt service principal payments, represent decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Pension and other postemployment benefits liabilities and related deferrals.

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Fund Financial Statements. The City's Major Funds are identified as its General Fund, Other Capital Projects Fund Sewage Disposal System Fund, and its Municipal Parking System Fund. Data for all other funds, termed "nonmajor funds", are combined into a single, aggregated presentation. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose.

- *Governmental funds.* Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are greater or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.
- *Proprietary funds.* When the City charges customers for the services it provides, whether to outside customers or to other agencies within the City, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize full accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. Examples are the Sewage Disposal Fund and the Municipal Parking Fund. Internal service funds are reported as governmental activities on the government-wide statements.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

- *Fiduciary Funds.* The City acts as a trustee or fiduciary, for its employee pension and other postemployment benefits plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These funds, which include pension and other employee benefit funds, are reported using full accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent spendable assets of the City to finance its operations.

Additional Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes required pension and other postemployment benefit supplementary information.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

Government-Wide Financial Analysis

The City's combined net position decreased \$635,560 over the course of this fiscal year's operations, and including the restatement for the implementation of GASB 68, came to a total of \$151.6 million. Net position of governmental activities decreased \$5.3 million or 4.5%, and business-type activities increased \$4.6 million or 1.8%. Explanations for those changes are described below under the Governmental Activities and Business-Type Activities sections of this Management Discussion and Analysis.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 55,267,321	\$ 47,595,049	\$ 72,710,863	\$ 71,988,749	\$ 127,978,184	\$ 119,583,798
Capital assets, net	200,588,271	187,934,084	382,581,922	389,610,713	583,170,193	577,544,797
Total assets	255,855,592	235,529,133	455,292,785	461,599,462	711,148,377	697,128,595
Deferred outflows of resources	19,319,368	201,592	4,220,635	3,163,496	23,540,003	3,365,088
Long-term liabilities	63,089,729	53,568,260	189,410,522	201,061,382	252,500,251	254,629,642
Other liabilities	295,991,635	64,397,873	30,325,950	2,605,586	326,317,585	67,003,459
Total liabilities	359,081,364	117,966,133	219,736,472	203,666,968	578,817,836	321,633,101
Deferred inflows of resources	3,449,346	-	832,207	-	4,281,553	-
Net position						
Net investment in capital assets	151,785,916	150,976,010	218,813,478	214,458,841	370,599,394	365,434,851
Restricted	12,311,541	13,133,137	2,889,096	8,746,096	15,200,637	21,879,233
Unrestricted	(251,453,207)	(46,344,555)	17,242,167	37,891,053	(234,211,040)	(8,453,502)
Total net position	\$ (87,355,750)	\$ 117,764,592	\$ 238,944,741	\$ 261,095,990	\$ 151,588,991	\$ 378,860,582

The largest component of the City's net position reflects its net investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). Restricted net position is the next largest component, which represents amounts subject to external restrictions such as bond covenants, City Charter, State legislation or Constitutional provision. The remaining portion, unrestricted net position are resources that may be used at the City's discretion, but often have limitations based on policy action.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's net position changed during the fiscal year:

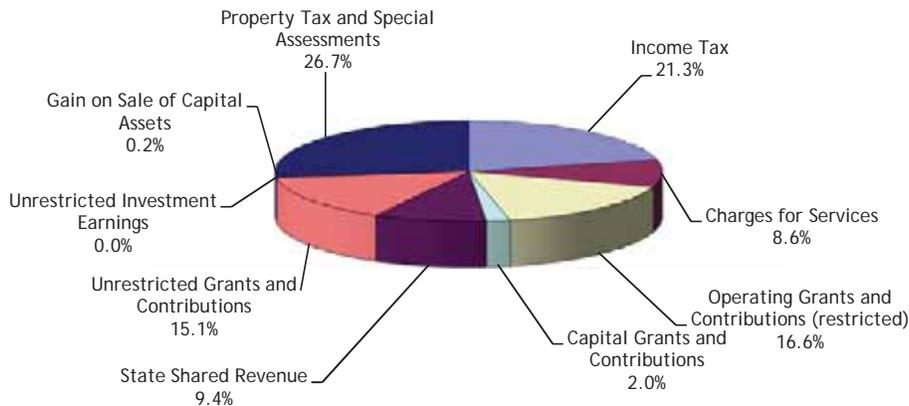
	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues						
Charges for services	\$ 12,770,559	\$ 11,939,026	\$ 44,787,903	\$ 45,042,043	\$ 57,558,462	\$ 56,981,069
Operating grants	24,658,955	28,234,803	1,143,085	2,574,949	25,802,040	30,809,752
Capital grants	2,910,660	3,365,682	-	-	2,910,660	3,365,682
General revenues						
Taxes	71,318,305	69,530,461	-	-	71,318,305	69,530,461
State shared revenues	13,919,567	13,630,527	-	-	13,919,567	13,630,527
Unrestricted grants and contributions	22,411,409	22,047,383	-	-	22,411,409	22,047,383
Unrestricted investment earnings	26,353	36,836	17,874	246,616	44,227	283,452
Gain (loss) on sale of capital assets	280,280	-	-	2,600	280,280	2,600
Total revenues	148,296,088	148,784,718	45,948,862	47,866,208	194,244,950	196,650,926
Expenses						
General government	25,225,893	24,771,054	-	-	25,225,893	24,771,054
Public safety	81,827,437	78,142,897	-	-	81,827,437	78,142,897
Public works	27,815,970	37,243,516	-	-	27,815,970	37,243,516
Recreation and culture	6,515,590	8,670,918	-	-	6,515,590	8,670,918
Community development	10,270,404	7,602,229	-	-	10,270,404	7,602,229
Interest on long-term debt	1,291,846	1,340,818	-	-	1,291,846	1,340,818
Sewage disposal system	-	-	27,506,843	28,682,809	27,506,843	28,682,809
Municipal parking system	-	-	7,605,461	7,851,702	7,605,461	7,851,702
Cemetery	-	-	632,485	722,270	632,485	722,270
Golf	-	-	852,634	935,671	852,634	935,671
Garbage and rubbish collection	-	-	-	-	-	1,722,843
Recycling	-	-	1,712,671	1,722,843	1,712,671	3,263,553
Total expenses	152,947,140	157,771,432	41,933,370	43,178,848	194,880,510	200,950,280
Change in net position, before transfers	(4,651,052)	(8,986,714)	4,015,492	4,687,360	(635,560)	(4,299,354)
Transfers	(644,485)	(705,637)	644,485	705,637	-	-
Change in net position	(5,295,537)	(9,692,351)	4,659,977	5,392,997	(635,560)	(4,299,354)
Net position:						
Beginning of year,	117,764,592	\$ 127,456,943	261,095,990	255,702,993	378,860,582	383,159,936
Restatement for implementation of GASB 68	(199,824,805)	-	(26,811,226)	-	(226,636,031)	-
End of year	\$ (87,355,750)	\$ 117,764,592	\$ 238,944,741	\$ 261,095,990	\$ 151,588,991	\$ 378,860,582

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. The following chart depicts revenues of the governmental activities for the fiscal year:

Revenues - Governmental Activities Fiscal Year Ending June 30, 2015



In total, Governmental Activity revenue decreased \$488,630 from FY 2013/2014 to FY 2014/2015, with trends of the major revenue categories as follows:

Property taxes and special assessments comprised the largest portion of Governmental Activity revenue at 26.7%, or \$39.7 million, a \$1.6 million, or 4.1% increase from fiscal year 2013/2014. The increase resulted from increases in property values, although revenue increases were constrained from the true amount of growth by State-imposed limitations on growth in taxable value.

Income taxes comprised 21.3%, or \$31.7 million, of Governmental Activity revenue, the full amount of which is revenue to the General Fund. This represents a \$210,010, or 0.7%, increase from fiscal year 2013/2014. Local income tax rates are prescribed by State law, and limited in Lansing's case to 1% of resident income and 0.5% of the income of persons working in the City, but living outside of its corporate boundaries.

Restricted Operating and Capital Grants and Contributions made up \$27.6 million, or 18.6% of Governmental Activity revenue for fiscal year 2014/2015, a \$4.0 million, or 12.8% decrease from fiscal year 2013/2014. In this category, \$15.2 million are recurring revenues from: State Gas & Weight tax revenues restricted for streets; Community Development, HOME, and Emergency Shelter entitlement grants; and drug forfeiture funds restricted for drug enforcement efforts. The remaining \$12.4 million is attributable to non-entitlement grants. The decrease from FY 2013/2014 is the result of a reduction in non-entitlement grants with the conclusion of much of the federal ARRA grants.

Unrestricted Grants and Contributions (including state shared sales tax revenue) comprised 24.5%, or \$36.3 million, of revenues, a \$653,000 or 1.8% increase from fiscal year 2013/2014. A little more than one-third of this category, \$13.9 million, is attributed to State revenue sharing, an amount distributed to municipalities by the State of Michigan by formula allocation of portions of the State sales tax. Equity payments from the independently-managed-and-operated Board of Water and Light account for \$20.8 million of the category, with remaining \$1.6 million coming from payments from the State of Michigan for a payment in lieu of tax for its fire protection for its properties, bad driver revenues, and reimbursement of liquor license enforcement costs. The \$653,000 increase from the prior year was attributable to a \$289,000 increase in State revenue sharing, a \$232,000 increase in equity payments, and a \$132,000 increase in other revenues.

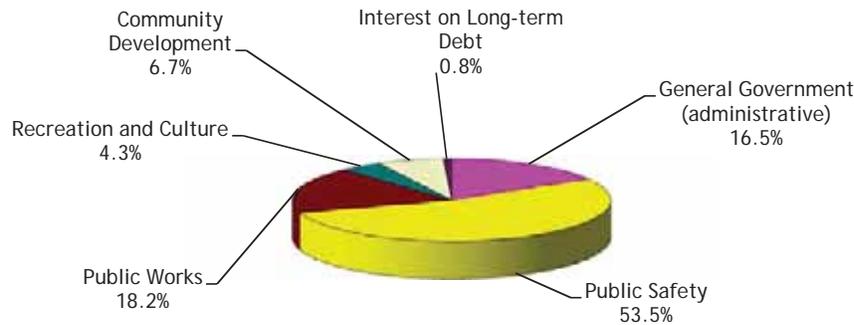
CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

Charges for Services are program-specific revenues generated for services provided. Governmental activity charges for services increased \$831,533 from FY 2013/2014 to FY 2014/2015. The majority of the increase is attributable to a decrease in deferred ambulance service charges.

The following chart depicts expenses of the governmental activities for the fiscal year:

Expenses - Governmental Activities Fiscal Year Ending June 30, 2015



Total expenses for Governmental Activities decreased \$4.8 million from FY 2013/2014 to FY 2014/2015. The reduction is largely attributable to a \$8.9 million reduction in infrastructure capital asset investment. That \$8.9 million decrease was offset by a \$3.7 million increase from FY 2013/2014 in public safety operations and a \$400,000 increase in other general government operating expenditures.

Business-type Activities. Net position of the business-type activities increased by \$4.7 million from FY 2013/2104, as restated for pension liabilities in accordance with GASB 68, to \$238.9 million. The increase was mainly attributable to a \$4.3 million increase in sewer system operations during the fiscal year which, is necessary to fund the debt associated with the Combined Sewer Overflow (CSO) program in future years, and a \$300,000 increase in parking system operations.

Financial Analysis of the City's Funds

As the City completed the fiscal year, its governmental funds reported combined ending fund balances of \$26.7 million. Of this, \$9.5 million is legally restricted and/or unavailable to spend (i.e. amounts tied up in inventories), and \$7.9 million is committed for designated projects, leaving \$9.3 million unassigned.

The unassigned fund balance for the General Fund, (including the amount internally identified as a Budget Stabilization Fund), was \$9.8 million, an increase of \$2.7 million from FY 2013/2014, which is further described in the next section, General Fund Budgetary Highlights.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

General Fund Budgetary Highlights

The FY 2014/2015 General Fund budget was adopted as a balanced budget, based on projected revenues, with a \$500,000 addition to reserves (fund balance). The City budgeted a vacancy factor in its General Fund to account for anticipated positions that would become vacant during the course of the year. Because vacancies that will occur within each department can not be projected, the vacancy factor is budgeted as a single line item of the General Fund and allocated to various departments through a budget amendment during the year. During the course of the fiscal year, the budget was amended to allocate the vacancy factor and to adjust expenditures in response to higher-than-expected special election costs and facility maintenance and improvement needs.

General Fund reserves, combined with the Budget Stabilization Fund (combined for financial statement purposes) increased \$1.46 million from FY 2014/2015 from \$9.2 million to \$10.7 million. However, \$1.27 million of expenditures were from restricted (committed) reserves. As a result, unassigned fund balance increased \$2.73 million, or 38.7% from fiscal year 2013/2014. This \$2.7 million increase was attributable to General Fund revenues exceeding budget by \$1.3 million, most notably lesser-than expected property tax adjustment losses and higher-than-budgeted income tax receipts, as well as expenditures coming in under budget \$1.6 million, largely due to position vacancies during the year.

The FY 2015/2016 budget, adopted at levels commensurate with projected decreases in property values and other revenue levels experienced in FY 2014/2015, is budgeted to increase unassigned reserves by \$500,000.

Sewage Disposal Fund

Net position increased \$4.1 million (after restatement for implementation of GASB 68) to \$228.5 million in FY 2014/2015. Unrestricted net position decreased \$7.7 million, from \$26.5 million to \$18.8 million. The increase in total net positions was partially the result of sewer operations which are necessary to fund the debt associated with the Combined Sewer Overflow (CSO) program in future years.

As a result of implementation of GASB 68 to record the net pension liability, unrestricted net position decreased \$13.8 million, including the restatement of beginning net position by \$13.5 million. This decrease was partially offset by a reduction in debt restrictions, for a net reduction of \$7.7 million, from \$26.5 million to \$18.8 million.

Municipal Parking Fund

The Municipal Parking Fund net position increased \$322,591, from \$14.5 million (after restatement for implementation of GASB 68) to \$14.9 million. Unrestricted net position went from \$10.0 million to \$5.3 million.

As a result of implementation of GASB 68 to record the net pension liability, unrestricted net position decreased \$4.8 million, including the restatement of beginning net position by \$4.7 million. This decrease was partially offset by a reduction in capital restrictions for a net reduction of \$4.6 million, from \$10.0 million to \$5.3 million.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

Capital Assets. At the end of the fiscal year 2015, the City had invested \$583.2 million, net of accumulated depreciation, in a broad range of capital assets (see the table below). Additional information regarding the City's capital assets can be found in Footnote 6 of the of the Notes to the Financial Statements section of the CAFR.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 25,838,193	\$ 25,725,672	\$ 13,483,910	\$ 13,483,910	\$ 39,322,103	\$ 39,209,582
Land improvements	11,074,077	9,140,079	11,457,282	11,907,987	22,531,359	21,048,066
Buildings and improvements	49,325,202	53,049,485	96,312,347	101,100,446	145,637,549	154,149,931
Equipment	7,000,277	5,708,965	1,790,500	1,955,426	8,790,777	7,664,391
Infrastructure	92,983,289	92,028,470	247,182,984	253,517,068	340,166,273	345,545,538
Construction in progress	14,367,233	2,281,413	12,354,899	7,645,876	26,722,132	9,927,289
Total capital assets, net	\$ 200,588,271	\$ 187,934,084	\$ 382,581,922	\$ 389,610,713	\$ 583,170,193	\$ 577,544,797

Debt Administration. The City, along with the Lansing Building Authority (LBA), a blended component unit of the City, is empowered by law to authorize, issue, and sell debt obligations. Limited tax and unlimited tax general obligation bonds are backed by the full faith and credit of the City. The City also issues revenue-dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally-restricted revenues. The Sewage Disposal fund has the City's only dedicated revenue bonds currently outstanding. LBA's bonds financed the construction of parking, golf course, and firing range improvements. Revenues derived from user fees from persons using parking and golf facilities fund the debt service requirements for related improvements, but they are also backed by a limited tax pledge.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

	Outstanding Debt	
	2015	2014
Governmental activities		
General obligation bonds	\$ 25,755,000	\$ 27,145,000
Installment purchase contracts	16,387,327	3,100,563
Loans	7,872,600	7,062,234
Compensated absences	9,568,555	10,153,254
Workers compensation	3,418,805	5,967,593
Tax settlement	52,161	104,322
Deferred amounts:		
For issuance discounts	(79,821)	(86,654)
For issuance premiums	115,102	121,948
Total governmental activities	63,089,729	53,568,260
Business-type activities		
General obligation bonds	165,352,984	175,033,286
Revenue bonds	20,275,000	21,765,000
Installment purchase agreements	1,459,431	1,668,080
Compensated absences	718,149	866,003
Deferred amounts:		
For issuance discounts	(709,367)	(782,377)
For issuance premiums	2,314,325	2,511,390
Total business-type activities	189,410,522	201,061,382
Total outstanding debt	\$ 252,500,251	\$ 254,629,642

The City procured a \$986,300 loan from the State of Michigan for street and bridge repairs, entered into a \$13.5 million installment purchase agreement for stadium improvements and \$491,241 for police patrol vehicles, as well as issuing \$2.275 million in bonds for technology improvements, which are all categorized as Governmental activity debt. The City also issued \$2.9 million in State revolving loan fund debt for the City's Wet Weather (formerly Combined Sewer Overflow/Sanitary Sewer Overflow) environmental program in the sewer (proprietary) fund which is considered Business-type activity debt. Reductions in the categories listed above are due debt payments made during the course of the fiscal year. More detailed information regarding these activities and funds can be found in Footnote 9 of the Notes to the Financial Statements section of the CAFR.

Economic Condition and Outlook

Emerging from the Great Recession, property values began to increase in FY 2015, and unemployment levels in the City are on the decline, resulting in more income tax revenue. Lansing's financial picture as a whole has stabilized and is improving -- the 2014/2015 fiscal year resulted in a \$2.7 million addition to General Fund unassigned reserves and a surplus is again expected in FY 2015/2016, but significant challenges remain in the longer-term. Going forward, State-imposed limitations on municipal revenues, most notably property tax growth, will continue to constrain resources, which in context of projected increases in pension, healthcare, and infrastructure funding, will present significant budgetary challenges.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

Strengthening the City's economic base, building back up General Fund reserves to pre-Recession levels, and addressing long-term pension and retiree healthcare obligations are top priorities. The City continues to work diligently with its employees and unions to address the ongoing structural imbalance between projected revenues and long-term pension and retiree health care costs and has been successful in achieving significant agreements over the past several years on a wide range of cost-saving measures. The City, with the assistance of the Mayor-appointed Financial Health Team made up of volunteer community leaders, will issue a request of proposal in the coming year for recommendations for addressing long-term pension and retiree healthcare funding obligations in context of revenue growth limitations.

The City continues to pursue regional approaches to providing the same or enhanced levels of services to its residents. This past year, the City's purchasing operations were successfully merged with the purchasing operations at the Board of Water and Light; a county ballot proposal to fund maintenance of a key regional asset, the Lansing River Trail, was approved by voters; and the City continues to pursue regional approaches to providing public safety and other services.

In terms of economic development, even during the Recession, which included a historic credit crisis in the private sector, the City saw significant economic development announcements, and those successes have continued (see Economic Condition and Outlook in the Transmittal Letter).

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Copies of this financial report, as well as other financial reports, are available on the City's website, www.lansingmi.gov. If you have any questions about this report or need additional financial information, please feel free to contact the Finance Department at (517) 483-4500.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LANSING, MICHIGAN

Statement of Net Position

June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Assets				
Cash and investments	\$ 32,526,213	\$ 37,767,986	\$ 70,294,199	\$ 4,618,713
Receivables, net	23,238,484	28,564,402	51,802,886	5,023,631
Internal balances	(2,239,511)	2,239,511	-	-
Due from primary government	-	-	-	2,349,530
Inventories, prepaids and other assets	1,742,135	387,921	2,130,056	145,558
Restricted assets:				
Cash and investments	-	3,751,043	3,751,043	1,555,649
Capital assets not being depreciated	40,205,426	25,838,809	66,044,235	-
Capital assets being depreciated, net	160,382,845	356,743,113	517,125,958	6,239
Total assets	255,855,592	455,292,785	711,148,377	13,699,320
Deferred outflows of resources				
Deferred refunding loss	167,649	2,766,021	2,933,670	4,318,519
Deferred pension amounts	19,151,719	1,454,614	20,606,333	-
Total deferred outflows of resources	19,319,368	4,220,635	23,540,003	4,318,519
Liabilities				
Accounts payable and accrued liabilities	17,340,800	1,683,150	19,023,950	5,693,266
Accrued interest payable	353,219	1,022,475	1,375,694	17,147,057
Unearned revenue	431,694	185,729	617,423	305,799
Due to component units	2,349,530	-	2,349,530	-
Long-term liabilities:				
Due within one year	6,593,647	14,380,172	20,973,819	676,850
Due in more than one year	56,496,082	175,030,350	231,526,432	29,526,326
Net pension liability	218,532,256	27,434,596	245,966,852	-
Net other postemployment benefit obligation	56,984,136	-	56,984,136	-
Total liabilities	359,081,364	219,736,472	578,817,836	53,349,298
Deferred inflows of resources				
Deferred pension amounts	3,449,346	832,207	4,281,553	-
Net position				
Net investment in capital assets	151,785,916	218,813,478	370,599,394	6,239
Restricted for:				
Public safety	1,402,622	-	1,402,622	-
Public works	5,669,183	-	5,669,183	-
Community development	3,447,473	-	3,447,473	-
Federal and state programs	35,737	-	35,737	-
Donations	10,044	-	10,044	-
Debt service	-	2,360,269	2,360,269	-
Capital projects	-	528,827	528,827	-
Endowments (nonexpendable)	1,746,482	-	1,746,482	-
Unrestricted (deficit)	(251,453,207)	17,242,167	(234,211,040)	(35,337,698)
Total net position (deficit)	\$ (87,355,750)	\$ 238,944,741	\$ 151,588,991	\$ (35,331,459)

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Activities
For the Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 25,225,893	\$ 6,815,975	\$ 2,739,285	\$ -	\$ (15,670,633)
Public safety	81,827,437	3,344,183	7,532,501	-	(70,950,753)
Public works	27,815,970	1,923,303	8,053,350	2,910,660	(14,928,657)
Recreation and culture	6,515,590	619,834	588,407	-	(5,307,349)
Community development	10,270,404	67,264	5,745,412	-	(4,457,728)
Interest on long-term debt	1,291,846	-	-	-	(1,291,846)
Total governmental activities	152,947,140	12,770,559	24,658,955	2,910,660	(112,606,966)
Business-type activities:					
Sewage disposal system	27,506,843	31,730,416	196,792	-	4,420,365
Municipal parking system	7,605,461	6,988,879	939,173	-	322,591
Cemetery	632,485	335,379	-	-	(297,106)
Golf	852,634	363,559	7,120	-	(481,955)
Garbage and rubbish collection	1,712,671	1,744,999	-	-	32,328
Recycling	3,623,276	3,624,671	-	-	1,395
Total business-type activities	41,933,370	44,787,903	1,143,085	-	3,997,618
Total primary government	\$ 194,880,510	\$ 57,558,462	\$ 25,802,040	\$ 2,910,660	\$ (108,609,348)
Component units					
Brownfield redevelopment authority	\$ 1,613,850	\$ -	\$ 441,857	\$ -	\$ (1,171,993)
Tax increment finance authority	3,821,379	-	-	-	(3,821,379)
Lansing entertainment & public facilities authority	7,745,185	6,477,993	1,189,900	-	(77,292)
Total component units	\$ 13,180,414	\$ 6,477,993	\$ 1,631,757	\$ -	\$ (5,070,664)

continued...

CITY OF LANSING, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Changes in net position				
Net (expense) revenues	\$ (112,606,966)	\$ 3,997,618	\$ (108,609,348)	\$ (5,070,664)
General revenues:				
Property taxes	39,657,382	-	39,657,382	5,013,973
Income taxes	31,660,923	-	31,660,923	-
Grants and contributions not restricted to specific programs	36,330,976	-	36,330,976	-
Unrestricted investment earnings	26,353	17,874	44,227	5,993
Gain on sale of capital assets	280,280	-	280,280	-
Transfers - internal activities	(644,485)	644,485	-	-
Total general revenues and transfers	107,311,429	662,359	107,973,788	5,019,966
Change in net position	(5,295,537)	4,659,977	(635,560)	(50,698)
Net position, beginning of year, as restated	(82,060,213)	234,284,764	152,224,551	(35,280,761)
Net position, end of year	<u>\$ (87,355,750)</u>	<u>\$ 238,944,741</u>	<u>\$ 151,588,991</u>	<u>\$ (35,331,459)</u>

concluded

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

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CITY OF LANSING, MICHIGAN

Governmental Fund Financial Statements

Major Funds

The General Fund is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in another fund.

The Other Capital Projects fund accounts for miscellaneous capital projects, most significantly the 2015 ballpark improvements.

Nonmajor Funds

Nonmajor governmental funds are presented, by fund type, beginning on the pages listed below:

Special revenue funds, page 132.

Debt service funds, page 144.

Capital projects funds, page 148.

Permanent funds, page 152.

CITY OF LANSING, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2015

	General	Other Capital Projects	Nonmajor Governmental Funds	Totals
Assets				
Cash and cash equivalents	\$ 516,794	\$ -	\$ 52,637	\$ 569,431
Equity in pooled cash and investments	8,526,931	8,534,486	11,368,384	28,429,801
Accounts receivable, net	9,463,278	149,438	75,820	9,688,536
Taxes receivable	630,504	-	-	630,504
Special assessments receivable	-	-	501,212	501,212
Loans receivable	-	-	1,430,356	1,430,356
Accrued interest receivable	-	-	2,217,117	2,217,117
Due from other funds	2,722,723	-	-	2,722,723
Due from other governments	2,502,880	-	5,406,009	7,908,889
Inventories	32,624	-	872,009	904,633
Prepays	2,800	-	574	3,374
Total assets	\$ 24,398,534	\$ 8,683,924	\$ 21,924,118	\$ 55,006,576
Liabilities				
Accounts payable	\$ 3,421,497	\$ 3,710,320	\$ 1,498,394	\$ 8,630,211
Deposits payable	-	-	178,285	178,285
Accrued payroll	2,041,703	-	41,734	2,083,437
Retainage payable	418,345	-	-	418,345
Indemnity bonds	-	-	9,411	9,411
Due to other funds	120,144	-	3,800,000	3,920,144
Due to component units	2,349,530	-	-	2,349,530
Advance from other funds	-	-	342,090	342,090
Due to other governments	3,016,619	-	811,056	3,827,675
Unearned revenue	179,984	-	251,710	431,694
Other	591,026	-	-	591,026
Total liabilities	12,138,848	3,710,320	6,932,680	22,781,848
Deferred inflows of resources				
Unavailable revenue - fees	1,592,546	-	-	1,592,546
Unavailable revenue - loans and accrued interest receivable	-	-	3,447,473	3,447,473
Unavailable revenue - special assessments	-	-	450,583	450,583
Total deferred inflows of resources	1,592,546	-	3,898,056	5,490,602
Fund balances				
Nonspendable	35,424	-	2,619,065	2,654,489
Restricted	10,044	1,025,670	5,839,910	6,875,624
Committed	837,761	3,947,934	3,162,551	7,948,246
Unassigned (deficit)	9,783,911	-	(528,144)	9,255,767
Total fund balances	10,667,140	4,973,604	11,093,382	26,734,126
Total liabilities, deferred inflows of resources and fund balances	\$ 24,398,534	\$ 8,683,924	\$ 21,924,118	\$ 55,006,576

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2015

Fund balances - total governmental funds	\$ 26,734,126
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	40,205,426
Capital assets being depreciated, net	160,382,845
Capital assets accounted for in internal service funds, net	(13,055,723)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred inflows of resources in the governmental funds and, therefore, are not included in fund balance.	
Deferred ambulance fees receivable	967,913
Deferred nuisance fees receivable	364,797
Deferred loans receivable	1,230,356
Deferred long-term interest receivable	2,217,117
Deferred long-term special assessments receivable	450,583
Deferred long-term taxes and tax settlement receivables	259,836
Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
	9,352,060
Long-term liabilities and related deferred outflows are not due and payable in the current period and therefore are not reported in the funds.	
Bonds, loans and leases payable	(44,270,557)
Deferred loss on refunding	164,210
Accrued interest on bonds, loans and leases payable	(312,526)
Net other postemployment benefit obligation	(56,984,136)
Compensated absences and other long-term liabilities	(12,232,194)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(218,532,256)
Deferred outflows related to the net pension liability	19,151,719
Deferred inflows related to the net pension liability	(3,449,346)
Net position of governmental activities	\$ (87,355,750)

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2015

	General	Other Capital Projects	Nonmajor Governmental Funds	Totals
Revenues				
Taxes and special assessments	\$ 38,495,554	\$ -	\$ 974,695	\$ 39,470,249
Income taxes	31,660,923	-	-	31,660,923
Licenses and permits	1,551,125	-	-	1,551,125
Intergovernmental	15,395,891	-	20,646,486	36,042,377
Charges for services	8,665,489	566,055	3,668,946	12,900,490
Fines and forfeits	2,619,082	-	456,345	3,075,427
Interest and rents	82,460	-	4,575	87,035
Contributions	21,055,173	-	506,276	21,561,449
Other revenues	221,911	-	1,379,586	1,601,497
Total revenues	119,747,608	566,055	27,636,909	147,950,572
Expenditures				
Current expenditures:				
General government	18,598,287	-	3,121,919	21,720,206
Public safety	72,207,198	-	3,303,545	75,510,743
Public works	10,291,976	-	2,981,356	13,273,332
Highways and streets	-	-	10,357,488	10,357,488
Recreation and culture	7,583,085	-	-	7,583,085
Community development	-	-	3,910,924	3,910,924
Other functions	2,704,982	-	-	2,704,982
Debt service:				
Principal	785,363	-	2,830,934	3,616,297
Interest	229,737	-	701,342	931,079
Capital outlay	-	16,333,164	4,683,644	21,016,808
Total expenditures	112,400,628	16,333,164	31,891,152	160,624,944
Revenues over (under) expenditures	7,346,980	(15,767,109)	(4,254,243)	(12,674,372)
Other financing sources (uses)				
Transfers in	827,127	2,603,320	6,304,125	9,734,572
Transfers out	(6,825,562)	(2,621,076)	(556,134)	(10,002,772)
Proceeds on sale of capital assets	110,533	-	-	110,533
Issuance of long-term debt	-	16,761,300	-	16,761,300
Bond premium	-	40,945	-	40,945
Total other financing sources (uses)	(5,887,902)	16,784,489	5,747,991	16,644,578
Net change in fund balances	1,459,078	1,017,380	1,493,748	3,970,206
Fund balances, beginning of year	9,208,062	3,956,224	9,599,634	22,763,920
Fund balances, end of year	\$ 10,667,140	\$ 4,973,604	\$ 11,093,382	\$ 26,734,126

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds	\$ 3,970,206
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital assets purchased/constructed	19,647,134
Depreciation expense	(6,568,121)
Loss on sale of capital assets	(43,080)
Proceeds on sale of capital assets	(110,533)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.	
Change in deferred ambulance fees receivable	(38,866)
Change in deferred nuisance fees receivable	(219,011)
Change in deferred loans receivable	(1,986)
Change in deferred long-term interest receivable	69,250
Change in deferred special assessments receivable	5,987
Change in deferred taxes and tax settlement receivables	197,701
Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The net increase (decrease) in the net position of the internal service funds is reported with governmental activities.	
Net operating income from governmental activities in internal service funds	1,441,824
Gain on sale of capital assets from governmental internal service funds	280,280
Interest expense from governmental internal service funds	(194,548)
Transfers in from governmental internal service funds	825,210
Transfers out of governmental internal service funds	(1,201,495)
Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	
Issuance of long-term debt	(16,761,300)
Principal payments on long-term liabilities	3,616,297
Premium on bond issuances	(40,945)
Certain expenditures are reported in governmental funds that reduce long-term liabilities for purposes of the statement of net position.	
Change in estimated liability for workers' compensation	2,548,788
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in accrued interest payable on long-term liabilities	(178,329)
Amortization of issuance premiums and discounts, and deferred refunding losses	12,110
Change in net other postemployment benefit obligation	(10,420,339)
Change in net pension liability and related deferral amounts	(2,758,989)
Change in the accrual for compensated absences	575,057
Change in the accrual for tax settlement agreement	52,161
Change in net position of governmental activities	<u>\$ (5,295,537)</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 37,605,000	\$ 37,605,000	\$ 38,495,554	\$ 890,554
Income taxes	31,180,000	31,180,000	31,660,923	480,923
Licenses and permits	1,507,500	1,496,500	1,551,125	54,625
Intergovernmental	15,464,595	15,554,595	15,395,891	(158,704)
Charges for services	8,305,670	8,726,670	8,665,489	(61,181)
Fines and forfeits	2,585,600	2,585,600	2,619,082	33,482
Interest and rents	31,172	31,172	82,460	51,288
Contributions	-	21,147,613	21,055,173	(92,440)
Other revenues	20,953,500	100,500	221,911	121,411
Total revenues	117,633,037	118,427,650	119,747,608	1,319,958
Expenditures				
General government:				
Attorney's office	1,605,970	1,573,970	1,568,162	(5,808)
City clerk	949,360	1,039,360	1,069,714	30,354
Council	666,400	666,400	631,898	(34,502)
Courts	5,979,450	5,904,450	5,816,737	(87,713)
Internal audit	204,650	204,650	202,336	(2,314)
Finance	5,014,120	4,594,120	4,565,108	(29,012)
Library rental	155,000	155,000	153,620	(1,380)
LEPFA support	331,400	1,189,900	1,189,900	-
Human resources	1,817,300	1,772,300	1,370,845	(401,455)
Mayor	875,130	875,130	878,708	3,578
Office of community media	355,750	370,750	357,808	(12,942)
Planning / neighborhood development	825,500	797,500	793,451	(4,049)
Budgetary savings from attrition	(800,000)	-	-	-
Total general government	17,980,030	19,143,530	18,598,287	(545,243)
Public safety:				
Police	38,076,900	38,811,145	38,483,338	(327,807)
Fire	33,406,600	34,183,682	33,723,860	(459,822)
Total public safety	71,483,500	72,994,827	72,207,198	(787,629)
Public works				
	10,130,100	10,130,100	10,291,976	161,876
Recreation and culture				
	7,420,800	7,420,800	7,583,085	162,285

continued...

CITY OF LANSING, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Other functions:				
Human relations / community services	\$ 1,045,750	\$ 946,287	\$ 956,313	\$ 10,026
Human services / community support	1,480,000	1,911,249	1,748,669	(162,580)
Total other functions	<u>2,525,750</u>	<u>2,857,536</u>	<u>2,704,982</u>	<u>(152,554)</u>
Debt service:				
Principal	786,000	786,000	785,363	(637)
Interest	230,000	659,000	229,737	(429,263)
Total debt service	<u>1,016,000</u>	<u>1,445,000</u>	<u>1,015,100</u>	<u>(429,900)</u>
Total expenditures	<u>110,556,180</u>	<u>113,991,793</u>	<u>112,400,628</u>	<u>(1,591,165)</u>
Revenues over expenditures	<u>7,076,857</u>	<u>4,435,857</u>	<u>7,346,980</u>	<u>2,911,123</u>
Other financing sources (uses)				
Transfers in	866,963	827,127	827,127	-
Transfers out	(7,943,820)	(6,809,593)	(6,825,562)	15,969
Proceeds on sale of capital assets	-	8,000	110,533	102,533
Total other financing sources (uses)	<u>(7,076,857)</u>	<u>(5,974,466)</u>	<u>(5,887,902)</u>	<u>86,564</u>
Net change in fund balance	-	(1,538,609)	1,459,078	2,997,687
Fund balance, beginning of year	<u>9,208,062</u>	<u>9,208,062</u>	<u>9,208,062</u>	-
Fund balance, end of year	<u>\$ 9,208,062</u>	<u>\$ 7,669,453</u>	<u>\$ 10,667,140</u>	<u>\$ 2,997,687</u>

concluded

The accompanying notes are an integral part of the financial statements.

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CITY OF LANSING, MICHIGAN

Proprietary Fund Financial Statements

Major Funds

The Sewage Disposal System Fund accounts for the provision of sewage disposal services to the residents of the City.

The Municipal Parking System Fund accounts for the operation of City-owned parking facilities.

Nonmajor Funds and Internal Service Funds

Nonmajor enterprise funds and internal service funds are presented, by fund type, beginning on the pages listed below:

Nonmajor enterprise funds, page 156.

Internal service funds, page 162.

CITY OF LANSING, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewage Disposal System	Municipal Parking System	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 5,424,425	\$ 684,338	\$ 500	\$ 6,109,263	\$ 57,842
Equity in pooled cash and investments	20,927,895	8,534,438	2,196,390	31,658,723	3,469,139
Accounts receivable, net	5,489,567	325,921	65,957	5,881,445	861,870
Accrued interest receivable	49,440	79,850	-	129,290	-
Lease receivable, current	621,442	-	-	621,442	-
Loans receivable, current	-	259,707	-	259,707	-
Inventories	287,474	-	100,047	387,521	427,884
Prepays	-	400	-	400	406,244
Due from other funds	4,578,040	25,180	-	4,603,220	-
Total current assets	37,378,283	9,909,834	2,362,894	49,651,011	5,222,979
Noncurrent assets:					
Restricted cash and cash equivalents	3,222,216	528,827	-	3,751,043	-
Advances to other funds	-	342,090	-	342,090	-
Lease receivable, net of current portion	8,786,435	12,750,031	-	21,536,466	-
Loans receivable, net of current portion	-	136,052	-	136,052	-
Capital assets not being depreciated	12,775,648	12,558,920	504,241	25,838,809	92,892
Capital assets being depreciated, net	333,888,921	19,332,473	3,521,719	356,743,113	12,962,831
Total noncurrent assets	358,673,220	45,648,393	4,025,960	408,347,573	13,055,723
Total assets	396,051,503	55,558,227	6,388,854	457,998,584	18,278,702
Deferred outflows of resources					
Deferred refunding loss	1,289,069	1,472,158	4,794	2,766,021	3,439
Deferred pension amounts	734,487	255,993	464,134	1,454,614	-
Total deferred outflows of resources	2,023,556	1,728,151	468,928	4,220,635	3,439
Liabilities					
Current liabilities:					
Accounts payable	1,361,013	51,743	94,392	1,507,148	791,970
Deposits payable	-	58,375	4,140	62,515	-
Accrued interest payable	861,947	152,967	7,561	1,022,475	40,693
Accrued payroll	65,042	29,792	18,653	113,487	105,535
Claims incurred but not reported	-	-	-	-	704,905
Due to other funds	2,591,138	9,390	105,271	2,705,799	700,000
Unearned revenues	-	-	185,729	185,729	-
Bonds and notes payable, current portion	12,146,284	1,795,000	312,759	14,254,043	1,026,148
Compensated absences, current portion	103,409	22,720	-	126,129	41,350
Total current liabilities	17,128,833	2,119,987	728,505	19,977,325	3,410,601
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	137,883,295	35,203,363	1,351,672	174,438,330	4,753,503
Compensated absences, net of current portion	273,682	84,640	233,698	592,020	765,977
Net pension liability	13,852,705	4,828,132	8,753,759	27,434,596	-
Total noncurrent liabilities	152,009,682	40,116,135	10,339,129	202,464,946	5,519,480
Total liabilities	169,138,515	42,236,122	11,067,634	222,442,271	8,930,081
Deferred inflows of resources					
Deferred pension amounts	420,211	146,458	265,538	832,207	-
Net position					
Net investment in capital assets	207,331,936	9,115,219	2,366,323	218,813,478	7,279,511
Restricted for debt retirement	2,360,269	-	-	2,360,269	-
Restricted for capital projects	-	528,827	-	528,827	-
Unrestricted (deficit)	18,824,128	5,259,752	(6,841,713)	17,242,167	2,072,549
Total net position	\$ 228,516,333	\$ 14,903,798	\$ (4,475,390)	\$ 238,944,741	\$ 9,352,060

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewage Disposal System	Municipal Parking System	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating revenues					
Charges for services	\$ 31,730,416	\$ 6,988,879	\$ 6,068,608	\$ 44,787,903	\$ 77,660,448
Operating expenses					
Personal services	5,860,738	2,638,492	3,710,089	12,209,319	7,774,216
Purchase of goods and services	7,434,836	1,065,442	2,455,024	10,955,302	66,501,036
Depreciation	10,319,698	2,102,875	394,075	12,816,648	1,943,372
Total operating expenses	23,615,272	5,806,809	6,559,188	35,981,269	76,218,624
Operating income (loss)	8,115,144	1,182,070	(490,580)	8,806,634	1,441,824
Nonoperating revenues (expenses)					
Interest revenue	214,666	-	7,120	221,786	-
Gain on sale of capital assets	-	-	-	-	280,280
Interest expense and fees	(3,891,571)	(1,798,652)	(47,392)	(5,737,615)	(194,548)
Capital contribution to others	-	-	(214,486)	(214,486)	-
Other revenue (expense)	-	939,173	-	939,173	-
Total nonoperating revenue (expenses)	(3,676,905)	(859,479)	(254,758)	(4,791,142)	85,732
Income (loss) before transfers	4,438,239	322,591	(745,338)	4,015,492	1,527,556
Transfers					
Transfers in	-	-	972,372	972,372	825,210
Transfers out	(300,000)	-	(27,887)	(327,887)	(1,201,495)
Total transfers	(300,000)	-	944,485	644,485	(376,285)
Change in net position	4,138,239	322,591	199,147	4,659,977	1,151,271
Net position, beginning of year, as restated	224,378,094	14,581,207	(4,674,537)	234,284,764	8,200,789
Net position, end of year	\$ 228,516,333	\$ 14,903,798	\$ (4,475,390)	\$ 238,944,741	\$ 9,352,060

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewage Disposal System	Municipal Parking System	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash flows from operating activities					
Cash received from customers	\$ 45,105,392	\$ 10,327,465	\$ 6,136,709	\$ 61,569,566	\$ -
Cash received from interfund services	-	-	-	-	77,223,777
Cash payments for goods and services	(10,725,254)	(1,213,467)	(2,421,416)	(14,360,137)	(67,633,147)
Cash payments to employees	(5,972,585)	(2,647,096)	(3,717,424)	(12,337,105)	(7,896,400)
Net cash provided by (used in) operating activities	28,407,553	6,466,902	(2,131)	34,872,324	1,694,230
Cash flows from noncapital financing activities					
Transfers in	-	-	972,372	972,372	825,210
Transfers out	(300,000)	-	(27,887)	(327,887)	(1,201,495)
Cash received on interfund advances	-	20,134	-	20,134	-
Net cash provided by (used in) noncapital financing activities	(300,000)	20,134	944,485	664,619	(376,285)
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	-	-	-	-	285,355
Acquisition and construction of capital assets	(5,479,860)	(302,054)	(5,943)	(5,787,857)	(1,677,234)
Capital contributions to others	-	-	(214,486)	(214,486)	-
Proceeds from issuance of long-term debt	2,914,585	-	-	2,914,585	491,241
Principal paid on long-term debt	(12,239,886)	(1,745,000)	(308,650)	(14,293,536)	(929,114)
Interest paid on long-term debt	(4,005,577)	(1,459,007)	(46,118)	(5,510,702)	(194,382)
Payments received on capital lease	613,322	-	-	613,322	-
Net cash used in capital and related financing activities	(18,197,416)	(3,506,061)	(575,197)	(22,278,674)	(2,024,134)
Cash flows from investing activities					
Interest and dividends received	217,822	-	7,120	224,942	-
Payments received on loans made to others	-	352,852	-	352,852	-
Net cash provided by investing activities	217,822	352,852	7,120	577,794	-
Net change in cash and cash equivalents	10,127,959	3,333,827	374,277	13,836,063	(706,189)
Cash and cash equivalents, beginning of year	19,446,577	6,413,776	1,822,613	27,682,966	4,233,170
Cash and cash equivalents, end of year	\$ 29,574,536	\$ 9,747,603	\$ 2,196,890	\$ 41,519,029	\$ 3,526,981
Reconciliation to statement of net position					
Cash and cash equivalents	\$ 5,424,425	\$ 684,338	\$ 500	\$ 6,109,263	\$ 57,842
Equity in pooled cash and investments	20,927,895	8,534,438	2,196,390	31,658,723	3,469,139
Restricted cash and cash equivalents	3,222,216	528,827	-	3,751,043	-
	\$ 29,574,536	\$ 9,747,603	\$ 2,196,890	\$ 41,519,029	\$ 3,526,981

continued...

CITY OF LANSING, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewage Disposal System	Municipal Parking System	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 8,115,144	\$ 1,182,070	\$ (490,580)	\$ 8,806,634	\$ 1,441,824
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	10,319,698	2,102,875	394,075	12,816,648	1,943,372
Change in operating assets and liabilities that provided (used) cash:					
Accounts receivable	(432,858)	104,725	(10,081)	(338,214)	(436,671)
Inventories	58,535	-	(11,869)	46,666	44,644
Prepays	-	(400)	-	(400)	143,969
Due from other funds	13,807,834	3,232,841	-	17,040,675	-
Accounts payable	445,506	(157,015)	(54,523)	233,968	(715,724)
Deposits payable	-	1,020	-	1,020	-
Accrued payroll	11,016	5,892	2,197	19,105	14,365
Claims incurred but not reported	-	-	-	-	(126,903)
Due to other funds	(3,794,459)	9,390	100,000	(3,685,069)	(605,000)
Unearned revenues	-	-	78,182	78,182	-
Compensated absences	(123,349)	(14,666)	(9,839)	(147,854)	(9,646)
Net pension liability and related deferred amounts	486	170	307	963	-
Net cash provided by (used in) operating activities	\$ 28,407,553	\$ 6,466,902	\$ (2,131)	\$ 34,872,324	\$ 1,694,230

concluded

The accompanying notes are an integral part of the financial statements.

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CITY OF LANSING, MICHIGAN

Fiduciary Fund Financial Statement

Pension and Other Postemployment Benefit Trust Funds - Employee pension and other postemployment benefit trust funds accept payments made by the City, invest fund resources, calculate and pay pensions to retirees (or beneficiaries), and account for postemployment healthcare coverage.

Combining schedules for fiduciary funds are presented in the notes to the financial statements.

Agency Funds - These funds account for resources held in a trustee or agent capacity for the 54-A District Court.

Combining statements for agency funds are presented, by fund type, beginning on page 168.

CITY OF LANSING, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2015

	Pension and Other Postemployment Benefits Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 40,169,248	\$ -
Equity in pooled cash and investments	-	69,307
Investments:		
Money market funds	24,076,624	
Government obligations	76,949,067	-
Corporate bonds	57,543,044	-
Common stocks	113,495,428	-
Mutual funds	234,182,002	-
Contribution receivable	12,384	-
Dividends and interest receivable	496,309	-
Total assets	<u>546,924,106</u>	<u>\$ 69,307</u>
Liabilities		
Accounts payable	1,257,970	\$ -
Undistributed receipts	-	69,307
Total liabilities	<u>1,257,970</u>	<u>\$ 69,307</u>
Net position restricted for		
Pension benefits	475,772,700	
Other postemployment benefits	69,893,436	
Total net position	<u>\$ 545,666,136</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Changes in Fiduciary Net Position

Pension and Other Postemployment Benefits Trust Funds
For the Year Ended June 30, 2015

Additions

Investment income:

Net appreciation in fair value of investments	\$ 15,425,008
Interest income	3,508,235
Dividend income	1,803,795
Investment expenses	<u>(6,260)</u>

Net investment income 20,730,778

Contributions:

Employer	43,030,572
Plan members	<u>4,106,707</u>

Total contributions 47,137,279

Total additions 67,868,057

Deductions

Participant benefits	70,596,865
Administrative expense	<u>2,223,741</u>

Total deductions 72,820,606

Change in net position (4,952,549)

Net position restricted for pension and other postemployment benefits

Beginning of year 550,618,685

End of year \$ 545,666,136

The accompanying notes are an integral part of the financial statements.

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COMPONENT UNITS

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CITY OF LANSING, MICHIGAN

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The City has four discretely presented component units:

- Brownfield Redevelopment Authority
- Tax Increment Finance Authority
- Lansing Entertainment and Public Facilities Authority
- SmartZone

Complete financial statements for each of the individual component units, excluding SmartZone, may be obtained from the entity's administrative offices. Separately-issued financial statements are not prepared for the SmartZone.

CITY OF LANSING, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2015

	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Lansing Entertainment & Public Facilities Authority	Smart Zone	Totals
Assets					
Cash and cash equivalents	\$ 954,688	\$ 3,399,023	\$ 265,002	\$ -	\$ 4,618,713
Receivables, net	722,703	-	4,300,928	-	5,023,631
Due from primary government	1,548,668	798,250	-	2,612	2,349,530
Inventories, prepaids and other assets	-	-	145,558	-	145,558
Restricted cash and cash equivalents	-	634,760	920,889	-	1,555,649
Capital assets being depreciated, net	-	-	6,239	-	6,239
Total assets	3,226,059	4,832,033	5,638,616	2,612	13,699,320
Deferred outflows of resources					
Deferred refunding loss	-	4,318,519	-	-	4,318,519
Liabilities					
Accounts payable and accrued liabilities	1,431,066	65,037	4,197,163	-	5,693,266
Accrued interest payable	-	16,948,143	198,914	-	17,147,057
Unearned revenues	-	-	305,799	-	305,799
Long-term debt:					
Due within one year	259,707	417,143	-	-	676,850
Due in more than one year	136,052	29,390,274	-	-	29,526,326
Total liabilities	1,826,825	46,820,597	4,701,876	-	53,349,298
Net position					
Net investment in capital assets	-	-	6,239	-	6,239
Unrestricted (deficit)	1,399,234	(37,670,045)	930,501	2,612	(35,337,698)
Total net position	\$ 1,399,234	\$ (37,670,045)	\$ 936,740	\$ 2,612	\$ (35,331,459)

The accompanying notes are an integral part of the financial statements.

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CITY OF LANSING, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units

For the Year Ended June 30, 2015

	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Lansing Entertainment & Public Facilities Authority	Smart Zone	Totals
Expenses					
Brownfield redevelopment	\$ 1,613,850	\$ -	\$ -	\$ -	\$ 1,613,850
Community development	-	3,821,379	-	-	3,821,379
Recreation and culture	-	-	7,745,185	-	7,745,185
Total expenses	1,613,850	3,821,379	7,745,185	-	13,180,414
Program revenues					
Charges for services	-	-	6,477,993	-	6,477,993
Operating grants and contributions	441,857	-	1,189,900	-	1,631,757
Total program revenues	441,857	-	7,667,893	-	8,109,750
Net program revenue (expense)	(1,171,993)	(3,821,379)	(77,292)	-	(5,070,664)
General revenues					
Property taxes	1,964,162	2,729,735	320,076	-	5,013,973
Unrestricted investment earnings	1,907	3,916	170	-	5,993
Total general revenues	1,966,069	2,733,651	320,246	-	5,019,966
Changes in net position	794,076	(1,087,728)	242,954	-	(50,698)
Net position, beginning of year	605,158	(36,582,317)	693,786	2,612	(35,280,761)
Net position, end of year	\$ 1,399,234	\$ (37,670,045)	\$ 936,740	\$ 2,612	\$ (35,331,459)

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

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CITY OF LANSING, MICHIGAN

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CITY OF LANSING, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lansing (the "City") was incorporated in 1859. In 1909, the City came under the provisions of Act 279, P.A. 1909, as amended ("Home Rule City Act"). The City operates under a strong Mayor form of government in which the Mayor is responsible for implementation and administration of City policy as established by City Council.

The accounting and reporting policies of the City conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). Following is a summary of the significant policies:

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Unit

A blended component unit is a legally separate entity from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and its financial data is combined with data of the appropriate funds. The City has one blended component unit, the Building Authority with a fiscal June 30 year-end. This component unit provides services primarily to benefit the City. The blended unit is described as follows:

The Building Authority (the "Authority") was established by the City under Act 31, Michigan Public Acts of 1948. The Mayor, with the advice and consent of City Council, appoints the Authority's governing body and designates management. The Authority uses the proceeds of its tax-exempt bonds to finance the construction or acquisition of capital assets for the City only. The bonds are secured by lease agreements with the City and will be retired through lease payments from the City. The financial activity, assets, liabilities and equity of the Authority are incorporated within the City's Municipal Parking System and Golf enterprise funds, and the 1998 Building Authority Debt Service Fund.

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The City has four discretely presented component units, the Brownfield Redevelopment Authority, the Tax Increment Financing Authority, the Lansing Entertainment and Public Facilities Authority, and the Smart Zone, each with a fiscal June 30 year-end. The discretely presented component units are as follows:

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

The Lansing Brownfield Redevelopment Authority ("LBRA") was established by the City on August 17, 1997, under the authority contained in Act 381, Michigan Public Acts of 1996 (the "Act"). The Act authorizes the City to establish and to designate the boundaries of a Brownfield redevelopment zone. The Brownfield Redevelopment Authority is appointed by City Council to preside over such a zone, and it is authorized to promote the revitalization of environmentally distressed areas within the City of Lansing. The Act allows the LBRA to participate in a broad range of improvement activities intended to encourage the reuse of industrial and commercial property by offering economic incentives for redevelopment to prevent property value deterioration. Tax increment financing plans must be approved by the City.

Tax increment financing permits the LBRA to capture tax revenues which are attributable to increases in the value of real and personal property located within an approved project area. Current activities of the LBRA include collections of property tax revenues on project areas for the Rite Aid Pharmacy and the former Motor Wheel Site Plant.

The Tax Increment Finance Authority ("TIFA") was established by the City under the authority contained in Act 450, Michigan Public Acts of 1981 ("Act 450"). Act 450 authorizes the City to designate specific districts within its corporate limits as TIFA districts. The TIFA presides over such districts, formulating plans for public improvements, economic development, neighborhood revitalization, and historic preservation within the districts. Act 450 allows the TIFA to participate in a broad range of improvement activities intended to contribute to economic growth and prevent property value deterioration. The TIFA's governing body is appointed by the Mayor with the advice and consent of the City Council. Bond issuances, to fund the above activities, are approved by the City Council and the legal liability for the debt remains with the City.

The Lansing Entertainment and Public Facilities Authority ("LEPFA") was established under the charter of the City of Lansing in February 1996, replacing the former Greater Lansing Convention/Exhibition Authority, which had been responsible for operating and managing the Lansing Center and the Lansing Civic Arena (the latter through the fiscal year ended June 30, 1995). LEPFA was established to oversee the management and operations of the Lansing Center, the City Market and the Cooley Law School stadium.

LEPFA is chartered as a building authority under the provisions of Act 31, Public Acts of Michigan, 1948. In the event of dissolution or termination of LEPFA, all assets and rights of the Authority shall revert to the City. LEPFA's Board of Commissioners consists of thirteen members appointed by the Mayor of the City of Lansing and approved by the City Council.

The Lansing Regional SmartZone ("SmartZone") was established by the City of Lansing and the City of East Lansing under the authority contained in Act 281, Public Act of Michigan of 1986 ("Act 281"). Act 281 authorizes the Cities to create a multi-jurisdictional local development finance authority. The SmartZone shall be known and exercise its powers under title of the Local Development Finance Authority of the Cities of Lansing and East Lansing. The SmartZone is fiscally dependent on the City of Lansing; the City approves the annual budget and is responsible for managing the SmartZone. The SmartZone was created in order to eliminate the conditions of unemployment, underemployment and joblessness, and to promote economic growth in the City. The SmartZone's Board of Commissioners consists of seven members, three of which are appointed by the City of Lansing, three are appointed by the City of East Lansing, and one is appointed by the Ingham County Board of Commissioners.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Component Unit Financial Statements

Complete financial statements for the individual component units may be obtained from each entity's administrative offices. Separate financial statements are not prepared for the SmartZone.

City of Lansing Building Authority
8th Floor
124 West Michigan Avenue
Lansing, Michigan 48933

Brownfield Redevelopment Authority / Tax Increment Finance Authority
1000 S Washington Avenue, Suite 201
Lansing, Michigan 48910

Lansing Entertainment and Public Facilities Authority
333 East Michigan Avenue
Lansing, Michigan 48933

Joint Venture

In 1998, the City entered into an agreement with Ingham County (the "County") to form the City of Lansing and County of Ingham Joint Building Authority (JBA) for the purpose of constructing and managing a building in downtown Lansing that houses the courts, prosecuting attorney and other related departments. The JBA is governed by a three-member board composed of one member each appointed by the City and the County and one appointed jointly by the two units. Both the County and the City contribute cash and/or property to the JBA. Bonds were issued in 1999 by the JBA to provide the funding necessary to construct the building. Because the joint venture agreement does not provide an explicit contractual formula outlining the City's claim to the JBA's assets, it is considered to be a "joint venture with no equity interest" and accordingly, no amounts are reported in the accompanying financial statements for an equity interest. Financial information for the JBA may be obtained by writing the Ingham County Financial Services Division, P.O. Box 319, Mason, Michigan 48854.

Government-wide and Fund 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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges 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 or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and 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. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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. The City considers all revenues reported in the governmental funds to be available if they are collected within three months after year-end, except for income taxes that use a 45-day collection period, property taxes that use a 60-day collection period, and reimbursement-based grants that use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General fund. This fund is the City's primary operating fund. It accounts for all the financial resources of the primary government, except those accounted for and reported in another fund.

Other Capital Projects fund. This fund accounts for miscellaneous capital projects, most significantly the 2014 ballpark improvements.

The City reports the following major enterprise funds:

Sewage Disposal System Fund. This fund accounts for the provision of sewage disposal services to the residents of the City.

Municipal Parking System Fund. This fund accounts for the operation of City-owned parking facilities.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Additionally, the City reports the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects that comprise, or are expected to comprise a substantial portion of the fund's total reported inflows.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal, interest and related costs.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

Enterprise Funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal Service Funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes operating a maintenance facility for trucks and equipment used by the Public Service Department, health care and self-insurance services, and information technology.

Pension and Other Postemployment Benefit Trust Funds account for the accumulation of resources to be used for retirement annuity payments to eligible full-time employees of the City, certain healthcare costs, and other retirement distributions.

The *Agency Fund* account for resources held in a fiduciary capacity for the 54-A District Court.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Restricted net position are assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool is displayed on the statement of net position/balance sheet as "equity in pooled cash." The City'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.

Restricted cash consists of amounts required to be maintained separately in accordance with bond covenants.

State statutes authorize the City to invest in:

Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

Bankers' acceptances of United States banks.

Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on pension and other postemployment benefit trust fund investments due to changes in fair value are recognized each year.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Amounts received in advance of project costs being incurred are reported as unearned revenue.

Certain receivables in governmental funds consist of rehabilitation and redevelopment loans that are generally not expected or scheduled to be collected in the subsequent year.

Leases receivable consist of amounts collectible from local municipalities for which the City has irrevocably pledged its full faith and credit as collateral for certain construction and improvement bonds. In accordance with contractual agreements, these entities will provide all future amounts due for bond principal and accrued interest payable. The receivable has been reported as current based on the amounts to be collected next year to satisfy obligations.

Inventories and Prepaids

All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired or constructed since June 30, 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets having a useful life in excess of three years and whose costs exceed \$5,000 (\$100,000 for buildings). Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are recorded at their market value as of the donation date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings	20-50
Improvements	8-50
Equipment	3-15
Sanitary sewers	50
Infrastructure	10-75

In addition to land and construction in progress, the amount presented as capital assets not being depreciated includes intangible assets consisting of land development rights acquired for the purpose of farmland and ranch preservation. Land development rights are deemed to have an indefinite useful life, and therefore are not being amortized.

The City reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred the asset is written down to its net realizable value and a current charge to income is recognized.

Landfill costs are amortized as engineered sections of the landfill are utilized.

Deferred Outflows of Resources

In addition to assets, the statement of financial 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 one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plans as well as for the deferred loss on refunding. A deferred refunding loss 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.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as internal balances.

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and compensatory time benefits, subject to certain limitations. Certain bargaining unit employees are also permitted to accumulate earned but unused sick leave. All vacation and compensatory time pay and 50% of sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Unearned Revenue

Unearned revenue consists of amounts received prior to the delivery of goods/service or expenditure on allowable costs.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses when incurred.

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension plans.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Fund Balances

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports *assigned fund balance* for amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The City Council has not delegated the authority to assign fund balance. Unassigned fund balance is the residual classification for the general fund.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned, and finally unassigned.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the City. Balances outstanding at year-end are reported as due to/from other funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Internal service funds are used to record charges for services to all City departments and funds as transfers or operating revenue. All City funds record these payments to the internal service funds as transfers or operating expenditures/expenses.

Pensions

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the financial statements.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

2. BUDGETARY INFORMATION

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

- On or before the fourth Monday in March, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
- Public hearings are conducted to obtain taxpayer comments.
- Not later than the third Monday in May, the Council adopts a budget through passage of a resolution.
- The appropriated budget is prepared by fund, department and the mandatory expenditure accounts as established by the State of Michigan's Uniform Chart of Accounts. Within the General Fund, the legal level of budgetary control is the mandatory expenditure accounts (personal services, supplies and operating expenses, capital outlay, debt service, transfers, and contingency) within each department. Within other funds, the legal level of budgetary control is the mandatory expenditure accounts (personal services, supplies and operating expenses, capital outlay, debt service, transfers, and contingency) within that fund. Transfers between appropriations (mandatory accounts) require City Council approval. An exception to City Council approval is allowed by City Charter for transfers between appropriations (mandatory accounts) for amounts less than five thousand dollars, but not in excess of 15% of the appropriation in cases where five thousand dollars exceeds 15% of the appropriation.

Copies of the City's separately issued budget report may be obtained from the Finance Department, 124 West Michigan Avenue, Lansing, Michigan 48933.

- The City formally adopts operating budgets for the general fund and all special revenue funds.
- Budgetary integration is employed as a management control device during the year for all budgeted funds. Except for the general fund, these budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). In the general fund, capital lease payments / installment payments are budgeted, but capital lease acquisitions are not. There were no capital lease acquisitions during the year ended June 30, 2015.
- Appropriations lapse at year-end for all annual budgets. Appropriations are automatically carried forward for project-type budgets.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2015, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund:			
General government:			
City clerk	\$ 1,039,360	\$ 1,069,714	\$ 30,354
Mayor	875,130	878,708	3,578
Public works	10,130,100	10,291,976	161,876
Recreation and culture	7,420,800	7,583,085	162,285
Other functions:			
Human relations / community services	946,287	956,313	10,026
Transfers out	6,809,593	6,825,562	15,969
Nonmajor governmental funds:			
Major streets fund:			
Capital outlay	2,002,227	2,032,087	29,860
State and federal grants fund:			
Public works	5,330	2,981,356	2,976,026
Transfers out	-	24	24

The above budgeted amounts are presented at the activity level, which is the required minimum level of control per the Michigan Uniform Budget Manual.

The budget variance in the state and federal grants fund was caused by recording donated infrastructure (constructed by the State of Michigan Department of Transportation) in the fund. This transaction included both intergovernmental revenue and expenditures (and so had no effect on ending fund balance), but was not reflected in the amended budget, as it was attributable to amounts recorded for in-kind roadwork performed by the State, and therefore not subject to appropriation.

3. DEFICIT FUND EQUITY

Governmental activities reported a deficit in unrestricted net position in the amount of \$253,948,870 at June 30, 2015. Total net position amounted to a deficit of \$87,355,750, inclusive of \$218,532,256 net pension liability.

The community development block grant program special revenue fund reported a deficit unassigned fund balance of \$200,000. Total fund balance (which included \$200,000 classified as committed related to a long-term advance), was \$0.

The special assessments capital projects fund reported a deficit fund balance of \$328,144. The fund received a long-term advance from the general fund that was used to provide the working capital for the fund in prior years. The deficit is the result of deferred special assessments receivable. As special assessments are collected, this deficit will be eliminated, and the advance repaid.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

The cemetery, golf, garbage and rubbish collection and recycling enterprise funds reported deficits in unrestricted fund net position of \$782,633, \$1,026,510, \$2,420,409, and \$2,612,161, respectively, as a result of the net pension liability. Excluding the net pension liability, unrestricted net positions were \$253,997, \$67,395, \$97,452, and \$1,493,202, respectively. Total fund net position amounted to deficits of \$594,912, \$2,420,409, and \$2,717,037 for the cemetery, garbage and rubbish collection, and recycling funds, respectively. Excluding the net pension liability, total net positions were \$441,718 for the cemetery fund, \$97,452 for the garbage and rubbish fund, and \$1,388,326 for the recycling fund. Total fund net position for the golf fund was positive at \$1,256,968, inclusive of the net pension liability and the net investment in capital assets.

The Tax Increment Finance Authority component unit reported a deficit in unrestricted net position of \$37,670,045 at June 30, 2015. The deficit is a result of full-accrual accounting for long-term debt, without reflecting a corresponding receivable for tax captures to be received in future periods (which cannot be accrued in accordance with generally accepted accounting principles).

4. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances for the primary government (including both pooled cash and investments as well as pension and other postemployment benefit (OPEB) trust fund balances) as of June 30, 2015:

	Primary Government	Component Units	Totals
Statement of net position			
Cash and investments	\$ 70,294,199	\$ 4,618,713	\$ 74,912,912
Restricted cash and investments	3,751,043	1,555,649	5,306,692
Statement of fiduciary net position			
Pension and OPEB trust funds:			
Cash and cash equivalents	40,169,248	-	40,169,248
Investments	506,246,165	-	506,246,165
Agency funds:			
Equity in pooled cash	69,307	-	69,307
Total	\$ 620,529,962	\$ 6,174,362	\$ 626,704,324
Deposits and investments			
Bank deposits:			
Checking/savings accounts			\$ 116,436,924
Investments - money markets			1,206,209
Investment in securities and mutual funds:			
Pooled investments			2,660,549
Pension and OPEB investments			506,246,165
Cash on hand			154,477
Total			\$ 626,704,324

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$113,870,841 of the City's bank balance of \$116,314,269 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The City's investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. As of June 30, 2015, the City's pooled investments consisted entirely of mutual funds totaling \$2,660,549.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

Credit Risk. State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, are summarized as follows:

S&P AAAM	\$ 655,821
S&P AA+	1,999,450
Unrated	<u>5,278</u>
Total	<u>\$ 2,660,549</u>

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates for investments held at year-end are summarized as follows:

Due in more than 1 year	\$ 1,999,450
No maturity	<u>661,099</u>
Total	<u>\$ 2,660,549</u>

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Pension and Other Postemployment Benefit Trust Funds

The deposits and investments of the City's pension and other postemployment benefit trust funds are maintained separately from the City's pooled cash and investments, and are subject to separate investment policies and State statutes. Accordingly, the required disclosures for the pension and OPEB deposits and investments are presented separately.

Deposits

The pension and OPEB trust funds do not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net position are composed entirely of short-term investments in money market accounts.

Investments

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the pension trust funds to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The retirement boards have the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the pension trust funds' assets. All investment decisions are subject to Michigan law and the investment policy established by the retirement boards.

The investments of each pension trust fund are held in a bank administered trust fund. Following is a summary of pension and other postemployment benefits investments as of June 30, 2015:

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
Investments at fair value, as determined by quoted market price					
U.S. treasuries:					
Not on securities loan	\$ 4,393,568	\$ 9,535,383	\$ 10,842	\$ -	\$ 13,939,793
On securities loan	1,898,705	1,046,680	-	-	2,945,385
U.S. agencies:					
Not on securities loan	14,977,106	19,795,934	-	-	34,773,040
On securities loan	1,587,853	644,177	-	-	2,232,030
Domestic corporate securities:					
Not on securities loan	22,768,372	33,879,662	-	-	56,648,034
Domestic equities:					
Not on securities loan	17,179,492	37,976,406	-	-	55,155,898
On securities loan	16,047,312	21,885,641	-	-	37,932,953
International equities:					
Not on securities loan	689,976	1,194,211	-	-	1,884,187
Emerging markets equities					
	7,269,110	11,253,280	-	560,886	19,083,276

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
Investments at fair value, as determined by quoted market price (concluded)					
Collateralized mortgage obligations	\$ 413,699	\$ 481,311	\$ -	\$ -	\$ 895,010
Real estate investment funds	16,047,120	19,178,265	-	-	35,225,385
Equity mutual funds	-	30,960,961	-	-	30,960,961
International equity mutual funds	41,822,899	47,104,777	105,132	2,312,014	91,344,822
Domestic equity mutual funds	17,069,549	33,534,416	1,261,480	8,472,730	60,338,175
Domestic debt securities mutual funds	-	-	538,834	9,098,013	9,636,847
International debt securities mutual funds	-	28,464,015	-	-	28,464,015
Money market funds	21,496,885	2,579,739	-	709,730	24,786,354
Total investments	\$ 183,661,646	\$ 299,514,858	\$ 1,916,288	\$ 21,153,373	\$ 506,246,165

Credit Risk. The City's pension investment policies provide that at least 90% of its investments in fixed income securities be rated BBB- or better by a nationally recognized statistical rating organization and the remaining 10% be rated at least B- or better. The City's pension and other postemployment benefits investments were rated by Standard & Poor's as follows:

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
AAA	\$ -	\$ -	\$ 6,498	\$ -	\$ 6,498
AA	2,010,615	1,955,156	125,312	-	4,091,083
A	-	-	-	4,547,458	4,547,458
BBB	19,924,810	28,464,015	-	4,550,555	52,939,380
BB	-	-	44,175	-	44,175
US government guaranteed	20,857,259	28,950,138	-	-	49,807,397
Not rated	28,330,840	36,740,454	-	-	65,071,294
Assets not subject to credit risk	112,538,122	203,405,095	1,740,303	12,055,360	329,738,880
Total investments	\$ 183,661,646	\$ 299,514,858	\$ 1,916,288	\$ 21,153,373	\$ 506,246,165

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's pension investment policies require that investment securities be held in trust by a third-party institution in the name of the pension trust fund. As such, although uninsured and unregistered, the City's pension investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the name of the pension trust fund. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Concentration of Credit Risk. At June 30, 2015, the pension and other postemployment benefits investment portfolio was concentrated as follows:

Investment Type	Issuer	Employees' Retirement System	Police and Fire Retirement System
Common stock	Northern Trust Bank, N.A.	9.3%	11.2%
Corporate bonds	Legg Mason Fund Advisor, Inc.	14.0%	11.3%
International equity mutual funds	Franklin Templeton	10.8%	9.5%
International equity mutual funds	SEI Trust Company	7.1%	0.0%
International equity mutual funds	Mondrian	0.0%	7.8%
International equity mutual funds	Artisan	0.0%	8.0%
Domestic equity mutual funds	Private Advisors	0.0%	10.3%

The City's pension and other postemployment benefits investment policies require diversification of fixed income securities; however, they do not specify percentages of dollar amounts by industry or issuer.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The pension and other postemployment benefits trusts' exposure to foreign currency risk is as follows:

Investment (currency in U.S. dollar)	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
International equities:					
Canada	\$ 296,764	\$ 521,559	\$ -	\$ -	\$ 818,323
India	113,393	181,606	-	-	294,999
The Netherlands	51,848	83,084	-	-	134,932
Puerto Rico	64,839	104,806	-	-	169,645
Switzerland	11,425	24,483	-	-	35,908
United Kingdom	136,464	249,171	-	-	385,635
France	15,243	29,502	-	-	44,745
International equity mutual funds	41,822,899	47,104,777	105,132	2,312,014	91,344,822
International debt security mutual funds	-	28,464,015	-	-	28,464,015
Total	\$ 42,512,875	\$ 76,763,003	\$ 105,132	\$ 2,312,014	\$ 121,693,024

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The City's pension investment policies provide that the average duration of fixed income securities shall not deviate from the Lehman Brothers Aggregate Index duration by +/-20%. As of June 30, 2015, maturities of the City's pension and other postemployment benefits trust debt securities and collateralized mortgage obligations were as follows:

	Investment Maturities (Fair Value)				
	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
Employees' Retirement System					
U.S. agencies	\$ 146,146	\$ 2,016,327	\$ 552,763	\$ -	\$ 2,715,236
U.S. government bonds	141,158	3,638,633	2,243,842	268,640	6,292,273
U.S. government mortgage backed securities	9,947	478,461	2,303,075	10,330,524	13,122,007
U.S. government issued commercial mortgage backed securities	-	24,312	329,481	373,923	727,716
Commercial mortgage backed securities	-	-	101,580	312,119	413,699
Total	\$ 297,251	\$ 6,157,733	\$ 5,530,741	\$ 11,285,206	\$ 23,270,931

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

	Investment Maturities (Fair Value)				
	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
Police and Fire Retirement System					
U.S. agencies	\$ 407,121	\$ 1,756,839	\$ 765,877	\$ -	\$ 2,929,837
U.S. government bonds	302,482	5,907,370	3,848,362	523,849	10,582,063
U.S. government mortgage backed securities	12,842	1,095,744	2,041,898	13,485,934	16,636,418
U.S. government issued commercial mortgage backed securities	-	30,808	386,657	456,391	873,856
Commercial mortgage backed securities	-	-	130,603	350,708	481,311
Total	\$ 722,445	\$ 8,790,761	\$ 7,173,397	\$ 14,816,882	\$ 31,503,485

Securities Lending. Under contracts approved by the City, the pension and other postemployment benefits trust funds are permitted to lend their securities to broker-dealers and banks (borrowers) for collateral that will be returned for the same securities in the future. The pension trust and other postemployment benefits funds' custodial banks manage the securities lending programs and receive cash as collateral. Collateral cash is initially pledged at 100% of the fair value of the securities lent, and may not fall below 95% of the market value of the loaned security during the term of the loan. At all times, collateral cannot be more than \$100,000 less than the market value of the loaned security. There are no restrictions on the amount of securities that can be loaned.

Securities on loan at year-end are classified in the preceding schedule of custodial credit risk according to the category for the collateral received on the securities lent. At year-end, the pension trust funds have no credit risk exposure to borrowers because the collateral held by the custodians exceeds the market value of the related securities lent. At June 30, 2015, the fair value of securities on loan by the Employees' Retirement System and the Police and Fire Retirement System were \$19,533,870 and \$23,576,498, respectively, for which the Plans' received cash collateral of \$19,957,941 and \$24,101,452, respectively. The contract with the pension and other postemployment benefits trust fund custodians require them to indemnify the City if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the City for income distributions by the securities' issuers while the securities are on loan.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

5. RECEIVABLES

Receivables are comprised of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts receivable	\$ 10,967,172	\$ 6,200,538	\$ 4,300,928
Taxes receivable	783,944	-	-
Special assessments receivable	501,212	-	-
Loans receivable	1,430,356	395,759	708,262
Accrued interest receivable	2,217,117	129,290	-
Due from other governments	8,093,255	-	14,441
Lease receivable	-	22,157,908	-
Allowance for uncollectible accounts	(754,572)	(319,093)	-
	<u>\$ 23,238,484</u>	<u>\$ 28,564,402</u>	<u>\$ 5,023,631</u>
Amount not expected to be collected within one year	<u>\$ 4,098,056</u>	<u>\$ 21,672,518</u>	<u>\$ 708,262</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 25,725,672	\$ 135,619	\$ (23,098)	\$ -	\$ 25,838,193
Construction in progress	2,281,413	13,708,608	-	(1,622,788)	14,367,233
	<u>28,007,085</u>	<u>13,844,227</u>	<u>(23,098)</u>	<u>(1,622,788)</u>	<u>40,205,426</u>
Capital assets, being depreciated:					
Land improvements	17,272,931	2,672,420	-	-	19,945,351
Equipment and vehicles	35,387,815	1,948,891	(2,893,719)	1,622,788	36,065,775
Buildings	123,353,011	-	-	-	123,353,011
Infrastructure	302,992,318	2,858,830	(2,543,158)	-	303,307,990
	<u>479,006,075</u>	<u>7,480,141</u>	<u>(5,436,877)</u>	<u>1,622,788</u>	<u>482,672,127</u>
Less accumulated depreciation for:					
Land improvements	(8,132,852)	(738,422)	-	-	(8,871,274)
Equipment and vehicles	(29,678,850)	(2,234,797)	2,848,149	-	(29,065,498)
Buildings	(70,303,526)	(3,724,283)	-	-	(74,027,809)
Infrastructure	(210,963,848)	(1,813,991)	2,453,138	-	(210,324,701)
	<u>(319,079,076)</u>	<u>(8,511,493)</u>	<u>5,301,287</u>	<u>-</u>	<u>(322,289,282)</u>
Total capital assets being depreciated, net	<u>159,926,999</u>	<u>(1,031,352)</u>	<u>(135,590)</u>	<u>1,622,788</u>	<u>160,382,845</u>
Governmental activities capital assets, net	<u>\$ 187,934,084</u>	<u>\$ 12,812,875</u>	<u>\$ (158,688)</u>	<u>\$ -</u>	<u>\$ 200,588,271</u>

At June 30, 2015, the City's governmental activities had outstanding commitments through construction contracts of approximately \$810,000.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 13,483,910	\$ -	\$ -	\$ -	\$ 13,483,910
Construction in progress	7,645,876	5,040,916	-	(331,893)	12,354,899
	<u>21,129,786</u>	<u>5,040,916</u>	<u>-</u>	<u>(331,893)</u>	<u>25,838,809</u>
Capital assets, being depreciated:					
Land improvements	24,585,130	-	-	-	24,585,130
Equipment and vehicles	7,282,646	242,057	(380,084)	-	7,144,619
Buildings	215,869,809	275,668	-	-	216,145,477
Sewers	335,008,083	229,216	-	331,893	335,569,192
	<u>582,745,668</u>	<u>746,941</u>	<u>(380,084)</u>	<u>331,893</u>	<u>583,444,418</u>
Less accumulated depreciation for:					
Land improvements	(12,677,143)	(450,705)	-	-	(13,127,848)
Equipment and vehicles	(5,327,220)	(406,983)	380,084	-	(5,354,119)
Buildings	(114,769,363)	(5,063,767)	-	-	(119,833,130)
Sewers	(81,491,015)	(6,895,193)	-	-	(88,386,208)
	<u>(214,264,741)</u>	<u>(12,816,648)</u>	<u>380,084</u>	<u>-</u>	<u>(226,701,305)</u>
Total capital assets being depreciated, net	<u>368,480,927</u>	<u>(12,069,707)</u>	<u>-</u>	<u>331,893</u>	<u>356,743,113</u>
Business-type activities capital assets, net	<u>\$ 389,610,713</u>	<u>\$ (7,028,791)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 382,581,922</u>

At June 30, 2015, the City's business-type activities had outstanding commitments through construction contracts of approximately \$1,400,000.

Depreciation expense was charged to functions/programs of the primary government as follows:

Depreciation of governmental activities by function

General government	\$ 482,621
Public safety	571,383
Public works	1,813,991
Recreation and culture	1,887,774
Community development	1,812,352
Internal service funds	1,943,372

Total depreciation expense - governmental activities \$ 8,511,493

Depreciation of business-type activities by function

Sewage disposal system	\$ 10,319,698
Municipal parking system	2,102,875
Cemetery	14,723
Golf	78,340
Recycling	301,012

Total depreciation expense - business-type activities \$ 12,816,648

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 9,422,181	\$ 1,507,148	\$ 5,693,266
Deposits payable	178,285	62,515	-
Accrued payroll	2,188,972	113,487	-
Contract retainage payable	418,345	-	-
Due to other governments	3,827,675	-	-
Other	1,305,342	-	-
	<u>\$ 17,340,800</u>	<u>\$ 1,683,150</u>	<u>\$ 5,693,266</u>

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2015, was as follows:

Due to and from primary government funds

	Due from Other Funds	Due to Other Funds
General fund	\$ 2,722,723	\$ 120,144
Nonmajor governmental funds	-	3,800,000
Sewage disposal system	4,578,040	2,591,138
Municipal parking system	25,180	9,390
Nonmajor enterprise funds	-	105,271
Internal service funds	-	700,000
	<u>\$ 7,325,943</u>	<u>\$ 7,325,943</u>

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Advances to and from primary government funds

	Advances to Other Funds	Advances from Other Funds
Nonmajor governmental funds	\$ -	\$ 342,090
Municipal parking system	342,090	-
Total	\$ 342,090	\$ 342,090

Due to and from component units

	Due from primary government	Due to component unit
General fund	\$ -	\$ 2,349,530
Brownfield Redevelopment Authority	1,548,668	-
Tax Increment Finance Authority	798,250	-
SmartZone	2,612	-
Total	\$ 2,349,530	\$ 2,349,530

For the year ended June 30, 2015, interfund transfers consisted of the following:

Transfers Out	Transfers In					Total
	General fund	Other capital projects fund	Nonmajor governmental funds	Nonmajor enterprise funds	Internal service funds	
General fund	\$ -	\$ 2,603,320	\$ 3,396,765	\$ 477	\$ 825,000	\$ 6,825,562
Other capital projects fund	100,000	-	1,553,546	967,320	210	2,621,076
Nonmajor governmental funds	-	-	551,559	4,575	-	556,134
Sewage disposal system	300,000	-	-	-	-	300,000
Nonmajor enterprise funds	-	-	27,887	-	-	27,887
Internal service funds	427,127	-	774,368	-	-	1,201,495
Total	\$ 827,127	\$ 2,603,320	\$ 6,304,125	\$ 972,372	\$ 825,210	\$ 11,532,154

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

9. LONG-TERM DEBT

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 30-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	Interest Rate	Original Amount	Amount
General obligation bonds			
Governmental activities:			
2006 Lansing Center Limited Tax Bonds	3.50-4.30%	\$ 4,000,000	\$ 2,080,000
2005 Building Authority Refunding Bonds	3.50-5.00%	1,470,000	475,000
2007 Michigan Transportation Fund Limited Tax Bonds	3.625-5.00%	1,137,600	270,000
2007 Michigan Transportation Fund Limited Tax Bonds	3.625-5.00%	3,602,400	855,000
2007 Fire Station Refunding Bonds	3.625-5.00%	1,780,000	795,000
2008 Michigan Transportation Fund Limited Tax Bonds	3.00-4.00%	3,500,000	1,460,000
2009 Capital Improvement Bonds - Limited Tax General	3.15-6.85%	10,197,000	9,105,000
2010 Refunding Bonds - Limited Tax General Obligation	2.60-2.65%	2,470,000	1,230,000
2013 Refunding Bonds - Limited Tax General Obligation Energy Efficiency Refunding Bonds	2.40%	5,645,000	4,905,000
2013 Refunding Bonds - Limited Tax General Obligation Phone System Refunding Bonds	2.40%	240,000	120,000
2010 Recovery Zone Economic Development Bonds	3.40-7.25%	3,200,000	2,780,000
2013 Operations and Maintenance Limited Tax Refunding	2.40%	465,000	155,000
2014 Capital Improvement Bonds - Limited Tax General Obligation	1.25-2.00%	2,275,000	1,525,000
		<u>\$ 39,982,000</u>	<u>\$ 25,755,000</u>

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Notes to Financial Statements

	Interest Rate	Original Amount	Amount
Business-type activities:			
2009 Building Authority Refunding Bonds	6.014-6.584%	\$ 8,161,691	\$ 8,161,691
2012 Building Authority Refunding Bonds	0.55-3.70%	7,200,000	6,405,000
2005 Building Authority Refunding Bonds	3.50-5.00%	15,975,000	7,960,000
2007 Building Authority Refunding Bonds	3.625-5.00%	7,965,000	7,740,000
2013 Building Authority Golf Course Refunding Bonds	2.40%	405,000	205,000
2014 Building Authority Refunding Bonds	4.75%	7,245,000	7,245,000
1994 Limited Tax Sewer Bond - 5005-03	2.50%	3,234,722	185,000
1994 Limited Tax Sewer Bond - 5005-04	2.00%	3,727,138	121,804
1994 Limited Tax Sewer Bond - 5005-06	2.25%	7,595,611	340,000
1996 Limited Tax Sewer Bond - 5005-07	2.25%	3,365,073	395,073
1996 Limited Tax Sewer Bond - 5005-08	2.25%	3,995,000	720,000
1997 Limited Tax Sewer Bond - 5005-09	2.25%	4,746,780	1,101,780
1998 Limited Tax Sewer Bond - 5005-10	2.25%	10,539,950	3,034,950
1999 Limited Tax Sewer Bond - 5005-11	2.50%	10,120,000	3,025,000
2000 Limited Tax Sewer Bond - 5005-12	2.50%	9,447,830	3,292,830
2001 Limited Tax Sewer Bond - 5005-13	2.50%	10,573,046	4,268,046
2002 Limited Tax Sewer Bond - 5005-14	2.50%	12,381,131	6,211,131
2003 Limited Tax Sewer Bond - 5005-15	2.50%	10,259,826	5,675,688
2004 Limited Tax Sewer Bond - 5005-16	2.13%	3,070,277	2,267,649
2005 Limited Tax Sewer Bond - 5005-17	2.13%	8,003,778	4,673,778
2005 Limited Tax Sewer Bond - 5005-18	1.63%	13,389,371	8,144,371
2006 Limited Tax Sewer Bond - 5005-19	1.63%	18,216,346	12,301,346
2007 Limited Tax Sewer Bond - 5005-20	1.63%	24,244,726	17,329,726
2008 Limited Tax Sewer Bond - 5005-21	2.50%	27,494,933	21,734,933
2008 Limited Tax Sewer Bond - 5005-22	2.50%	15,615,000	12,630,604
2009 Capital Improvement Bonds	4.10-7.05%	9,803,000	9,420,000
2010 Limited Tax Sewer Bond - 5411-01	2.50%	8,548,000	7,848,000
2015 Limited Tax Sewer Bond - 5211-01	2.50%	2,914,584	2,914,584
		<u>\$ 268,237,813</u>	<u>\$ 165,352,984</u>

On July 9, 2014, the City issued \$2,360,000 of Limited Tax General Obligation bonds under the state drinking water revolving fund to be used for sanitary sewer system improvements. Payments of amounts drawn are to be made semi-annually over a 20 year period, beginning on April 1, 2016. Interest is charged on the outstanding balance at 2.50 percent. As of June 30, 2015, no amounts had been drawn on this loan.

Refunded and Defeased Debt

As of June 30, 2015, the Tax Increment Financing Authority component unit had defeased bonds outstanding consisted of \$10,415,000 related to the 1990 Tax Increment Finance Authority Bonds. This amount is scheduled to be paid by the escrow agent in installments on May 1 of years 2016 through 2020 and \$1,500,000 of 1994 Tax Increment Revenue Bonds, scheduled to be paid by the escrow agent on May 1, 2016.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Revenue bonds. The City also issues bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue bonds outstanding at year-end are as follows:

	Interest Rate	Original Amount	Amount
Revenue bonds - business type activities			
2013 Sewer Revenue and Refunding Bond	2.40%	\$ 21,765,000	\$ 20,275,000

Pledged Revenues

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$21,765,000 in sewer revenue and refunding bonds issued in 2013. Proceeds from the bonds provided financing for the construction for various sewer infrastructure projects. The bonds are payable solely from sewer customer net revenues and are payable through 2028. Annual principal and interest payments on the bonds are expected to require less than 14% of net revenues. The total principal and interest paid for the current year and total customer net revenues were \$2,410,788 and \$18,649,508 respectively.

Installment purchase agreements. The government enters into installment purchase agreements for equipment and related capital assets. Installment purchase agreements outstanding at year-end are as follows:

	Interest Rate	Original Amount	Amount
Installment purchase agreements			
Governmental activities:			
2005 Lease Purchase Agreement - LEPFA Equipment	4.24%	\$ 81,500	\$ 4,955
2012 Lease Purchase Agreement - Snowmobile	2.40%	147,046	12,893
2013 Lease Purchase Agreement - Garage	2.40%	1,892,332	1,156,143
2014 Lease Purchase Agreement - Recycling Trucks	1.96%	1,550,855	1,302,507
2015 Ballpark Improvements Installment Purchase	3.00%	13,500,000	13,500,000
2014 SIB Loan	1.44%	491,241	410,829
		<u>\$ 17,662,974</u>	<u>\$ 16,387,327</u>
Business-type activities:			
2014 Lease Purchase Agreement - Recycling Carts	1.96%	\$ 1,737,000	\$ 1,459,431

Loans payable. The government has entered into loan agreements with the certain State agencies for program purposes. Loans payable at year-end are as follows:

	Interest Rate	Original Amount	Amount
Loans payable			
Governmental activities:			
HUD Section 108 Loan	1.52%	\$ 5,900,000	\$ 5,900,000
2014 SIB Loan	3.00%	1,972,600	1,972,600
		<u>\$ 7,872,600</u>	<u>\$ 7,872,600</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Changes in long-term debt. Long-term liability activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 27,145,000	\$ 2,275,000	\$ 3,665,000	\$ 25,755,000	\$ 3,800,000
Installment purchase agreements	3,100,563	13,991,241	704,477	16,387,327	1,119,010
Loans payable	7,062,234	986,300	175,934	7,872,600	-
Total installment debt	37,307,797	17,252,541	4,545,411	50,014,927	4,919,010
Deferred amounts:					
For issuance discounts	(86,654)	-	(6,833)	(79,821)	-
For issuance premiums	121,948	40,945	47,791	115,102	-
Compensated absences	10,153,254	9,568,555	10,153,254	9,568,555	973,871
Accrued workers compensation	5,967,593	1,328,263	3,877,051	3,418,805	648,605
Accrued tax settlement	104,322	-	52,161	52,161	52,161
	<u>\$ 53,568,260</u>	<u>\$ 28,190,304</u>	<u>\$ 18,668,835</u>	<u>\$ 63,089,729</u>	<u>\$ 6,593,647</u>
Business-type activities					
General obligation bonds	\$ 175,033,286	\$ 2,914,585	\$ 12,594,887	\$ 165,352,984	\$ 12,491,284
Revenue bonds	21,765,000	-	1,490,000	20,275,000	1,550,000
Installment purchase agreements	1,668,080	-	208,649	1,459,431	212,759
Total installment debt	198,466,366	2,914,585	14,293,536	187,087,415	14,254,043
Deferred amounts:					
For issuance discounts	(782,377)	-	(73,010)	(709,367)	-
For issuance premiums	2,511,390	-	197,065	2,314,325	-
Compensated absences	866,003	718,149	866,003	718,149	126,129
	<u>\$ 201,061,382</u>	<u>\$ 3,632,734</u>	<u>\$ 15,283,594</u>	<u>\$ 189,410,522</u>	<u>\$ 14,380,172</u>

For the governmental activities, compensated absences and other long-term debt are generally liquidated by the general fund.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Debt service requirements to maturity for all installment debt of the City are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 4,919,010	\$ 1,648,744	\$ 6,567,754	\$ 14,254,043	\$ 8,070,811	\$ 22,324,854
2017	5,340,785	1,547,222	6,888,007	13,897,020	7,664,403	21,561,423
2018	4,430,797	1,374,362	5,805,159	13,896,223	7,262,871	21,159,094
2019	3,544,718	1,232,934	4,777,652	13,922,360	6,887,192	20,809,552
2020	3,250,169	1,119,223	4,369,392	13,964,973	6,465,486	20,430,459
2021-2025	14,838,513	3,972,489	18,811,002	65,262,285	25,128,443	90,390,728
2026-2030	12,115,934	1,546,882	13,662,816	37,902,323	13,209,548	51,111,871
2031-2035	1,575,001	85,844	1,660,845	10,033,188	5,995,861	16,029,049
2036-2040	-	-	-	3,955,000	4,676,050	8,631,050
	<u>\$ 50,014,927</u>	<u>\$ 12,527,700</u>	<u>\$ 62,542,627</u>	<u>\$ 187,087,415</u>	<u>\$ 85,360,665</u>	<u>\$ 272,448,080</u>

10. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Other Capital Projects Fund	Nonmajor Governmental Funds	Totals
Nonspendable				
Inventories	\$ 32,624	\$ -	\$ 872,009	\$ 904,633
Prepays	2,800	-	574	3,374
Corpus of permanent fund	-	-	1,746,482	1,746,482
	<u>35,424</u>	<u>-</u>	<u>2,619,065</u>	<u>2,654,489</u>
Restricted				
Lansing police department donations	10,044	-	-	10,044
Major and local streets	-	-	4,346,591	4,346,591
Drug law and narcotics enforcement	-	-	1,402,622	1,402,622
Various state and federal grants	-	-	3,779	3,779
Shopping district events and maintenance	-	-	21,383	21,383
Building permit activity	-	-	10,001	10,001
Capital improvements (unexpended bond proceeds)	-	1,025,670	54,534	1,080,204
	<u>10,044</u>	<u>1,025,670</u>	<u>5,839,910</u>	<u>6,875,624</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

	General Fund	Other Capital Projects Fund	Nonmajor Governmental Funds	Totals
Committed				
Police and fire services	\$ 346,672	\$ -	\$ -	\$ 346,672
By ordinance (budget carryforwards)	162,581	-	2,495,663	2,658,244
Stadium events	328,508	-	-	328,508
Community development	-	-	200,000	200,000
City parks	-	-	466,888	466,888
Capital improvements	-	3,947,934	-	3,947,934
	<u>837,761</u>	<u>3,947,934</u>	<u>3,162,551</u>	<u>7,948,246</u>
Unassigned (deficit)	<u>9,783,911</u>	<u>-</u>	<u>(528,144)</u>	<u>9,255,767</u>
Total fund balances - governmental funds	<u>\$ 10,667,140</u>	<u>\$ 4,973,604</u>	<u>\$ 11,093,382</u>	<u>\$ 26,734,126</u>

11. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2015, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 40,205,426	\$ 25,838,809	\$ -
Capital assets being depreciated, net	160,382,845	356,743,113	6,239
Total capital assets	<u>200,588,271</u>	<u>382,581,922</u>	<u>6,239</u>
Related debt:			
General obligation bonds	25,755,000	165,352,984	-
Revenue bonds	-	20,275,000	-
Installment purchase agreements	16,387,327	1,459,431	-
Loans payable	7,872,600	-	-
Unamortized bond discounts	(79,821)	(709,367)	-
Unamortized bond premiums	115,102	2,314,325	-
Deferred loss on bond refunding	(167,649)	(2,766,021)	-
Amounts under leases receivable	-	(22,157,908)	-
Unexpended bond proceeds	(1,080,204)	-	-
Total related debt	<u>48,802,355</u>	<u>163,768,444</u>	<u>-</u>
Net investment in capital assets	<u>\$ 151,785,916</u>	<u>\$ 218,813,478</u>	<u>\$ 6,239</u>

12. SEGMENT INFORMATION - ENTERPRISE FUNDS

The government issued revenue bonds to finance certain improvements to its sewage disposal system. Because the Sewage Disposal System, an individual fund that accounts entirely for the government's sewage activities, is a segment and is reported as a major fund in the fund financial statements, separate segment disclosures herein are not required.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

13. RISK MANAGEMENT

The City of Lansing is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries.

The City carries commercial insurance for claims relating to general liability, property, electronic data processing, boiler and machinery, police professional and errors and omissions. The City has not experienced settlements in excess of insurance coverage during the past three years. The City is uninsured for acts of nature and environmental clean-up costs.

The City is self-funded for Blue Cross Blue Shield healthcare coverage for employees and retirees. The City maintains stop/loss coverage that limits its per-case exposure to \$250,000. The City estimates healthcare claims that are incurred but not reported as of year-end, which is accounted for in the City's Fringe Benefits Internal Service Fund. Changes in the estimated liability were as follows:

	Fiscal Year Ended June 30,	
	2015	2014
Estimated liability, beginning of year	\$ 831,808	\$ 814,014
Estimated claims incurred, including changes in estimates	10,048,116	11,756,639
Claim payments	(10,175,019)	(11,738,845)
Estimated liability, end of year	\$ 704,905	\$ 831,808

The City is self-insured for workers' compensation costs. The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported to the City. The current liability is accounted for in the general fund, with long term liabilities accounted for in the Statement of Net Position. The City has liability insurance coverage up to a maximum amount of \$16,000,000 per occurrence with a \$350,000 deductible. Changes in the estimated long-term liability as well as the total estimated cost of claims for the past two fiscal years were as follows:

	Fiscal Year Ended June 30,	
	2015	2014
Estimated liability, beginning of year	\$ 5,967,593	\$ 6,986,062
Estimated claims incurred, including changes in estimates	1,328,263	6,875
Claim payments	(3,877,051)	(1,025,344)
Estimated liability, end of year	\$ 3,418,805	\$ 5,967,593

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

14. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of the date they are levied. City, community college, and 50% of school taxes are levied and due July 1 and become delinquent after August 31. County taxes and the balance of school taxes are levied and due December 1 and become delinquent after February 14. In March, taxes on real property still delinquent are purchased by the County's tax revolving funds. Collections of community college, school, and county taxes and remittances are accounted for in the general fund. City property tax revenues are recognized in the fiscal year for which the taxes are levied to the extent that they result in current receivables (i.e., are collected within 60 days after fiscal year-end).

The City is permitted by charter and state law to levy taxes up to \$20,000 per \$1,000 of assessed valuation for general operations other than the payment of principal and interest on long-term debt. The tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2015 was \$19.44 per \$1,000 of taxable value.

15. CONTINGENT LIABILITIES

Federal Grant Programs. Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

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

16. PENSION PLANS

Employees' Retirement System

Plan Description. The City sponsors and administers the Employees' Retirement System (the "Plan"), a single-employer, defined benefit pension plan that covers general full-time employees of the City of Lansing and employees of the 54-A District Court. It does not include elected officials, who are members of the Employees' Money Purchase Pension Plan, nor does it include police officers and firefighters, who are members of a separate City defined benefit pension plan. The Plan was established and may be amended by the City Council and is administered by 9-member Board of Trustees. The Board is comprised of The Mayor of the City, one member of the City Council appointed by the City Council, the City Treasurer, the City Human Resources Director, three members of the retirement system to be elected by the members of the system under rules adopted by the board, two residents of the State of Michigan appointed by the Mayor, by and with the consent of the City Council, one of which is a retiree of the retirement system. It is accounted for as a separate pension trust fund. Separate financial statements are not issued for the Plan.

All members may retire at age 50 with 25 or more years of credited service, or age 58 with 8 or more years of credited service. Members are vested after completing 8 years of credited service. Retirement options that provide for survivor benefits are available to members. The plan also provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary. Members who are vested and terminate their employment prior to retirement will receive their benefit as a life annuity beginning at age 58.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Summary of Significant Accounting Policies. The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administration of the Plan is funded through the Plan's investment earnings.

Method Used to Value Investments. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Plan Board of Trustees, with the assistance of a valuation service.

Plan Membership. At December 31, 2014, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	901
Terminated employees entitled to but not yet receiving benefits	74
Vested and non-vested active participants	<u>361</u>
 Total membership	 <u><u>1,336</u></u>

Benefits Provided. Employees who retire with minimum age and years of service requirements are entitled to annual retirement benefits, payable in monthly installments for life, in an amount equal to a percentage of their final average compensation times years of credited service. Final average compensation is defined as the average of the highest annual compensation paid over 2 consecutive years of credited service within the last 10 years of credited service immediately preceding a member's termination of employment. The benefit payments are calculated using the following rates for the various groups of general employees:

Bargaining Unit/Employee Group	Multiplier Percentage
United Auto Workers (UAW):	
Hired after October 18, 2013	1.70%
All others	2.75%
Teamsters Local 214:	
Hired after September 2012	1.25%
All others	1.80%
Teamsters Local 580:	
Hired after May 19, 2014	1.25%
All others	1.80%
Non-bargaining and all others	
Hired after April 1, 2014	1.25%
All others	1.60%

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Contributions. The contribution requirements of Plan members are established and may be amended by the City Council in accordance with City policies, union contracts, and Plan provisions. Employees are required to make contributions to the Plan in rates from 3.00 to 6.50 percent depending on bargaining unit and hire date. The City is required to contribute at actuarially determined rates expressed as a percentage of covered payroll. The City's contribution rate for the plan for the year ended June 30, 2015 was 53.4 percent of projected valuation payroll.

Bargaining Unit/Employee Group	Contribution Percentage
United Auto Workers (UAW)	3.00%
Teamsters Local 214:	
Hired after September 2012	5.00%
All others	6.50%
Teamsters Local 580:	
Hired after May 9, 2014	5.00%
All others	6.35%
District court Teamsters:	
Hired after April 2014	5.00%
All others	5.50%
District court exempt	5.50%
All others	6.50%

Investment Policy. The plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment process that the Board deems appropriate. The Plan's asset allocation policy is shown on the following pages.

Rate of Return. For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.43 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Concentrations. At June 30, 2015, the Plan held certain investments (other than those issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, or other pooled investments) in certain organizations that represent 5 percent or more of the Plan's fiduciary net position. Please see Note 4 for the details of these concentrations.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Reserves. In accordance with the Plan policy, the City establishes reserves for various purposes. The reserves are adjusted annually based on recommendations from the City's actuaries. The policy for creating and adjusting reserves was established and can be amended by the Plan Board of Trustees. A summary of the Plan reserves at June 30, 2015 is as follows:

Reserve/Group	Balance
Employee savings fund	\$ 31,648,132
Retirement reserve fund	135,312,668
Pension accumulation fund	(7,355,354)
Members benefit fund	18,951,028
Health insurance fund	23,584,949

Net Pension Liability. The components of the net pension liability for the employees' retirement system at June 30, 2015 were as follows:

Total pension liability	\$ 319,702,427
Plan fiduciary net position	<u>178,556,474</u>
Net pension liability	<u>\$ 141,145,953</u>
Plan fiduciary net position as percentage of total pension liability	55.85%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2014, rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.10%
Salary increases	3.10%, plus service based increases
Investment rate of return	7.60%, net of investment expense and including inflation

Mortality is based on the RP-2000 tables (with Blue Collar adjustments for Police and Fire) for males and females. For Disabled members, the disabled versions of these tables are used with a 5 year age setback for males. Each of these tables is projected to 2008 using Scale BB. Future improvements in mortality for non-disabled members are anticipated by projecting these tables an additional 15 years using 50% of Scale BB.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience analysis conducted in 2012. The next assumption review is scheduled for 2016.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Domestic equity	36.00%	5.70%	2.05%
International equity - Developed	14.00%	5.77%	0.81%
International equity - Emerging	4.00%	6.70%	0.27%
Fixed income	32.00%	2.66%	0.85%
Real estate	11.00%	4.11%	0.45%
Equity Long/Short	3.00%	7.79%	0.23%
	<u>100.00%</u>		4.66%
Inflation			3.10%
Risk adjustments			<u>-0.16%</u>
Investment rate of return			<u>7.60%</u>

Discount Rate. The discount rate used to measure the total pension liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be exhausted in the year 2056. Therefore, the discount rate represents the single equivalent rate resulting from discounting at the long-term expected rate of return until 2056, and discounting with the 20-year AA municipal bond index rate of 3.78% thereafter. This projection is done on a closed group basis, per GASB requirements. On an ongoing, open-group basis, it is unlikely that the funds will be depleted because funding progress is frequently reviewed and adjustments are made to contribution levels.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Changes in the Net Pension Liability. The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 323,057,487	\$ 185,118,660	\$ 137,938,827
Changes for the year:			
Service cost	2,857,948	-	2,857,948
Interest	22,671,909	-	22,671,909
Differences between expected and actual experience	(6,422,330)	-	(6,422,330)
Employer contributions	-	10,547,556	(10,547,556)
Employee contributions	-	1,128,120	(1,128,120)
Net investment income	-	4,399,543	(4,399,543)
Benefit payments, including refunds of employee contributions	(22,462,587)	(22,462,587)	-
Administrative expense	-	(174,818)	174,818
Net changes	(3,355,060)	(6,562,186)	3,207,126
Balances at June 30, 2015	\$ 319,702,427	\$ 178,556,474	\$ 141,145,953

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.35 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.35 percent) or 1-percentage-point higher (8.35 percent) than the current rate:

	One Percent Decrease (6.35%)	Current Discount Rate (7.35%)	One Percent Increase (8.35%)
Net pension liability	\$ 175,988,388	\$ 141,145,953	\$ 109,641,044

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2015, the City recognized pension expense of \$10,552,503. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in benefit terms	\$ -	\$ -	\$ -
Difference between expected and actual experience	-	4,281,553	(4,281,553)
Changes in assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	7,483,732	-	7,483,732
	<u>7,483,732</u>	<u>4,281,553</u>	<u>3,202,179</u>
Contributions subsequent to measurement date	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,483,732</u>	<u>\$ 4,281,553</u>	<u>\$ 3,202,179</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ (269,844)
2017	(269,843)
2018	1,870,933
2019	<u>1,870,933</u>
Total	<u>\$ 3,202,179</u>

Police and Fire Retirement System

Plan Description. The City sponsors and administers the Police and Fire Retirement System (the "Plan"), a single-employer, defined benefit pension plan that covers all police officers and fire fighters who are full-time employees of the City. The Plan was established and may be amended by the City Council and is administered by an 8-member Board of Trustees. The Board is comprised of The Mayor of the City, one member of the City Council appointed by the City Council, a resident of the City who shall be appointed by the Mayor, by and with the consent of Council, two members each of the police and fire departments, to be elected by all the members of their respective departments. It is accounted for as a separate pension trust fund. Separate financial statements are not issued for the Plan.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Members may retire at age 55, or at any age with 25 or more years of credited service. Members are vested after completing 10 years of credited service. Members are required to retire at age 60 (Police) or 70 (Fire). When an employee who had retired subsequent to August 31, 1966, dies, the plan provides for an automatic pension to the retiree's spouse. This automatic pension is equal to 50% of the regular retirement benefit the employee had been receiving at time of death. Effective July 30, 1990, members may elect a reduced benefit, either 93% or 86% of the regular benefit, thereby increasing the spouse pension to 75% or 86% of the regular benefit, respectively. Alternately, members may elect a non-spousal beneficiary option. The plan provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary. Members who are vested and terminate their employment have the option of deferred retirement benefits until age 55 or withdrawing their contribution, thereby forfeiting any future benefits.

Summary of Significant Accounting Policies. The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administration of the Plan is funded through the Plan's investment earnings.

Method Used to Value Investments. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Plan Board of Trustees, with the assistance of a valuation service.

Plan Membership. At December 31, 2014, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	711
Terminated employees entitled to but not yet receiving benefits	39
Vested and non-vested active participants	<u>362</u>
Total membership	<u><u>1,112</u></u>

Benefits Provided. Annual retirement allowances are determined by multiplying final average compensation by 3.2% for the first 25 years of credited service. The maximum allowance is 80% of final average compensation. Final average compensation is the member's highest wages for 2 consecutive years.

Contributions. The contribution requirements of Plan members are established and may be amended by the City Council in accordance with City policies, union contracts, and Plan provisions. Fire members are required to contribute 9.08 percent of their annual wages to the plan. Police supervisors are required to contribute 9.52 percent and police non-supervisors, 8.50 percent. Chapter 294 of the City of Lansing's Ordinance establishes benefit provisions and requires that the portion of the annuity and pension reserves (which are determined annually by the City's actuary) not financed by member contributions shall be financed by annual appropriations. The City's contribution rate for the plan for the year ended June 30, 2015 was 45.3 percent of projected valuation payroll.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Investment Policy. The plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment process that the Board deems appropriate. The Plan's asset allocation policy is shown on the following pages.

Rate of Return. For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.04 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Concentrations. At June 30, 2015, the Plan held certain investments (other than those issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, or other pooled investments) in certain organizations that represent 5 percent or more of the Plan's fiduciary net position. Please see Note 4 for the details of these concentrations.

Reserves. In accordance with the Plan policy, the City establishes reserves for various purposes. The reserves are adjusted annually based on recommendations from the City's actuaries. The policy for creating and adjusting reserves was established and can be amended by the Plan Board of Trustees. A summary of the Plan reserves at June 30, 2015 is as follows:

Reserve/Group	Balance
Retirement reserve fund	\$ 295,296,649
Health insurance fund	25,151,536

Net Pension Liability. The components of the net pension liability for the police and fire retirement system at June 30, 2015, were as follows:

Total pension liability	\$ 400,117,548
Plan fiduciary net position	<u>295,296,649</u>
Net pension liability	<u>\$ 104,820,899</u>
Plan fiduciary net position as percentage of total pension liability	73.80%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2014, rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.10%
Salary increases	3.10%, plus service based increases
Investment rate of return	7.60%, net of investment expense and including inflation

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Mortality is based on the RP-2000 tables (with Blue Collar adjustments for Police and Fire) for males and females. For Disabled members, the disabled versions of these tables are used with a 5 year age setback for males. Each of these tables is projected to 2008 using Scale BB. Future improvements in mortality for non-disabled members are anticipated by projecting these tables an additional 15 years using 50% of Scale BB.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience analysis conducted in 2012. The next assumption review is scheduled for 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Domestic equity	36.00%	5.70%	2.05%
International equity - Developed	14.00%	5.77%	0.81%
International equity - Emerging	4.00%	6.70%	0.27%
Fixed income	32.00%	2.66%	0.85%
Real estate	11.00%	4.11%	0.45%
Equity Long/Short	3.00%	7.79%	0.23%
	<u>100.00%</u>		4.66%
Inflation			3.10%
Risk adjustments			<u>-0.16%</u>
Investment rate of return			<u><u>7.60%</u></u>

Discount Rate. The discount rate used to measure the total pension liability was 7.57%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be exhausted in the year 2071. Therefore, the discount rate represents the single equivalent rate resulting from discounting at the long-term expected rate of return until 2071, and discounting with the 20-year AA municipal bond index rate of 3.78% thereafter. This projection is done on a closed group basis, per GASB requirements. On an ongoing, open-group basis, it is unlikely that the funds will be depleted because funding progress is frequently reviewed and adjustments are made to contribution levels.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Changes in the Net Pension Liability. The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 389,416,813	\$ 300,473,516	\$ 88,943,297
Changes for the year:			
Service cost	6,350,378	-	6,350,378
Interest	29,159,382	-	29,159,382
Differences between expected and actual experience	3,159,996	-	3,159,996
Employer contributions	-	11,050,091	(11,050,091)
Employee contributions	-	2,950,832	(2,950,832)
Net investment income	-	8,965,080	(8,965,080)
Benefit payments, including refunds of employee contributions	(27,969,021)	(27,969,021)	-
Administrative expense	-	(173,849)	173,849
Net changes	10,700,735	(5,176,867)	15,877,602
Balances at June 30, 2015	\$ 400,117,548	\$ 295,296,649	\$ 104,820,899

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.57 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.57 percent) or 1-percentage-point higher (8.57 percent) than the current rate:

	One Percent Decrease (6.57%)	Current Discount Rate (7.57%)	One Percent Increase (8.57%)
Net pension liability	\$ 144,472,483	\$ 104,820,899	\$ 62,811,223

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2015, the City recognized pension expense of \$13,805,092. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in benefit terms	\$ -	\$ -	\$ -
Difference between expected and actual experience	2,369,997	-	2,369,997
Changes in assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	10,752,604	-	10,752,604
	<u>13,122,601</u>	<u>-</u>	<u>13,122,601</u>
Contributions subsequent to measurement date	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,122,601</u>	<u>\$ -</u>	<u>\$ 13,122,601</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ 3,478,150
2017	3,478,150
2018	3,478,150
2019	<u>2,688,151</u>
Total	<u>\$ 13,122,601</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Financial statements for individual pension and employee benefit plans:

	Pension and Other Postemployment Benefits Net Position						Totals
	Employees' Retirement System Pension	Employees' Retirement System OPEB	Police and Fire Retirement System	Police and Fire Retirement System OPEB	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	
Assets							
Cash and cash equivalents	\$ 19,029,146	\$ -	\$ 21,140,102	\$ -	\$ -	\$ -	\$ 40,169,248
Investments:							
Money market funds	18,736,358	2,760,527	2,363,107	216,632	-	-	24,076,624
Government obligations	19,922,016	2,935,216	28,417,110	2,605,064	1,916,288	21,153,373	76,949,067
Corporate bonds	20,205,140	2,976,931	31,475,536	2,885,437	-	-	57,543,044
Common stocks	35,896,995	5,288,895	66,237,399	6,072,139	-	-	113,495,428
Mutual funds	65,316,188	9,623,380	145,870,170	13,372,264	-	-	234,182,002
Contribution receivable	1,854	-	3,668	-	3,289	3,573	12,384
Dividends and interest receivable	248,152	-	248,152	-	-	5	496,309
Total assets	179,355,849	23,584,949	295,755,244	25,151,536	1,919,577	21,156,951	546,924,106
Liabilities							
Accounts payable	799,375	-	458,595	-	-	-	1,257,970
Net position restricted for							
Pension benefits	178,556,474	-	295,296,649	-	1,919,577	-	475,772,700
Other postemployment benefits	-	23,584,949	-	25,151,536	-	21,156,951	69,893,436
Total net position	\$ 178,556,474	\$ 23,584,949	\$ 295,296,649	\$ 25,151,536	\$ 1,919,577	\$ 21,156,951	\$ 545,666,136

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

	Changes in Pension and Other Postemployment Benefits Net Position						Totals
	Employees' Retirement System Pension	Employees' Retirement System OPEB	Police and Fire Retirement System	Police and Fire Retirement System OPEB	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	
Additions							
Investment income:							
Net appreciation							
in fair value of investments	\$ 3,440,340	\$ 2,970,402	\$ 7,884,944	\$ 1,129,322	\$ -	\$ -	\$ 15,425,008
Interest income	1,005,587	-	1,105,031	-	73,679	1,323,938	3,508,235
Dividend income	695,980	-	1,107,815	-	-	-	1,803,795
Investment expenses	-	-	-	-	(6,260)	-	(6,260)
Net investment income	<u>5,141,907</u>	<u>2,970,402</u>	<u>10,097,790</u>	<u>1,129,322</u>	<u>67,419</u>	<u>1,323,938</u>	<u>20,730,778</u>
Contributions:							
Employer	10,547,556	9,212,322	11,050,091	11,561,406	44,197	615,000	43,030,572
Plan members	1,128,120	-	2,950,832	-	27,755	-	4,106,707
Total contributions	<u>11,675,676</u>	<u>9,212,322</u>	<u>14,000,923</u>	<u>11,561,406</u>	<u>71,952</u>	<u>615,000</u>	<u>47,137,279</u>
Total additions	<u>16,817,583</u>	<u>12,182,724</u>	<u>24,098,713</u>	<u>12,690,728</u>	<u>139,371</u>	<u>1,938,938</u>	<u>67,868,057</u>
Deductions							
Participant benefits	22,462,587	9,012,322	27,969,021	10,976,406	176,529	-	70,596,865
Administrative expense	917,182	-	1,306,559	-	-	-	2,223,741
Total deductions	<u>23,379,769</u>	<u>9,012,322</u>	<u>29,275,580</u>	<u>10,976,406</u>	<u>176,529</u>	<u>-</u>	<u>72,820,606</u>
Change in net position	<u>(6,562,186)</u>	<u>3,170,402</u>	<u>(5,176,867)</u>	<u>1,714,322</u>	<u>(37,158)</u>	<u>1,938,938</u>	<u>(4,952,549)</u>
Net position restricted for pension and other postemployment benefits:							
Beginning of year	<u>185,118,660</u>	<u>20,414,547</u>	<u>300,473,516</u>	<u>23,437,214</u>	<u>1,956,735</u>	<u>19,218,013</u>	<u>550,618,685</u>
End of year	<u>\$ 178,556,474</u>	<u>\$ 23,584,949</u>	<u>\$ 295,296,649</u>	<u>\$ 25,151,536</u>	<u>\$ 1,919,577</u>	<u>\$ 21,156,951</u>	<u>\$ 545,666,136</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

17. OTHER POSTEMPLOYMENT BENEFITS

Primary Government

Plan Description. The City of Lansing contributes to the Employees' Retirement System, the Police and Fire Retirement System, and the Voluntary Employees Beneficiary Association amounts to pre-fund postemployment healthcare. In the Employees' Retirement System and the Police and Fire Retirement System, these other postemployment benefits (OPEB) are set up as reserves in the pension plans, and their investments are commingled with the investments of the pension plan. Portfolio makeup is reported as a percentage of total pension plan assets. Earnings are calculated based on a seven year smoothed rate of return of the retirement systems. Eligible participants include any retirees who receive pension benefits under their respective pension plans, with the exception of Teamster 580 employees hired after May, 2014. OPEB plan provisions are established and may be amended by the City Council, subject to the City's various collective bargaining agreements. Separate financial statements are not prepared for the plans.

Method Used to Value Investments. Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of each plans' board of trustees, with the assistance of a valuation service.

Voluntary Employees Beneficiary Association (VEBA)

The City of Lansing Voluntary Employees Beneficiary Association (the "Plan") is a single-employer defined benefit post employment healthcare plan established by the City to provide medical and healthcare benefits for retirees and their beneficiaries. Eligible participants include any retirees who receive pension benefits under one of the City's pension plans. The Plan is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code that allows for the formation of a VEBA. During the year, the City contributed \$615,000 to the Plan.

Employees' Retirement System

The City provides postemployment health care benefits, in accordance with labor agreements, to full-time employees of the City and employees of the 54-A District Court (not including police officers and firefighters who are members of the Police and Fire Retirement System). Members eligible for pension benefits under the Employees' Retirement System are also eligible to receive health care benefits, with the exception of Teamster 580 employees hired after May, 2014. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of \$96.40 per month for each covered retiree and eligible dependent(s) eligible for retiree healthcare. The payments are charged to the fringe benefit internal service fund of the City and are recognized as expenses as payments are made.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Membership of the Plan consisted of the following at December 31, 2013, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	852
Terminated plan members entitled to but not yet receiving benefits	45
Active plan members	<u>370</u>
Total	<u><u>1,267</u></u>

During the year, the City contributed \$9,212,322 (direct benefit payments of \$9,012,322 and City contributions of \$200,000) to the Plan.

Annual required contribution	\$ 13,194,531
Interest on net OPEB obligation	530,015
Adjustment to annual required contribution	<u>(453,845)</u>
Net OPEB cost (expense)	13,270,701
Contributions made	<u>(9,212,322)</u>
Increase in net OPEB obligation	4,058,379
Net OPEB obligation, beginning of year	<u>6,973,885</u>
Net OPEB obligation, end of year	<u><u>\$ 11,032,264</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the current year and the two preceding years were as follows:

Three-Year Trend Information			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 12,775,667	79.4%	\$ 3,965,258
2014	14,057,619	78.6%	6,973,885
2015	13,270,701	69.4%	11,032,264

The schedule of employer contributions, presented as required supplementary information (RSI) following the notes to the financial statements, presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Plan was 18.8 percent funded. The actuarial accrued liability for benefits was \$199,704,566, and the actuarial value of assets was \$37,629,546, resulting in an unfunded actuarial accrued liability (UAAL) of \$162,075,502. The covered payroll (annual payroll of active employees covered by the Plan) was \$20,874,143, and the ratio of the UAAL to the covered payroll was 776.4 percent. The Employees' Retirement System and VEBA were combined in the actuarial valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.6 percent investment rate of return (net of administrative expenses), which includes a 3.1 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was 28 years.

Police and Fire Retirement System

The City also provides postemployment health care benefits, in accordance with labor agreements, to members who are eligible to receive pension benefits under the Police and Fire Retirement System. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of \$104.90 per month for each covered retiree and dependent(s). The payments are charged to the fringe benefit internal service fund of the City and are recognized as expenses as payments are made.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Membership of the Plan consisted of the following at December 31, 2013, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	646
Terminated plan members entitled to but not yet receiving benefits	15
Active plan members	<u>349</u>
Total	<u>1,010</u>

During the year, the City contributed \$11,561,406 (direct benefit payments of \$10,976,406 and City contributions of \$585,000) to the Plan.

Annual required contribution	\$ 17,490,956
Interest on net OPEB obligation	3,008,833
Adjustment to annual required contribution	<u>(2,576,423)</u>
Net OPEB cost (expense)	17,923,366
Contributions made	<u>(11,561,406)</u>
Increase in net OPEB obligation	6,361,960
Net OPEB obligation, beginning of year	<u>39,589,912</u>
Net OPEB obligation, end of year	<u>\$ 45,951,872</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the current year and the two preceding years were as follows:

Three-Year Trend Information			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 17,489,692	63.9%	\$ 33,843,009
2014	17,489,692	63.9%	39,589,912
2015	17,923,366	64.5%	45,951,872

The schedule of employer contributions, presented as required supplementary information (RSI) following the notes to the financial statements, presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Plan was 9.6 percent funded. The actuarial accrued liability for benefits was \$242,413,796, and the actuarial value of assets was \$23,197,213, resulting in an unfunded actuarial accrued liability (UAAL) of \$219,216,583. The covered payroll (annual payroll of active employees covered by the Plan) was \$25,636,626, and the ratio of the UAAL to the covered payroll was 855.1 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.6 percent investment rate of return (net of administrative expenses), which includes a 3.1 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was 28 years.

18. OPERATING LEASES

During fiscal year 2014, the City entered into an operating lease with the Lansing School District (the "District"), for approximately 86,900 square feet of the Hill Center for Academics and Technology for the purpose of operating a police precinct. The term of the lease runs through June 30, 2018. The City is required to make approximately \$800,000 worth of improvements to the leased space, the cost of which will be capitalized by the District. In addition, beginning July 1, 2016, rent payments will be made to the District by the City in monthly installments of \$2,083 (\$25,000 annually) and \$10,417 (\$125,000 annually) for the years ended June 1, 2017 and 2018, respectively.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

The City has entered into an operating lease with the City of Lansing and County of Ingham Joint Building Authority (the "Joint Authority") related to the City's use of a building constructed by the Joint Authority. The payments related to this lease are paid by the TIFA, pursuant to a payment agreement between the City and the TIFA. The total of such payments amounted to \$573,375 for the year ended June 30 2015. Future minimum lease payments for this lease are as follows:

Year Ending June 30	Amount
2016	\$ 573,237
2017	572,644
2018	570,913
2019	573,367
2020	571,900

19. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

The City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. The implementation of this standard also resulted in the elimination of the prior reported net pension obligation. As a result of this change, beginning net position of governmental activities, the sewage disposal system enterprise fund, the municipal parking system enterprise fund, and nonmajor enterprise funds were decreased by \$199,824,805, \$13,537,943, \$4,718,427, and \$8,554,856, respectively. The net decrease in beginning net position of business-type activities was \$26,811,226.

20. SUBSEQUENT EVENT

On December 17, 2015, the City issued \$8,855,000 of Limited Tax General Obligation bonds for sanitary sewer system improvements. Payments are to be made semi-annually over a 6 year period, beginning on June 1, 2017. Interest is charged on the outstanding balance at rates varying between 2 and 3 percent.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LANSING, MICHIGAN

Required Supplementary Information Employees' Retirement System

Schedules of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ending June 30,	
	2015	2014
Total pension liability		
Service cost	\$ 2,857,948	\$ 2,982,624
Interest on total pension liability	22,671,909	22,722,630
Difference between expected and actual experience	(6,422,330)	-
Benefit payments, including refunds	(22,462,587)	(22,790,522)
Net change in total pension liability	<u>(3,355,060)</u>	<u>2,914,732</u>
Total pension liability, beginning of year	<u>323,057,487</u>	<u>320,142,754</u>
Total pension liability, end of year	<u>319,702,427</u>	<u>323,057,486</u>
Plan fiduciary net position		
Employer contributions	10,547,556	9,361,009
Employee contributions	1,128,120	1,290,678
Pension plan net investment income	4,399,543	17,887,635
Benefit payments	(22,462,587)	(22,957,379)
Pension plan administrative expense	(174,818)	(741,037)
Net change in plan fiduciary net position	<u>(6,562,186)</u>	<u>4,840,906</u>
Plan fiduciary net position, beginning of year	<u>185,118,660</u>	<u>180,277,754</u>
Plan fiduciary net position, end of year	<u>178,556,474</u>	<u>185,118,660</u>
Net pension liability	<u>\$ 141,145,953</u>	<u>\$ 137,938,826</u>
Plan fiduciary net position as a percentage of total pension liability	55.9%	57.3%
Covered employee payroll	<u>\$ 19,769,460</u>	<u>\$ 20,874,143</u>
Net pension liability as a percentage of covered employee payroll	713.96%	660.81%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information Employees' Retirement System

Schedule of the Net Pension Liability

Fiscal Year Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2014	\$323,057,486	\$185,118,660	\$137,938,826	57.3%	\$ 20,874,143	660.81%
2015	319,702,427	178,556,474	141,145,953	55.9%	19,769,460	713.96%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information Employees' Retirement System

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)*	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2006	\$ 4,900,000	\$ 4,900,000	\$ -	\$ 31,944,000	15.3%
2007	5,231,000	5,231,000	-	31,797,000	16.5%
2008	6,022,000	6,022,000	-	29,688,000	20.3%
2009	6,048,000	6,477,000	429,000	30,602,000	21.2%
2010	6,472,349	6,043,861	(428,488)	27,766,628	21.8%
2011	7,297,083	7,297,083	-	26,068,735	28.0%
2012	7,596,879	7,523,534	(73,345)	22,838,598	32.9%
2013	8,586,536	8,586,536	-	20,874,143	41.1%
2014	9,361,009	9,361,009	-	21,521,242	43.5%
2015	10,547,556	10,547,556	-	19,769,460	53.4%

* The City contributed in excess of its FY 2009 Actuarially Determined Employer Contribution (ADEC). The City's FY 2010 contribution was reduced by the dollar amount of the FY 2009 overpayment. The FY 2012 City contribution was reduced by \$73,345 in recognition of additional contributions by United Auto Workers (UAW) employees, which were negotiated and contributed after the establishment of the June 30, 2012 ADEC from the December 31, 2010 valuation.

The actuarially determined contribution was based on projected covered payroll. Employer contributions were made in full based on actual covered payroll. Accordingly, the actuarially-determined contribution has been expressed above as a percentage of actual payroll.

Notes to Schedule of Contributions

Valuation Date	December 31, 2014 (rolled forward to June 30, 2015)
Notes	Actuarially determined contribution rates are calculated as of the June 30 that is 12 months prior to the beginning of the fiscal year in which contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	27 years
Asset valuation method	Open; 5-year smooth market
Inflation	3.10%
Salary increases	3.10% plus service based increases
Investment rate of return	7.60%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2011 valuation. The next study is scheduled for 2016.
Mortality	RP2000 Combined Healthy Tables set back one year for females. For Disabled members, the disabled version of these tables are assumed.

CITY OF LANSING, MICHIGAN

Required Supplementary Information Employees' Retirement System

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2014	13.67%
2015	2.43%

⁽¹⁾ Annual money-weighted rate of return, net of investment expenses

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information Police and Fire Retirement System

Schedules of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ending June 30,	
	2015	2014
Total pension liability		
Service cost	\$ 6,350,378	\$ 6,614,784
Interest on total pension liability	29,159,382	27,896,927
Difference between expected and actual experience	3,159,996	-
Benefit payments, including refunds	(27,969,021)	(26,270,724)
Net change in total pension liability	<u>10,700,735</u>	<u>8,240,987</u>
Total pension liability, beginning of year	<u>389,416,813</u>	<u>381,175,826</u>
Total pension liability, end of year	<u>400,117,548</u>	<u>389,416,813</u>
Plan fiduciary net position		
Employer contributions	11,050,091	11,248,857
Employee contributions	2,950,832	2,911,896
Pension plan net investment income	8,965,080	34,016,621
Benefit payments	(27,969,021)	(26,852,038)
Pension plan administrative expense	(173,849)	(1,141,506)
Net change in plan fiduciary net position	<u>(5,176,867)</u>	<u>20,183,830</u>
Plan fiduciary net position, beginning of year	<u>300,473,516</u>	<u>280,289,686</u>
Plan fiduciary net position, end of year	<u>295,296,649</u>	<u>300,473,516</u>
Net pension liability	<u>\$ 104,820,899</u>	<u>\$ 88,943,297</u>
Plan fiduciary net position as a percentage of total pension liability	73.8%	77.2%
Covered employee payroll	<u>\$ 24,407,740</u>	<u>\$ 25,611,974</u>
Net pension liability as a percentage of covered employee payroll	429.46%	347.27%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information Police and Fire Retirement System

Schedule of the Net Pension Liability

Fiscal Year Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2014	\$389,416,813	\$300,473,516	\$ 88,943,297	77.2%	\$ 25,611,974	347.27%
2015	400,117,548	295,296,649	104,820,899	73.8%	24,407,740	429.46%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information Police and Fire Retirement System

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)*	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2006	\$ 4,658,703	\$ 4,658,703	\$ -	\$ 29,582,000	15.7%
2007	5,385,960	5,385,960	-	29,600,000	18.2%
2008	6,520,974	6,520,974	-	30,161,000	21.6%
2009	6,094,397	6,483,000	388,603	30,443,000	21.3%
2010	7,179,360	6,790,757	(388,603)	28,536,056	23.8%
2011	8,240,688	8,240,688	-	25,128,835	32.8%
2012	9,242,173	9,057,080	(185,093)	26,121,411	34.7%
2013	10,133,599	10,133,599	-	25,636,626	39.5%
2014	11,248,857	11,248,857	-	26,405,725	42.6%
2014	11,050,091	11,050,091	-	24,407,740	45.3%

* The City contributed in excess of its FY 2009 Actuarially Determined Employer Contribution (ADEC). The City's FY 2010 contribution was reduced by the dollar amount of the FY 2009 overpayment. The FY 2012 City contribution was reduced by \$185,093 in recognition of additional contributions by International Association of Firefighters (IAFF) employees, which were negotiated and contributed after the establishment of the June 30, 2012 ADEC from the December 31, 2010 valuation.

The actuarially determined contribution was based on projected covered payroll. Employer contributions were made in full based on actual covered payroll. Accordingly, the actuarially-determined contribution has been expressed above as a percentage of actual payroll.

Notes to Schedule of Contributions

Valuation Date December 31, 2014 (rolled forward to June 30, 2015)
Notes Actuarially determined contribution rates are calculated as of the June 30 that is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry-age normal
Amortization method Level percent of payroll, closed
Remaining amortization period 27 years
Asset valuation method Open; 5-year smooth market
Inflation 3.10%
Salary increases 3.10% plus service based increases
Investment rate of return 7.60%
Retirement age Age-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2011 valuation. The next study is scheduled for 2016.

Mortality RP2000 Combined Healthy Tables set back one year for females. For Disabled members, the disabled version of these tables are assumed.

CITY OF LANSING, MICHIGAN

Required Supplementary Information Police and Fire Retirement System

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2014	17.28%
2015	3.04%

⁽¹⁾ Annual money-weighted rate of return, net of investment expenses

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Other Postemployment Benefit Plans
(amounts in thousands)

Employees' Retirement System and VEBA - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Underfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/2009	\$ 24,364	\$ 203,400	\$ 179,036	12.0%	\$ 30,602	585.0%
12/31/2011	28,690	226,915	198,225	12.6%	24,813	798.9%
12/31/2013	37,629	199,705	162,076	18.8%	20,874	776.4%

Police and Fire Retirement System - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Underfunded (Overfunded) AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/2009	\$ 17,477	\$ 214,899	\$ 197,422	8.1%	\$ 30,443	648.5%
12/31/2011	18,679	252,220	233,541	7.4%	25,129	929.4%
12/31/2013	23,197	242,414	219,217	9.6%	25,637	855.1%

Employees' Retirement System and VEBA - Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2013	\$ 12,770	79.5%
2014	14,040	78.7%
2015	13,195	69.8%

Police and Fire Retirement System - Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2013	\$ 17,414	64.1%
2014	16,852	66.5%
2015	17,491	66.1%

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

CITY OF LANSING, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals
Assets					
Cash and cash equivalents	\$ 52,637	\$ -	\$ -	\$ -	\$ 52,637
Equity in pooled cash and investments	9,543,017	1,000	77,885	1,746,482	11,368,384
Accounts receivable, net	75,820	-	-	-	75,820
Special assessments receivable	-	-	501,212	-	501,212
Loans receivable	1,430,356	-	-	-	1,430,356
Accrued interest receivable	2,217,117	-	-	-	2,217,117
Due from other governments	5,404,939	-	1,070	-	5,406,009
Inventories	872,009	-	-	-	872,009
Prepays	574	-	-	-	574
Total assets	\$ 19,596,469	\$ 1,000	\$ 580,167	\$ 1,746,482	\$ 21,924,118
Liabilities					
Accounts payable	\$ 1,437,290	\$ -	\$ 61,104	\$ -	\$ 1,498,394
Deposits payable	178,285	-	-	-	178,285
Accrued payroll	41,734	-	-	-	41,734
Indemnity bonds	9,411	-	-	-	9,411
Due to other funds	3,800,000	-	-	-	3,800,000
Advances from other funds	-	-	342,090	-	342,090
Due to other governments	811,056	-	-	-	811,056
Unearned revenue	251,710	-	-	-	251,710
Total liabilities	6,529,486	-	403,194	-	6,932,680
Deferred inflows of resources					
Unavailable revenue - loans and accrued interest receivable	3,447,473	-	-	-	3,447,473
Unavailable revenue - special assessments	-	-	450,583	-	450,583
Total deferred inflows of resources	3,447,473	-	450,583	-	3,898,056
Fund balances					
Nonspendable	872,583	-	-	1,746,482	2,619,065
Restricted	5,784,376	1,000	54,534	-	5,839,910
Committed	3,162,551	-	-	-	3,162,551
Unassigned (deficit)	(200,000)	-	(328,144)	-	(528,144)
Total fund balances	9,619,510	1,000	(273,610)	1,746,482	11,093,382
Total liabilities, deferred inflows of resources and fund balances	\$ 19,596,469	\$ 1,000	\$ 580,167	\$ 1,746,482	\$ 21,924,118

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals
Revenues					
Taxes and special assessments	\$ 408,931	\$ 503,035	\$ 62,729	\$ -	\$ 974,695
Intergovernmental	20,646,486	-	-	-	20,646,486
Charges for services	3,668,946	-	-	-	3,668,946
Fines and forfeits	456,345	-	-	-	456,345
Interest	-	-	-	4,575	4,575
Contributions	506,276	-	-	-	506,276
Other revenues	1,379,586	-	-	-	1,379,586
Total revenues	27,066,570	503,035	62,729	4,575	27,636,909
Expenditures					
Current expenditures:					
General government	3,121,919	-	-	-	3,121,919
Public safety	3,303,545	-	-	-	3,303,545
Public works	2,981,356	-	-	-	2,981,356
Highways and streets	10,357,488	-	-	-	10,357,488
Community development	3,910,924	-	-	-	3,910,924
Debt service:					
Principal	1,425,934	1,405,000	-	-	2,830,934
Interest	561,451	139,891	-	-	701,342
Capital outlay	4,486,037	-	197,607	-	4,683,644
Total expenditures	30,148,654	1,544,891	197,607	-	31,891,152
Revenues over (under) expenditures	(3,082,084)	(1,041,856)	(134,878)	4,575	(4,254,243)
Other financing sources (uses)					
Transfers in	5,233,382	1,042,856	-	27,887	6,304,125
Transfers out	(551,559)	-	-	(4,575)	(556,134)
Proceeds on sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	4,681,823	1,042,856	-	23,312	5,747,991
Net change in fund balances	1,599,739	1,000	(134,878)	27,887	1,493,748
Fund balances, beginning of year	8,019,771	-	(138,732)	1,718,595	9,599,634
Fund balances, end of year	\$ 9,619,510	\$ 1,000	\$ (273,610)	\$ 1,746,482	\$ 11,093,382

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CITY OF LANSING, MICHIGAN

Nonmajor Special Revenue Funds

Major Streets Fund - This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of major streets.

Local Streets Fund - This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of local streets.

Drug Law Enforcement Federal Fund - This fund accounts for federal revenues, from the Departments of Justice and Treasury, set aside for drug law enforcement under the provisions of Federal Grant Agreements.

Drug Law Enforcement State and Local Fund - This fund accounts for state and local revenues, from the Departments of Justice and Treasury, set aside for drug law enforcement under the provisions of State of Michigan Public Act 135 of 1985, as amended.

Community Development Block Grant Program Fund - This fund accounts for revenues received from the Department of Housing and Urban Development. These revenues are restricted to accomplishing the various objectives of Community Development Block Grant Programs, within specific target areas.

Downtown Lansing, Inc. Fund - This fund accounts for assessments received from businesses located in the district. The revenues are used for special events and maintenance of the district.

Building Department Fund - This fund accounts for revenues and expenditures resulting from the enforcement of the State Construction Code Act of 1999 (PA 245 of 1999).

Parks Department Fund - This fund accounts for contributions and transfers which are restricted for park expenditures.

The State and Federal Grants Fund - This fund accounts for all revenues received from miscellaneous grants and local contributions. These revenues are used for projects as detailed in individual grant applications.

Tri-County Metro Fund - This fund accounts for the operations of the Tri-County Metro Narcotics Squad.

CITY OF LANSING, MICHIGAN

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2015

	Major Streets	Local Streets	Drug Law Enforcement Federal	Drug Law Enforcement State and Local	Community Development Block Grant Program
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 23,000	\$ -
Equity in pooled cash and investments	3,800,741	1,787,325	319,156	642,105	467,310
Accounts receivable, net	-	-	-	-	-
Loans receivable	-	-	-	-	1,385,000
Accrued interest receivable	-	-	-	-	2,217,117
Due from other governments	1,485,408	311,115	-	-	883,980
Inventories	872,009	-	-	-	-
Prepays	-	-	-	-	-
Total assets	\$ 6,158,158	\$ 2,098,440	\$ 319,156	\$ 665,105	\$ 4,953,407
Liabilities					
Accounts payable	\$ 460,727	\$ 72,197	\$ 12,345	\$ 263,957	\$ 46,266
Deposits payable	-	-	-	-	-
Accrued payroll	-	-	-	-	5,024
Indemnity bonds	9,411	-	-	-	-
Due to other funds	-	-	-	-	1,500,000
Due to other governments	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	470,138	72,197	12,345	263,957	1,551,290
Deferred inflows of resources					
Unavailable revenue - loans and accrued interest receivable	-	-	-	-	3,402,117
Fund balances					
Nonspendable	872,009	-	-	-	-
Restricted	3,663,994	682,597	306,811	401,148	-
Committed	1,152,017	1,343,646	-	-	200,000
Unassigned (deficit)	-	-	-	-	(200,000)
Total fund balances	5,688,020	2,026,243	306,811	401,148	-
Total liabilities, deferred inflows of resources and fund balances	\$ 6,158,158	\$ 2,098,440	\$ 319,156	\$ 665,105	\$ 4,953,407

Downtown Lansing, Inc.	Building Department	Parks Department	State and Federal Grants	Tri-County Metro	Totals
\$ -	\$ -	\$ -	\$ -	\$ 29,637	\$ 52,637
29,238	12,155	466,888	790,830	1,227,269	9,543,017
-	39,305	-	-	36,515	75,820
-	-	-	45,356	-	1,430,356
-	-	-	-	-	2,217,117
-	-	-	2,700,889	23,547	5,404,939
-	-	-	-	-	872,009
-	-	-	574	-	574
<u>\$ 29,238</u>	<u>\$ 51,460</u>	<u>\$ 466,888</u>	<u>\$ 3,537,649</u>	<u>\$ 1,316,968</u>	<u>\$ 19,596,469</u>
\$ 3,669	\$ 782	\$ -	\$ 538,600	\$ 38,747	\$ 1,437,290
-	-	-	-	178,285	178,285
4,186	19,477	-	12,137	910	41,734
-	-	-	-	-	9,411
-	-	-	2,300,000	-	3,800,000
-	-	-	406,693	404,363	811,056
-	21,200	-	230,510	-	251,710
<u>7,855</u>	<u>41,459</u>	<u>-</u>	<u>3,487,940</u>	<u>622,305</u>	<u>6,529,486</u>
-	-	-	45,356	-	3,447,473
-	-	-	574	-	872,583
21,383	10,001	-	3,779	694,663	5,784,376
-	-	466,888	-	-	3,162,551
-	-	-	-	-	(200,000)
<u>21,383</u>	<u>10,001</u>	<u>466,888</u>	<u>4,353</u>	<u>694,663</u>	<u>9,619,510</u>
<u>\$ 29,238</u>	<u>\$ 51,460</u>	<u>\$ 466,888</u>	<u>\$ 3,537,649</u>	<u>\$ 1,316,968</u>	<u>\$ 19,596,469</u>

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds
For the Year Ended June 30, 2015

	Major Streets	Local Streets	Drug Law Enforcement Federal	Drug Law Enforcement State and Local	Community Development Block Grant Program
Revenues					
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	8,038,760	1,940,986	366,028	-	1,262,382
Charges for services	823,667	752,592	-	-	-
Fines and forfeits	-	-	-	207,577	-
Contributions	-	-	-	-	496,276
Other revenues	186,759	-	-	-	365,736
Total revenues	9,049,186	2,693,578	366,028	207,577	2,124,394
Expenditures					
Current expenditures:					
General government	-	-	-	-	-
Public safety	-	-	149,310	46,696	-
Public works	-	-	-	-	-
Highways and streets	5,668,539	4,688,949	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	475,934	950,000	-	-	-
Interest	144,106	417,345	-	-	-
Capital outlay	2,032,087	291,744	-	37,812	2,124,394
Total expenditures	8,320,666	6,348,038	149,310	84,508	2,124,394
Revenues over (under) expenditures	728,520	(3,654,460)	216,718	123,069	-
Other financing sources (uses)					
Transfers in	1,529,281	3,357,600	-	-	-
Transfers out	(530,000)	-	-	(21,535)	-
Total other financing sources (uses)	999,281	3,357,600	-	(21,535)	-
Net change in fund balances	1,727,801	(296,860)	216,718	101,534	-
Fund balances, beginning of year	3,960,219	2,323,103	90,093	299,614	-
Fund balances, end of year	\$ 5,688,020	\$ 2,026,243	\$ 306,811	\$ 401,148	\$ -

Downtown Lansing, Inc.	Building Department	Parks Department	State and Federal Grants	Tri-County Metro	Totals
\$ 408,931	\$ -	\$ -	\$ -	\$ -	\$ 408,931
-	-	-	8,359,229	679,101	20,646,486
5,400	2,087,287	-	-	-	3,668,946
-	-	-	-	248,768	456,345
10,000	-	-	-	-	506,276
238,347	-	-	588,744	-	1,379,586
<u>662,678</u>	<u>2,087,287</u>	<u>-</u>	<u>8,947,973</u>	<u>927,869</u>	<u>27,066,570</u>
721,804	2,245,515	-	154,600	-	3,121,919
-	-	-	2,158,135	949,404	3,303,545
-	-	-	2,981,356	-	2,981,356
-	-	-	-	-	10,357,488
-	-	-	3,910,924	-	3,910,924
-	-	-	-	-	1,425,934
-	-	-	-	-	561,451
-	-	-	-	-	4,486,037
<u>721,804</u>	<u>2,245,515</u>	<u>-</u>	<u>9,205,015</u>	<u>949,404</u>	<u>30,148,654</u>
<u>(59,126)</u>	<u>(158,228)</u>	<u>-</u>	<u>(257,042)</u>	<u>(21,535)</u>	<u>(3,082,084)</u>
67,900	-	-	257,066	21,535	5,233,382
-	-	-	(24)	-	(551,559)
<u>67,900</u>	<u>-</u>	<u>-</u>	<u>257,042</u>	<u>21,535</u>	<u>4,681,823</u>
8,774	(158,228)	-	-	-	1,599,739
<u>12,609</u>	<u>168,229</u>	<u>466,888</u>	<u>4,353</u>	<u>694,663</u>	<u>8,019,771</u>
<u>\$ 21,383</u>	<u>\$ 10,001</u>	<u>\$ 466,888</u>	<u>\$ 4,353</u>	<u>\$ 694,663</u>	<u>\$ 9,619,510</u>

CITY OF LANSING, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2015

	Major Streets		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	7,371,171	8,038,760	667,589
Charges for services	750,000	823,667	73,667
Fines and forfeits	-	-	-
Contributions	-	-	-
Other revenues	558,500	186,759	(371,741)
Total revenues	8,679,671	9,049,186	369,515
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Highways and streets	6,256,769	5,668,539	(588,230)
Recreation and culture	-	-	-
Community development	-	-	-
Debt service:			
Principal	475,934	475,934	-
Interest	191,897	144,106	(47,791)
Capital outlay	2,002,227	2,032,087	29,860
Total expenditures	8,926,827	8,320,666	(606,161)
Revenues over (under) expenditures	(247,156)	728,520	975,676
Other financing sources (uses)			
Transfers in	-	1,529,281	1,529,281
Transfers out	(530,000)	(530,000)	-
Proceeds on sale of capital assets	-	-	-
Total other financing sources (uses)	(530,000)	999,281	1,529,281
Net change in fund balances	(777,156)	1,727,801	2,504,957
Fund balances, beginning of year	3,960,219	3,960,219	-
Fund balances (deficit), end of year	\$ 3,183,063	\$ 5,688,020	\$ 2,504,957

Local Streets			Drug Law Enforcement Federal		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,919,586	1,940,986	21,400	-	366,028	366,028
750,000	752,592	2,592	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,669,586</u>	<u>2,693,578</u>	<u>23,992</u>	<u>-</u>	<u>366,028</u>	<u>366,028</u>
-	-	-	-	-	-
-	-	-	201,600	149,310	(52,290)
-	-	-	-	-	-
4,916,418	4,688,949	(227,469)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
950,000	950,000	-	-	-	-
417,482	417,345	(137)	-	-	-
1,635,390	291,744	(1,343,646)	-	-	-
<u>7,919,290</u>	<u>6,348,038</u>	<u>(1,571,252)</u>	<u>201,600</u>	<u>149,310</u>	<u>(52,290)</u>
<u>(5,249,704)</u>	<u>(3,654,460)</u>	<u>1,595,244</u>	<u>(201,600)</u>	<u>216,718</u>	<u>418,318</u>
3,357,600	3,357,600	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,357,600</u>	<u>3,357,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(1,892,104)	(296,860)	1,595,244	(201,600)	216,718	418,318
2,323,103	2,323,103	-	90,093	90,093	-
<u>\$ 430,999</u>	<u>\$ 2,026,243</u>	<u>\$ 1,595,244</u>	<u>\$ (111,507)</u>	<u>\$ 306,811</u>	<u>\$ 418,318</u>

continued...

CITY OF LANSING, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2015

	Drug Law Enforcement State and Local		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	207,577	207,577
Contributions	-	-	-
Other revenues	-	-	-
Total revenues	<u>-</u>	<u>207,577</u>	<u>207,577</u>
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	47,660	46,696	(964)
Public works	-	-	-
Highways and streets	-	-	-
Recreation and culture	-	-	-
Community development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	60,000	37,812	(22,188)
Total expenditures	<u>107,660</u>	<u>84,508</u>	<u>(23,152)</u>
Revenues over (under) expenditures	<u>(107,660)</u>	<u>123,069</u>	<u>230,729</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(21,535)	(21,535)	-
Proceeds on sale of capital assets	-	-	-
Total other financing sources (uses)	<u>(21,535)</u>	<u>(21,535)</u>	<u>-</u>
Net change in fund balances	<u>(129,195)</u>	<u>101,534</u>	<u>230,729</u>
Fund balances, beginning of year	<u>299,614</u>	<u>299,614</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$ 170,419</u>	<u>\$ 401,148</u>	<u>\$ 230,729</u>

Community Development Block Grant Program			Downtown Lansing, Inc.		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ 409,000	\$ 408,931	\$ (69)
3,455,998	1,262,382	(2,193,616)	-	-	-
-	-	-	4,800	5,400	600
-	-	-	-	-	-
-	496,276	496,276	10,000	10,000	-
-	365,736	365,736	270,056	238,347	(31,709)
<u>3,455,998</u>	<u>2,124,394</u>	<u>(1,331,604)</u>	<u>693,856</u>	<u>662,678</u>	<u>(31,178)</u>
-	-	-	759,000	721,804	(37,196)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,455,998	2,124,394	(1,331,604)	-	-	-
<u>3,455,998</u>	<u>2,124,394</u>	<u>(1,331,604)</u>	<u>759,000</u>	<u>721,804</u>	<u>(37,196)</u>
-	-	-	(65,144)	(59,126)	6,018
-	-	-	67,900	67,900	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	67,900	67,900	-
-	-	-	2,756	8,774	6,018
-	-	-	12,609	12,609	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,365</u>	<u>\$ 21,383</u>	<u>\$ 6,018</u>

continued...

CITY OF LANSING, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2015

	Building Department		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	2,285,700	2,087,287	(198,413)
Fines and forfeits	-	-	-
Contributions	-	-	-
Other revenues	-	-	-
Total revenues	<u>2,285,700</u>	<u>2,087,287</u>	<u>(198,413)</u>
Expenditures			
Current expenditures:			
General government	2,434,800	2,245,515	(189,285)
Public safety	-	-	-
Public works	-	-	-
Highways and streets	-	-	-
Recreation and culture	-	-	-
Community development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>2,434,800</u>	<u>2,245,515</u>	<u>(189,285)</u>
Revenues over (under) expenditures	<u>(149,100)</u>	<u>(158,228)</u>	<u>(9,128)</u>
Other financing sources (uses)			
Transfers in	149,100	-	(149,100)
Transfers out	-	-	-
Proceeds on sale of capital assets	-	-	-
Total other financing sources (uses)	<u>149,100</u>	<u>-</u>	<u>(149,100)</u>
Net change in fund balances	-	(158,228)	(158,228)
Fund balances, beginning of year	<u>168,229</u>	<u>168,229</u>	-
Fund balances (deficit), end of year	<u>\$ 168,229</u>	<u>\$ 10,001</u>	<u>\$ (158,228)</u>

Parks Department			State and Federal Grants		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	13,772,504	8,359,229	(5,413,275)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(194,535)	588,744	783,279
-	-	-	13,577,969	8,947,973	(4,629,996)
-	-	-	268,696	154,600	(114,096)
-	-	-	2,949,948	2,158,135	(791,813)
-	-	-	5,330	2,981,356	2,976,026
-	-	-	-	-	-
41,175	-	(41,175)	59,555	-	(59,555)
-	-	-	7,050,311	3,910,924	(3,139,387)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
41,175	-	(41,175)	10,333,839	9,205,015	(1,128,824)
(41,175)	-	41,175	3,244,130	(257,042)	(3,501,172)
-	-	-	235,388	257,066	21,678
-	-	-	-	(24)	(24)
-	-	-	-	-	-
-	-	-	235,388	257,042	21,654
(41,175)	-	41,175	3,479,518	-	(3,479,518)
466,888	466,888	-	4,353	4,353	-
\$ 425,713	\$ 466,888	\$ 41,175	\$ 3,483,871	\$ 4,353	(3,479,518)

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CITY OF LANSING, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2015

	Tri-County Metro		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	679,101	679,101	-
Charges for services	-	-	-
Fines and forfeits	435,000	248,768	(186,232)
Contributions	-	-	-
Other revenues	-	-	-
Total revenues	1,114,101	927,869	(186,232)
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	1,132,700	949,404	(183,296)
Public works	-	-	-
Highways and streets	-	-	-
Recreation and culture	-	-	-
Community development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total expenditures	1,132,700	949,404	(183,296)
Revenues over (under) expenditures	(18,599)	(21,535)	(2,936)
Other financing sources (uses)			
Transfers in	18,599	21,535	2,936
Transfers out	-	-	-
Proceeds on sale of capital assets	-	-	-
Total other financing sources (uses)	18,599	21,535	2,936
Net change in fund balances	-	-	-
Fund balances, beginning of year	694,663	694,663	-
Fund balances (deficit), end of year	\$ 694,663	\$ 694,663	\$ -

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CITY OF LANSING, MICHIGAN

Nonmajor Debt Service Funds

1998 Building Authority Fund - This fund accounts for the accumulation of resources for payment of the 1998 \$2,175,000 Building Authority Bonds.

1999 Fire Station Fund - This fund accounts for the accumulation of resources for payment of the 1999 \$3,000,000 Unlimited Tax General Obligation Bonds.

2001 Fire Station Fund - This fund accounts for the accumulation of resources for the payment of the 2001 \$4,000,000 Unlimited Tax General Obligation Bonds.

2014 Technology Bond Fund - This fund accounts for the accumulation of resources for payment of the 2014 \$2,275,000 Limited Tax Capital Improvement Bonds issued for technology improvements.

CITY OF LANSING, MICHIGAN

Combining Balance Sheet
 Nonmajor Debt Service Funds
 June 30, 2015

	1998 Building Authority	1999 Fire Station	2001 Fire Station	2014 Technology Bond	Totals
Assets					
Equity in pooled cash and investments	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,000
Fund balances					
Restricted	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,000

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Funds

For the Year Ended June 30, 2015

	1998 Building Authority	1999 Fire Station	2001 Fire Station	2014 Technology Bond	Totals
Revenues					
Taxes and special assessments	\$ -	\$ 249,513	\$ 253,522	\$ -	\$ 503,035
Expenditures					
Debt service:					
Principal	140,000	205,000	310,000	750,000	1,405,000
Interest	29,350	44,513	41,660	24,368	139,891
Total expenditures	169,350	249,513	351,660	774,368	1,544,891
Revenues over (under) expenditures	(169,350)	-	(98,138)	(774,368)	(1,041,856)
Other financing sources					
Transfers in	169,350	-	99,138	774,368	1,042,856
Net change in fund balances	-	-	1,000	-	1,000
Fund balances, beginning of year	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,000

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CITY OF LANSING, MICHIGAN

Nonmajor Capital Projects Funds

1990 Environmental I Fund - This fund accounts for the proceeds of the 1990 \$7,000,000 environmental bonds.

1990 Environmental II Fund - This fund accounts for the proceeds of the 1990 \$6,300,000 environmental bonds.

Special Assessments Fund - This fund is used to account for the financing of public improvements deemed to benefit the properties against which special assessments are levied.

Lansing Center Improvements Fund - This fund accounts for the proceeds of the 2006 \$4,000,000 Lansing Center limited tax bonds.

CITY OF LANSING, MICHIGAN

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2015

	1990 Environ- mental I	1990 Environ- mental II	Special Assessments	Lansing Center Improvements	Totals
Assets					
Equity in pooled cash and investments	\$ -	\$ 51,317	\$ -	\$ 26,568	\$ 77,885
Special assessments receivable:					
Current	-	-	50,629	-	50,629
Deferred	-	-	450,583	-	450,583
Due from other governments	-	-	1,070	-	1,070
Total assets	\$ -	\$ 51,317	\$ 502,282	\$ 26,568	\$ 580,167
Liabilities					
Accounts payable	\$ -	\$ -	\$ 37,753	\$ 23,351	\$ 61,104
Advance from other funds	-	-	342,090	-	342,090
Total liabilities	-	-	379,843	23,351	403,194
Deferred inflows of resources					
Unavailable revenue - special assessments	-	-	450,583	-	450,583
Fund balances					
Restricted	-	51,317	-	3,217	54,534
Unassigned (deficit)	-	-	(328,144)	-	(328,144)
Total fund balances (deficit)	-	51,317	(328,144)	3,217	(273,610)
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 51,317	\$ 502,282	\$ 26,568	\$ 580,167

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Projects Funds

For the Year Ended June 30, 2015

	1990 Environ- mental I	1990 Environ- mental II	Special Assessments	Lansing Center Improvements	Totals
Revenues					
Special assessments	\$ -	\$ -	\$ 62,729	\$ -	\$ 62,729
Expenditures					
Capital outlay	382	105,158	68,716	23,351	197,607
Net change in fund balances	(382)	(105,158)	(5,987)	(23,351)	(134,878)
Fund balances (deficit), beginning of year	382	156,475	(322,157)	26,568	(138,732)
Fund balances (deficit), end of year	\$ -	\$ 51,317	\$ (328,144)	\$ 3,217	\$ (273,610)

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CITY OF LANSING, MICHIGAN

Nonmajor Permanent Funds

Cemetery Perpetual Care Fund - This fund accounts for transfers from the Cemetery Fund, representing 15% of lot sales. These funds are invested, and all investment earnings are transferred to the Cemetery Fund for lot maintenance.

Parks Trust Fund - This fund accounts for contributions made for City parks, the principal of which must be preserved in accordance with the trust indentures. Income derived from these contributions is transferred to the Parks Department special revenue fund.

CITY OF LANSING, MICHIGAN

Combining Balance Sheet

Nonmajor Permanent Funds

June 30, 2015

	Cemetery Perpetual Care	Parks Trust	Totals
Assets			
Equity in pooled cash and investments	\$ 1,745,231	\$ 1,251	\$ 1,746,482
Fund balances			
Nonspendable	\$ 1,745,231	\$ 1,251	\$ 1,746,482

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Permanent Funds

For the Year Ended June 30, 2015

	Cemetery Perpetual Care	Parks Trust	Totals
Revenues			
Interest	\$ 4,575	\$ -	\$ 4,575
Other financing sources (uses)			
Transfers in	27,887	-	27,887
Transfers out	(4,575)	-	(4,575)
Total other financing sources (uses)	<u>23,312</u>	<u>-</u>	<u>23,312</u>
Net change in fund balances	27,887	-	27,887
Fund balances, beginning of year	<u>1,717,344</u>	<u>1,251</u>	<u>1,718,595</u>
Fund balances, end of year	<u>\$ 1,745,231</u>	<u>\$ 1,251</u>	<u>\$ 1,746,482</u>

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CITY OF LANSING, MICHIGAN

Nonmajor Enterprise Funds

Cemetery Fund - This fund accounts for the operation of City-owned cemeteries.

Golf Fund - This fund accounts for the operation of the City-owned golf courses.

Garbage and Rubbish Collection Fund - This fund accounts for the provision of household solid waste disposal services to participating residents of the City.

Recycling Fund - This fund accounts for the provision of recycling services to participating residents of the City.

CITY OF LANSING, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2015

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Totals
Assets					
Current assets:					
Cash and cash equivalents	\$ 200	\$ 300	\$ -	\$ -	\$ 500
Equity in pooled cash and investments	220,553	133,105	266,664	1,576,068	2,196,390
Accounts receivable, net	-	2,327	62,165	1,465	65,957
Inventories	55,273	4,202	40,572	-	100,047
Total current assets	276,026	139,934	369,401	1,577,533	2,362,894
Noncurrent assets:					
Capital assets not being depreciated	57,740	446,501	-	-	504,241
Capital assets being depreciated, net	129,981	2,037,183	-	1,354,555	3,521,719
Total noncurrent assets	187,721	2,483,684	-	1,354,555	4,025,960
Total assets	463,747	2,623,618	369,401	2,932,088	6,388,854
Deferred outflows of resources					
Deferred refunding loss	-	4,794	-	-	4,794
Deferred pension amounts	54,963	58,000	133,500	217,671	464,134
Total deferred outflows of resources	54,963	62,794	133,500	217,671	468,928
Liabilities					
Current liabilities:					
Accounts payable	25,197	9,730	4,210	55,255	94,392
Deposits payable	-	-	4,140	-	4,140
Accrued interest payable	-	410	-	7,151	7,561
Accrued payroll	1,196	17,457	-	-	18,653
Due to other funds	-	5,271	100,000	-	105,271
Unearned revenues	-	35,830	149,899	-	185,729
Current portion of:					
Bonds and notes payable	-	100,000	-	212,759	312,759
Total current liabilities	26,393	168,698	258,249	275,165	728,505
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	-	105,000	-	1,246,672	1,351,672
Compensated absences, net of current portion	19,154	28,658	70,823	115,063	233,698
Net pension liability	1,036,630	1,093,905	2,517,861	4,105,363	8,753,759
Total noncurrent liabilities	1,055,784	1,227,563	2,588,684	5,467,098	10,339,129
Total liabilities	1,082,177	1,396,261	2,846,933	5,742,263	11,067,634
Deferred outflows of resources					
Deferred pension amounts	31,445	33,183	76,377	124,533	265,538
Net position					
Net investment in capital assets	187,721	2,283,478	-	(104,876)	2,366,323
Unrestricted (deficit)	(782,633)	(1,026,510)	(2,420,409)	(2,612,161)	(6,841,713)
Total net position	\$ (594,912)	\$ 1,256,968	\$ (2,420,409)	\$ (2,717,037)	\$ (4,475,390)

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Nonmajor Enterprise Funds

For the Year Ended June 30, 2015

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Totals
Operating revenues					
Charges for services	\$ 335,379	\$ 363,559	\$ 1,744,999	\$ 3,624,671	\$ 6,068,608
Operating expenses					
Personal services	360,798	492,506	974,116	1,882,669	3,710,089
Purchase of goods and services	256,964	265,051	738,555	1,194,454	2,455,024
Depreciation	14,723	78,340	-	301,012	394,075
Total operating expenses	632,485	835,897	1,712,671	3,378,135	6,559,188
Operating income (loss)	(297,106)	(472,338)	32,328	246,536	(490,580)
Nonoperating revenues (expenses)					
Interest revenue	-	7,120	-	-	7,120
Interest expense and fees	-	(16,737)	-	(30,655)	(47,392)
Capital contribution to others	-	-	-	(214,486)	(214,486)
Total nonoperating revenues (expenses)	-	(9,617)	-	(245,141)	(254,758)
Income (loss) before transfers	(297,106)	(481,955)	32,328	1,395	(745,338)
Transfers in	416,695	555,677	-	-	972,372
Transfers out	(27,887)	-	-	-	(27,887)
Change in net position	91,702	73,722	32,328	1,395	199,147
Net position, beginning of year, as restated	(686,614)	1,183,246	(2,452,737)	(2,718,432)	(4,674,537)
Net position, end of year	\$ (594,912)	\$ 1,256,968	\$ (2,420,409)	\$ (2,717,037)	\$ (4,475,390)

CITY OF LANSING, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2015

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Totals
Cash flows from operating activities					
Cash received from customers	\$ 335,379	\$ 362,484	\$ 1,815,640	\$ 3,623,206	\$ 6,136,709
Cash payments for goods and services	(267,664)	(256,199)	(701,716)	(1,195,837)	(2,421,416)
Cash payments to employees	(373,311)	(519,749)	(953,075)	(1,871,289)	(3,717,424)
Net cash provided by (used in) operating activities	<u>(305,596)</u>	<u>(413,464)</u>	<u>160,849</u>	<u>556,080</u>	<u>(2,131)</u>
Cash flows from noncapital financing activities					
Transfers in	416,695	555,677	-	-	972,372
Transfers out	(27,887)	-	-	-	(27,887)
Net cash provided by noncapital financing activities	<u>388,808</u>	<u>555,677</u>	<u>-</u>	<u>-</u>	<u>944,485</u>
Cash flows from capital and related financing activities					
Acquisition of capital assets	-	(5,943)	-	-	(5,943)
Capital contributions to others	-	-	-	(214,486)	(214,486)
Principal paid on long-term debt	-	(100,000)	-	(208,650)	(308,650)
Interest paid on long-term debt	-	(14,440)	-	(31,678)	(46,118)
Net cash used in capital and related financing activities	<u>-</u>	<u>(120,383)</u>	<u>-</u>	<u>(454,814)</u>	<u>(575,197)</u>
Cash flows from investing activities					
Interest and dividends received	-	7,120	-	-	7,120
Net change in cash and cash equivalents	<u>83,212</u>	<u>28,950</u>	<u>160,849</u>	<u>101,266</u>	<u>374,277</u>
Cash and cash equivalents:					
Beginning of year	<u>137,541</u>	<u>104,455</u>	<u>105,815</u>	<u>1,474,802</u>	<u>1,822,613</u>
End of year	<u>\$ 220,753</u>	<u>\$ 133,405</u>	<u>\$ 266,664</u>	<u>\$ 1,576,068</u>	<u>\$ 2,196,890</u>
Reconciliation to statement of net position					
Cash and cash equivalents	\$ 200	\$ 300	\$ -	\$ -	\$ 500
Equity in pooled cash and investments	<u>220,553</u>	<u>133,105</u>	<u>266,664</u>	<u>1,576,068</u>	<u>2,196,390</u>
	<u>\$ 220,753</u>	<u>\$ 133,405</u>	<u>\$ 266,664</u>	<u>\$ 1,576,068</u>	<u>\$ 2,196,890</u>

continued...

CITY OF LANSING, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2015

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Totals
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (297,106)	\$ (472,338)	\$ 32,328	\$ 246,536	\$ (490,580)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	14,723	78,340	-	301,012	394,075
Changes in operating assets and liabilities that provided (used) cash:					
Accounts receivable	-	2,965	(11,581)	(1,465)	(10,081)
Inventories	3,566	2,012	(17,447)	-	(11,869)
Accounts payable	(14,266)	6,840	(45,714)	(1,383)	(54,523)
Accrued payroll	181	2,016	-	-	2,197
Due to other funds	-	-	100,000	-	100,000
Unearned revenues	-	(4,040)	82,222	-	78,182
Compensated absences	(12,730)	(29,298)	20,953	11,236	(9,839)
Net pension liability and related deferred amounts	36	39	88	144	307
Net cash provided by (used in) operating activities	\$ (305,596)	\$ (413,464)	\$ 160,849	\$ 556,080	\$ (2,131)

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CITY OF LANSING, MICHIGAN

Internal Service Funds

Fleet Maintenance Fund - This fund accounts for the costs of maintaining the City's fleet of vehicles and heavy equipment.

Fringe Benefits Fund - This fund accounts for the costs of the City's fringe benefits.

Engineering Fund - This fund accounts for the operations of the City's engineering department.

Information Technology Fund - This fund accounts for the operations of the City's information technology department.

CITY OF LANSING, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2015

	Fleet Maintenance	Fringe Benefits	Engineering	Information Technology	Totals
Assets					
Current assets:					
Cash and cash equivalents	\$ 57,842	\$ -	\$ -	\$ -	\$ 57,842
Equity in pooled cash and investments	1,040,388	651,301	683,555	1,093,895	3,469,139
Accounts receivable, net	-	861,870	-	-	861,870
Inventories	427,884	-	-	-	427,884
Prepays	-	406,244	-	-	406,244
Total current assets	1,526,114	1,919,415	683,555	1,093,895	5,222,979
Noncurrent assets:					
Capital assets not being depreciated	92,892	-	-	-	92,892
Capital assets being depreciated, net	11,311,065	-	1,651,766	-	12,962,831
Total noncurrent assets	11,403,957	-	1,651,766	-	13,055,723
Total assets	12,930,071	1,919,415	2,335,321	1,093,895	18,278,702
Deferred outflows of resources					
Deferred refunding loss	-	-	3,439	-	3,439
Liabilities					
Current liabilities:					
Accounts payable	108,589	329,144	2,857	351,380	791,970
Accrued interest payable	40,383	-	310	-	40,693
Accrued payroll	49,182	5,706	36,279	14,368	105,535
Claims incurred but not reported	-	704,905	-	-	704,905
Due to other funds	500,000	-	-	200,000	700,000
Current portion of:					
Bonds and notes payable	871,148	-	155,000	-	1,026,148
Compensated absences	41,350	-	-	-	41,350
Total current liabilities	1,610,652	1,039,755	194,446	565,748	3,410,601
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	4,753,503	-	-	-	4,753,503
Compensated absences, net of current portion	147,145	44,739	428,978	145,115	765,977
Total noncurrent liabilities	4,900,648	44,739	428,978	145,115	5,519,480
Total liabilities	6,511,300	1,084,494	623,424	710,863	8,930,081
Net position					
Net investment in capital assets	5,779,306	-	1,500,205	-	7,279,511
Unrestricted	639,465	834,921	215,131	383,032	2,072,549
Total net position	\$ 6,418,771	\$ 834,921	\$ 1,715,336	\$ 383,032	\$ 9,352,060

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Position

Internal Service Funds

For the Year Ended June 30, 2015

	Fleet Maintenance	Fringe Benefits	Engineering	Information Technology	Totals
Operating revenues					
Charges for services	\$ 8,588,437	\$ 61,059,957	\$ 3,846,804	\$ 4,165,250	\$ 77,660,448
Operating expenses					
Personal services	3,330,442	250,739	2,894,874	1,298,161	7,774,216
Purchase of goods and services	3,541,907	60,117,493	1,057,090	1,784,546	66,501,036
Depreciation	1,897,942	-	45,430	-	1,943,372
Total operating expenses	8,770,291	60,368,232	3,997,394	3,082,707	76,218,624
Operating income (loss)	(181,854)	691,725	(150,590)	1,082,543	1,441,824
Nonoperating revenues (expenses)					
Gain on sale of capital assets	280,280	-	-	-	280,280
Interest expense and fees	(183,979)	-	(10,569)	-	(194,548)
Total nonoperating revenues (expenses)	96,301	-	(10,569)	-	85,732
Income (loss) before transfers	(85,553)	691,725	(161,159)	1,082,543	1,527,556
Transfers					
Transfers in	825,000	-	210	-	825,210
Transfers out	-	(427,127)	-	(774,368)	(1,201,495)
Total transfers	825,000	(427,127)	210	(774,368)	(376,285)
Change in net position	739,447	264,598	(160,949)	308,175	1,151,271
Net position, beginning of year	5,679,324	570,323	1,876,285	74,857	8,200,789
Net position, end of year	\$ 6,418,771	\$ 834,921	\$ 1,715,336	\$ 383,032	\$ 9,352,060

CITY OF LANSING, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2015

	Fleet Maintenance	Fringe Benefits	Engineering	Information Technology	Totals
Cash flows from operating activities					
Cash received from interfund services	\$ 8,588,437	\$ 60,623,286	\$ 3,846,804	\$ 4,165,250	\$ 77,223,777
Cash payments for goods and services	(4,340,695)	(60,540,203)	(980,994)	(1,771,255)	(67,633,147)
Cash payments to employees	(3,373,368)	(370,095)	(2,861,364)	(1,291,573)	(7,896,400)
Net cash provided by (used in) operating activities	<u>874,374</u>	<u>(287,012)</u>	<u>4,446</u>	<u>1,102,422</u>	<u>1,694,230</u>
Cash flows from noncapital financing activities					
Transfers in	825,000	-	210	-	825,210
Transfers out	-	(427,127)	-	(774,368)	(1,201,495)
Net cash provided by (used in) noncapital financing activities	<u>825,000</u>	<u>(427,127)</u>	<u>210</u>	<u>(774,368)</u>	<u>(376,285)</u>
Cash flows from capital and related financing activities					
Proceeds on sale of capital assets	285,355	-	-	-	285,355
Acquisition and construction of capital assets	(1,677,234)	-	-	-	(1,677,234)
Proceeds from issuance of long-term debt	491,241	-	-	-	491,241
Principal paid on long-term debt	(774,114)	-	(155,000)	-	(929,114)
Interest paid on long-term debt	(186,943)	-	(7,439)	-	(194,382)
Net cash used in capital and related financing activities	<u>(1,861,695)</u>	<u>-</u>	<u>(162,439)</u>	<u>-</u>	<u>(2,024,134)</u>
Net change in cash and cash equivalents	<u>(162,321)</u>	<u>(714,139)</u>	<u>(157,783)</u>	<u>328,054</u>	<u>(706,189)</u>
Cash and cash equivalents, beginning of year	<u>1,260,551</u>	<u>1,365,440</u>	<u>841,338</u>	<u>765,841</u>	<u>4,233,170</u>
Cash and cash equivalents, end of year	<u>\$ 1,098,230</u>	<u>\$ 651,301</u>	<u>\$ 683,555</u>	<u>\$ 1,093,895</u>	<u>\$ 3,526,981</u>
Reconciliation to statement of net position					
Cash and cash equivalents	\$ 57,842	\$ -	\$ -	\$ -	\$ 57,842
Equity in pooled cash and investments	1,040,388	651,301	683,555	1,093,895	3,469,139
	<u>\$ 1,098,230</u>	<u>\$ 651,301</u>	<u>\$ 683,555</u>	<u>\$ 1,093,895</u>	<u>\$ 3,526,981</u>

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CITY OF LANSING, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2015

	Fleet Maintenance	Fringe Benefits	Engineering	Information Technology	Totals
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (181,854)	\$ 691,725	\$ (150,590)	\$ 1,082,543	\$ 1,441,824
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	1,897,942	-	45,430	-	1,943,372
Change in operating assets and liabilities that provided (used) cash:					
Accounts receivable	-	(436,671)	-	-	(436,671)
Inventories	44,644	-	-	-	44,644
Prepays	-	64,269	79,700	-	143,969
Accounts payable	(43,432)	(486,979)	1,396	(186,709)	(715,724)
Accrued payroll	3,949	1,268	7,036	2,112	14,365
Claims incurred but not reported	-	(126,903)	-	-	(126,903)
Due to other funds	(800,000)	-	(5,000)	200,000	(605,000)
Compensated absences	(46,875)	6,279	26,474	4,476	(9,646)
Net cash provided by (used in) operating activities	\$ 874,374	\$ (287,012)	\$ 4,446	\$ 1,102,422	\$ 1,694,230

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CITY OF LANSING, MICHIGAN

Agency Funds

Bail Bonds Fund - This fund is used to hold cash received by the District Court for bail bonds.

Garnishment, Indemnity Bond and Restitution Fund - This fund is used to hold cash received by the District Court for garnishment payments until claimed, and to hold indemnity bonds deposited relating to civil disputes until the Court rules on the case.

CITY OF LANSING, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2015

	54-A District Court		Totals
	Bail Bonds	Garnishment, Indemnity Bond and Restitution	
Assets			
Equity in pooled cash and investments	\$ 37,800	\$ 31,507	\$ 69,307
Liabilities			
Undistributed receipts	\$ 37,800	\$ 31,507	\$ 69,307

CITY OF LANSING, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deletions	Ending Balance
54-A District Court - Bail Bonds				
Assets				
Equity in pooled cash and investments	\$ 63,131	\$ 431,964	\$ 457,295	\$ 37,800
Liabilities				
Undistributed receipts	\$ 63,131	\$ 431,964	\$ 457,295	\$ 37,800
54-A District Court - Garnishment, Indemnity Bond and Restitution				
Assets				
Equity in pooled cash and investments	\$ 31,395	\$ 290,042	\$ 289,930	\$ 31,507
Liabilities				
Undistributed receipts	\$ 31,395	\$ 290,042	\$ 289,930	\$ 31,507
Total - all agency funds				
Assets				
Equity in pooled cash and investments	\$ 94,526	\$ 722,006	\$ 747,225	\$ 69,307
Liabilities				
Undistributed receipts	\$ 94,526	\$ 722,006	\$ 747,225	\$ 69,307

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STATISTICAL SECTION

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CITY OF LANSING, MICHIGAN

Statistical Section Table of Contents

This part of the City of Lansing, Michigan's (the "City") comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

		<u>Page</u>
Financial Trends	These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	175
Revenue Capacity	These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.	180
Debt Capacity	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	184
Demographic and Economic Information	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	189
Operating Information	These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	191

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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Net Assets / Net Position by Component										
Last Ten Fiscal Years										
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Net investment in capital assets	\$ 151,785,916	\$ 150,976,010	\$ 154,372,604	\$ 163,723,249	\$ 180,571,237	\$ 186,536,428	\$ 191,516,475	\$ 187,054,852	\$ 184,150,439	\$ 190,243,447
Restricted	12,311,541	13,133,137	12,552,011	14,524,584	14,777,571	14,304,689	17,139,090	34,554,539	37,642,784	36,706,345
Unrestricted	<u>(251,453,207)</u>	<u>(46,344,555)</u>	<u>(39,467,672)</u>	<u>(34,371,855)</u>	<u>(18,840,717)</u>	<u>(7,649,432)</u>	<u>6,589,790</u>	<u>(3,124,027)</u>	<u>2,776,006</u>	<u>514,601</u>
Total governmental activities net assets / net position	<u>\$ (87,355,750)</u>	<u>\$ 117,764,592</u>	<u>\$ 127,456,943</u>	<u>\$ 143,875,978</u>	<u>\$ 176,508,091</u>	<u>\$ 193,191,685</u>	<u>\$ 215,245,355</u>	<u>\$ 218,485,364</u>	<u>\$ 224,569,229</u>	<u>\$ 227,464,393</u>
Business-type activities										
Net investment in capital assets	\$ 218,813,478	\$ 214,458,841	\$ 212,682,278	\$ 209,584,457	\$ 204,149,751	\$ 194,854,140	\$ 185,430,669	\$ 178,526,049	\$ 166,320,408	\$ 161,324,071
Restricted	2,889,096	8,746,096	11,077,134	12,382,060	13,080,302	19,917,341	19,454,812	30,892,739	35,777,715	35,945,848
Unrestricted	<u>17,242,167</u>	<u>37,891,053</u>	<u>31,943,581</u>	<u>32,196,598</u>	<u>34,177,453</u>	<u>30,193,568</u>	<u>23,730,694</u>	<u>16,330,517</u>	<u>28,929,677</u>	<u>28,208,193</u>
Total business-type activities net assets / net position	<u>\$ 238,944,741</u>	<u>\$ 261,095,990</u>	<u>\$ 255,702,993</u>	<u>\$ 254,163,115</u>	<u>\$ 251,407,506</u>	<u>\$ 244,965,049</u>	<u>\$ 228,616,175</u>	<u>\$ 225,749,305</u>	<u>\$ 231,027,800</u>	<u>\$ 225,478,112</u>
Primary government										
Net investment in capital assets	\$ 370,599,394	\$ 365,434,851	\$ 367,054,882	\$ 373,307,706	\$ 384,720,988	\$ 381,390,568	\$ 376,947,144	\$ 365,580,901	\$ 350,470,847	\$ 351,567,518
Restricted	15,200,637	21,879,233	23,629,145	26,906,644	27,857,873	34,222,030	36,593,902	65,447,278	73,420,499	72,652,193
Unrestricted (deficit)	<u>(234,211,040)</u>	<u>(8,453,502)</u>	<u>(7,524,091)</u>	<u>(2,175,257)</u>	<u>15,336,736</u>	<u>22,544,136</u>	<u>30,320,484</u>	<u>13,206,490</u>	<u>31,705,683</u>	<u>28,722,794</u>
Total primary government net assets / net position	<u>\$ 151,588,991</u>	<u>\$ 378,860,582</u>	<u>\$ 383,159,936</u>	<u>\$ 398,039,093</u>	<u>\$ 427,915,597</u>	<u>\$ 438,156,734</u>	<u>\$ 443,861,530</u>	<u>\$ 444,234,669</u>	<u>\$ 455,597,029</u>	<u>\$ 452,942,505</u>

(1) no discretely presented component units shown

(2) GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015. This resulted in presentation of the City's net pension liability on the statement of net position. Prior years were not restated.

Change in Net Assets / Net Position
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental activities:										
General government	\$ 25,225,893	\$ 24,771,054	\$ 27,438,065	\$ 30,841,776	\$ 25,665,269	\$ 30,326,671	\$ 26,426,242	\$ 28,901,548	\$ 22,043,283	\$ 34,375,762
Public safety	81,827,437	78,142,897	77,133,469	82,369,004	83,546,997	84,566,215	71,236,947	76,211,756	62,570,888	60,047,271
Public works	27,815,970	37,243,516	29,984,955	33,144,303	26,355,375	29,252,516	37,588,680	40,032,746	40,517,063	31,790,944
Recreation and culture	6,515,590	8,670,918	7,713,098	8,889,142	8,245,451	7,312,480	7,298,385	7,677,083	6,198,462	7,881,212
Community development	10,270,404	7,602,229	16,939,572	13,623,946	12,825,028	9,715,087	6,378,286	6,382,336	6,232,406	7,124,491
Interest on long-term debt	1,291,846	1,340,818	1,475,051	1,949,825	2,116,535	2,229,288	1,803,125	1,481,658	1,658,708	1,197,851
Total governmental activities expenses	152,947,140	157,771,432	160,684,210	170,817,996	158,754,655	163,402,257	150,731,665	160,687,127	139,220,810	142,417,531
Business-type activities:										
Sewage disposal system	27,506,843	28,682,809	26,298,964	26,836,597	26,444,741	24,931,075	26,247,188	27,382,736	24,725,229	21,706,537
Municipal parking system	7,605,461	7,851,702	8,108,373	9,491,376	9,896,498	8,305,095	8,353,063	10,188,065	10,275,379	18,403,163
Cemetery	632,485	722,270	633,050	639,000	755,766	659,584	689,979	675,672	692,510	753,151
Golf	852,634	935,671	892,117	810,372	846,817	869,003	927,200	1,072,505	1,358,008	1,398,963
Garbage and rubbish collection	1,712,671	1,722,843	1,557,708	1,558,024	1,515,600	1,451,059	1,547,372	1,436,642	1,372,266	1,412,620
Recycling	3,623,276	3,263,553	3,650,292	3,041,328	2,809,353	2,804,047	3,008,750	2,940,366	2,777,068	2,981,730
Potter Park Zoo	-	-	-	-	-	-	-	(156,270)	2,968,236	2,718,759
Total business-type activities expenses	41,933,370	43,178,848	41,140,504	42,376,697	42,268,775	39,019,863	40,773,552	43,539,716	44,168,696	49,374,923
Total primary government expenses	194,880,510	200,950,280	201,824,714	213,194,693	201,023,430	202,422,120	191,505,217	204,226,843	183,389,506	191,792,454
Program revenues										
Governmental activities:										
Charges for services:										
General government	6,815,975	6,162,713	6,162,713	6,428,110	6,742,306	6,565,263	5,188,510	5,938,911	6,251,032	6,416,850
Public safety	3,344,183	4,083,222	4,083,222	8,525,524	8,975,173	8,589,146	9,817,421	12,705,181	13,014,934	13,087,372
Public works	1,923,303	1,622,738	1,622,738	2,797,443	2,449,606	2,788,112	4,565,013	4,364,525	3,805,739	3,891,646
Recreation and culture	619,834	594,349	594,349	557,609	685,120	587,906	1,217,445	1,556,260	1,259,373	1,405,584
Community development	67,264	67,349	67,349	67,344	122,326	69,250	50,132	66,308	66,161	66,486
Operating grants and contributions	24,658,955	29,322,435	29,322,435	31,928,983	30,154,681	27,515,892	26,462,211	20,356,292	16,524,178	16,158,496
Capital grants and contributions	2,910,660	3,124,288	3,124,288	260,656	189,414	3,109,410	2,571,741	2,531,974	2,179,870	3,659,169
Total governmental activities program revenues	40,340,174	44,977,094	44,977,094	50,565,669	49,318,626	49,224,979	49,872,473	47,519,451	43,101,287	44,685,603
Business-type activities:										
Charges for services:										
Sewage disposal system	31,730,416	30,825,174	30,825,174	29,915,799	29,205,945	28,907,772	27,446,304	28,023,322	26,926,202	26,867,610
Municipal parking system	6,988,879	5,267,627	5,267,627	6,858,606	7,539,179	7,396,219	7,539,611	10,090,566	10,838,270	10,289,830
Cemetery	335,379	314,913	314,913	240,394	225,947	226,973	248,314	218,688	264,255	237,564
Golf	363,559	373,000	373,000	390,134	382,546	438,315	448,067	607,922	754,995	890,190
Garbage and rubbish collection	1,744,999	1,131,659	1,131,659	1,459,101	1,507,577	1,677,428	1,486,531	1,617,717	1,378,562	1,295,053
Recycling	3,624,671	3,434,622	3,434,622	2,818,364	2,609,423	2,651,309	2,945,061	3,039,089	2,903,092	2,816,277
Potter Park Zoo	-	-	-	-	-	-	-	(115)	553,999	471,703
Operating grants and contributions	1,143,085	1,193,571	1,193,571	1,331,737	4,456,708	1,535,907	1,541,913	-	-	-
Capital grants and contributions	-	-	-	2,683,657	1,439,044	11,928,108	60,318	196,317	183,012	1,368,773
Total business-type activities program revenues	45,930,988	42,540,566	42,540,566	45,697,792	47,366,369	54,762,031	41,716,119	43,793,506	43,802,387	44,237,000
Total primary government program revenues	86,271,162	87,517,660	87,517,660	96,263,461	96,684,995	103,987,010	91,588,592	91,312,957	86,903,674	88,922,603
Net (expenses) revenues										
Governmental activities	(112,606,966)	(112,794,338)	(115,707,116)	(120,252,327)	(109,436,029)	(114,177,278)	(100,859,192)	(113,167,676)	(96,119,523)	(97,731,928)
Business-type activities	3,997,618	(638,282)	1,400,062	3,321,095	5,097,594	15,742,168	942,567	253,790	(366,309)	(5,137,923)
Total primary government net expense	(108,609,348)	(113,432,620)	(114,307,054)	(116,931,232)	(104,338,435)	(98,435,110)	(99,916,625)	(112,913,886)	(96,485,832)	(102,869,851)

CITY OF LANSING, MICHIGAN

Change in Net Assets / Net Position
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General revenues and other changes in net assets / net position										
Governmental activities:										
Taxes:										
Property taxes	\$ 39,657,382	\$ 38,668,837	\$ 38,668,837	\$ 33,506,860	\$ 37,233,590	\$ 39,010,960	\$ 39,141,928	\$ 38,607,761	\$ 38,371,105	\$ 37,506,017
Income taxes	31,660,923	29,850,755	29,850,755	27,943,070	28,699,749	27,408,443	29,312,762	31,168,012	28,209,913	27,032,176
Unrestricted grants and contributions	36,330,976	31,425,718	31,425,718	26,441,961	27,254,574	25,847,423	27,318,313	28,180,799	27,258,536	26,817,633
Investment earnings	26,353	58,588	58,588	69,265	89,735	246,495	978,034	1,706,572	2,483,162	1,634,608
Miscellaneous	280,280	-	-	123,066	108,601	75,094	32,310	-	-	774,822
Transfers	(644,485)	(583,117)	(583,117)	(464,008)	(633,814)	(464,807)	(509,728)	7,420,667	(3,098,357)	(3,132,465)
Total governmental activities	107,311,429	99,420,781	99,420,781	87,620,214	92,752,435	92,123,608	96,273,619	107,083,811	93,224,359	90,632,791
Business-type activities:										
Investment earnings	17,874	356,467	356,467	271,067	689,883	141,899	413,850	1,883,034	2,815,480	1,453,076
Miscellaneous	-	-	-	(1,300,561)	21,166	-	725	5,348	2,160	1,248
Transfers	644,485	583,117	583,117	464,008	633,814	464,807	509,728	(7,420,667)	3,098,357	3,132,465
Total business-type activities	662,359	939,584	939,584	(565,486)	1,344,863	606,706	924,303	(5,532,285)	5,915,997	4,586,789
Total primary government	107,973,788	100,360,365	100,360,365	87,054,728	94,097,298	92,730,314	97,197,922	101,551,526	99,140,356	95,219,580
Changes in net assets / net position										
Governmental activities	\$ (5,295,537)	\$ (13,373,557)	\$ (16,286,335)	\$ (32,632,113)	\$ (16,683,594)	\$ (22,053,670)	\$ (4,585,573)	\$ (6,083,865)	\$ (2,895,164)	\$ (7,099,137)
Business-type activities	4,659,977	301,302	2,339,646	2,755,609	6,442,457	16,348,874	1,866,870	(5,278,495)	5,549,688	(551,134)
Total primary government	\$ (635,560)	\$ (13,072,255)	\$ (13,946,689)	\$ (29,876,504)	\$ (10,241,137)	\$ (5,704,796)	\$ (2,718,703)	\$ (11,362,360)	\$ 2,654,524	\$ (7,650,271)

(1) No discretely presented component units shown

Fund Balances, Governmental Funds										
Last Ten Fiscal Years										
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General fund					(2)					
Nonspendable	\$ 35,424	\$ 75,738	\$ 75,738	\$ 92,538	\$ 171,586	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	10,044	9,400	9,400	16,256	41,129	-	-	-	-	-
Committed	837,761	2,976,408	2,976,408	65,373	178,081	-	-	-	-	-
Unassigned	9,783,911	5,633,528	5,633,528	5,198,032	4,939,691	-	-	-	-	-
Reserved	-	-	-	-	-	102,732	1,320,375	1,765,288	1,848,021	2,443,224
Unreserved	-	-	-	-	-	389,061	3,755,862	5,465,164	5,036,129	4,634,961
Total general fund	10,667,140	8,695,074	8,695,074	5,372,199	5,330,487	491,793	5,076,237	7,230,452	6,884,150	7,078,185
All other governmental funds										
Nonspendable	2,619,065	2,671,151	2,671,151	2,852,004	3,006,507	-	-	-	-	-
Restricted	6,865,580	4,368,983	4,368,983	5,566,421	7,412,008	-	-	-	-	-
Committed	7,110,485	4,035,145	4,035,145	4,109,131	4,908,740	-	-	-	-	-
Unassigned (deficit)	(528,144)	(619,931)	(619,931)	(543,774)	(371,285)	-	-	-	-	-
Reserved	-	-	-	-	-	1,177,998	324,366	365,351	2,544,339	613,533
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	12,029,680	13,394,485	14,716,755	14,523,146	18,798,291
Capital projects funds	-	-	-	-	-	11,614,644	12,010,219	17,862,441	18,978,360	15,717,371
Debt service funds	-	-	-	-	-	126,434	186,636	256,144	144,518	88,826
Permanent funds	-	-	-	-	-	1,649,550	1,630,098	1,609,992	1,596,939	1,577,150
Total all other governmental funds	16,066,986	10,455,348	10,455,348	11,983,782	14,955,970	26,598,306	27,545,804	34,810,683	37,787,302	36,795,171
Total all governmental funds	\$ 26,734,126	\$ 19,150,422	\$ 19,150,422	\$ 17,355,981	\$ 20,286,457	\$ 27,090,099	\$ 32,622,041	\$ 42,041,135	\$ 44,671,452	\$ 43,873,356

(2) The City implemented GASB 54 for the Fiscal Year Ended June 30, 2011. Prior years were not restated retroactively.

Changes in Fund Balances of Governmental Funds										
Last Ten Fiscal Years										
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Property taxes	\$ 39,470,249	\$ 38,717,552	\$ 38,717,552	\$ 33,583,448	\$ 37,371,885	\$ 39,279,343	\$ 39,258,893	\$ 38,775,722	\$ 38,681,928	\$ 37,957,773
Income taxes	31,660,923	29,850,755	29,850,755	27,943,070	28,699,749	27,408,443	29,312,762	31,168,012	28,209,913	27,032,176
Licenses and permits	1,551,125	1,509,402	1,509,402	1,538,325	1,598,804	1,414,906	1,325,119	1,429,075	1,101,550	860,647
Intergovernmental	36,042,377	40,639,183	40,639,183	41,431,793	40,304,785	39,137,217	38,998,039	38,556,616	34,699,908	34,964,225
Charges for services	12,900,490	11,754,381	11,754,381	18,676,398	18,606,304	18,323,158	20,355,642	19,116,593	18,415,612	19,436,267
Fines and forfeits	3,075,427	3,694,351	3,694,351	2,884,328	3,325,728	4,579,175	4,143,000	4,090,397	4,349,642	4,515,951
Interest and rents	87,035	53,179	53,179	63,571	88,516	249,464	1,196,559	1,836,485	2,607,388	1,710,674
Contributions	21,561,449	16,247,403	16,247,403	12,369,733	11,821,388	10,606,368	10,372,056	10,894,573	9,980,854	9,385,831
Donations from private sources	-	-	-	5,000	-	9,000	44,000	326,768	114,954	549,055
Other revenue	1,601,497	510,515	510,515	400,074	504,856	473,123	1,054,209	331,248	1,019,476	1,082,283
Total revenues	147,950,572	142,976,721	142,976,721	138,895,740	142,322,015	141,480,197	146,060,279	146,525,489	139,181,225	137,494,882
Expenditures										
General government	21,720,206	23,595,321	23,595,321	25,038,589	26,396,516	27,839,564	28,951,805	29,209,458	28,905,058	34,956,037
Public safety	75,510,743	63,943,082	63,943,082	66,161,872	70,397,235	70,820,184	70,082,462	67,715,160	65,218,515	59,143,629
Public works	13,273,332	8,908,673	8,908,673	6,225,177	6,002,823					
Highways and streets	10,357,488	9,937,423	9,937,423	8,589,298	8,494,233	14,506,982	14,723,311	14,860,390	13,501,747	10,879,004
Recreation and culture	7,583,085	6,629,453	6,629,453	6,996,562	7,464,193	8,127,700	8,452,768	8,038,290	7,676,600	7,509,183
Community development	3,910,924	-	-	-	-	-	-	-	-	-
Other functions	2,704,982	23,699,202	23,699,202	17,999,264	15,675,003	15,182,675	12,599,072	11,805,843	9,847,925	8,259,415
Capital outlay	21,016,808	5,489,617	5,489,617	6,466,084	9,956,103	14,781,728	14,855,863	16,228,127	20,001,659	13,306,810
Debt service:										
Interest	931,079	1,378,856	1,378,856	1,836,218	3,210,220	3,270,068	1,801,394	1,607,703	1,285,436	1,145,588
Principal	3,616,297	3,137,159	3,137,159	3,448,080	2,070,552	2,165,237	4,743,146	4,721,581	3,875,909	3,244,879
Issuance costs	-	42,744	42,744	-	48,804	-	-	-	-	-
Total expenditures	160,624,944	146,761,530	146,761,530	142,761,144	149,715,682	156,694,138	156,209,821	154,186,552	150,312,849	138,444,545
Excess of revenues over under expenditures	(12,674,372)	(3,784,809)	(3,784,809)	(3,865,404)	(7,393,667)	(15,213,941)	(10,149,542)	(7,661,063)	(11,131,624)	(949,663)
Other financing sources (uses)										
Proceeds from borrowing	16,761,300	11,932,046	11,932,046	-	2,470,000	10,146,117	-	4,052,979	15,190,077	6,087,507
Proceeds from sale of capital assets	110,533	497,833	497,833	1,398,936	1,210,046	689	1,587,216	-	-	774,822
Payment to escrow agent	-	(6,015,112)	(6,015,112)	-	(2,456,207)	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	120,960	-	-	-
Transfers in	9,734,572	7,056,932	7,056,932	7,893,879	9,602,095	16,181,590	11,601,871	13,507,521	6,908,259	8,170,998
Transfers out	(10,002,772)	(1,892,449)	(1,892,449)	(8,357,887)	(10,235,909)	(16,646,397)	(12,579,599)	(12,529,754)	(10,168,616)	(11,303,463)
Bond premium	40,945	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	16,644,578	11,579,250	11,579,250	934,928	590,025	9,681,999	730,448	5,030,746	11,929,720	3,729,864
Net change in fund balance	\$ 3,970,206	\$ 7,794,441	\$ 7,794,441	\$ (2,930,476)	\$ (6,803,642)	\$ (5,531,942)	\$ (9,419,094)	\$ (2,630,317)	\$ 798,096	\$ 2,780,201
Debt service as a percentage of noncapital expenditures	3.2%	3.2%	3.2%	3.8%	3.7%	3.9%	4.5%	4.6%	4.0%	3.4%

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Developmental Property	Personal Property Valuation	Total Taxable Assessed Valuation	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2006	\$ 1,266,935,505	\$ 730,413,466	\$ 180,564,805	\$ -	\$ -	\$ 251,293,200	\$ 2,429,206,976	15.88	\$ 4,858,413,952	50.0%
2007	1,354,989,247	728,343,561	195,703,073	-	-	221,858,408	2,500,894,289	15.88	5,001,788,578	50.0%
2008	1,437,051,392	765,233,437	192,915,386	-	-	223,995,750	2,619,195,965	15.83	5,238,391,930	50.0%
2009	1,479,089,611	719,463,319	254,539,254	-	-	205,034,000	2,658,126,184	15.83	5,316,252,368	50.0%
2010	1,480,467,389	713,807,797	248,288,931	-	-	220,228,175	2,662,792,292	15.70	5,325,584,584	50.0%
2011	1,407,920,589	624,406,132	215,099,428	-	-	199,543,400	2,446,969,549	15.70	4,893,939,098	50.0%
2012	1,387,390,250	639,535,400	87,432,000	-	-	183,233,681	2,297,591,331	15.70	4,595,182,662	50.0%
2013	1,232,109,181	587,002,900	86,884,400	151,900	-	182,543,900	2,088,692,281	19.70	4,177,384,562	50.0%
2014	1,152,931,800	580,539,700	85,938,200	151,900	2,900	182,024,000	2,001,408,500	19.70	4,002,817,000	50.0%
2015	1,144,848,592	602,472,030	15,934,800	158,100	2,900	183,420,400	2,086,836,822	19.70	4,173,673,644	50.0%

Source: Lansing City Assessor

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year Ended June 30,	City Direct Rates				Overlapping Rates					Total
	Tax Year	Operating Millage	Service Millage	City Millage	County Millage	School Millage	State Education	College Millage	Other Millage	
						(1)			(2)	
2006	2005	14.90	.98	15.88	8.18	20.40	6.00	3.81	8.78	63.04
2007	2006	14.95	.93	15.88	8.72	20.32	6.00	3.81	9.15	63.88
2008	2007	14.95	.88	15.83	8.73	20.18	6.00	3.81	8.15	62.70
2009	2008	15.01	.82	15.83	8.87	20.15	6.00	3.81	9.04	63.70
2010	2009	15.44	.26	15.70	8.85	19.95	6.00	3.81	9.93	64.24
2011	2010	15.44	.26	15.70	8.84	19.95	6.00	3.81	9.93	64.23
2012	2011	15.44	.26	15.70	8.85	21.44	6.00	3.81	9.96	65.76
2013	2012	19.44	.26	19.70	9.49	21.73	6.00	3.81	9.96	70.68
2014	2013	19.44	.26	19.70	9.50	21.91	6.00	3.81	9.96	70.88
2015	2014	19.44	.26	19.70	10.20	21.77	6.00	3.81	9.96	71.44

(1) rates for Lansing School District only

(2) includes Intermediate School, Airport Authority, Capital Area Transit Authority and Capital Area District Library.

Source: Lansing City Treasurer

Profile of Ten Largest Ad Valorem Taxpayers
 Current Year and Nine Years Ago

Taxpayer	2015			2006		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation
General Motors Corp.	\$ 67,187,581	1	3.22%	\$ 161,917,774	1	6.85%
Consumers Energy	27,753,984	2	1.33%	21,227,570	3	0.90%
Jackson National Life Insurance Company	26,421,671	3	1.27%	32,393,347	2	1.37%
Phoenix Development Part I LLC	16,754,856	4	0.80%			
Sprint Spectrum L.P.	15,414,225	5	0.74%	12,932,265	6	0.55%
Demmer Corporation	14,112,268	6	0.68%			
Emergent Biodefense Operations	13,116,394	7	0.63%			
Lansing Retail Center LLC	11,673,448	8	0.56%	12,670,707	7	0.54%
Phoenix Development Part II LLC	8,004,962	9	0.38%			
Blue Cross Blue Shield	7,693,800	10	0.37%			
Emergent Biodefense Operations						
Quality Dairy Co #17						
Capital Outlook LLC				18,095,407	4	0.77%
Delta Township Utilities				12,999,700	5	0.55%
Trappers Cove LTD Partners				12,117,127	8	0.51%
Accident Fund Company				11,921,155	9	0.50%
Heart of the City Association				9,923,613	10	0.42%

Data furnished from City of Lansing Assessor

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collection	Total Collections to Date	
		Current Tax Collection	Percent of Levy Collected		Total Tax Collection	Collections as a Percent of Levy
2006	\$ 41,261,397	\$ 41,022,735	99.42%	\$ 83,419	\$ 41,106,154	99.62%
2007	42,627,042	42,516,696	99.74%	107,322	42,624,018	99.99%
2008	44,286,657	44,125,517	99.64%	144,587	44,270,104	99.96%
2009	45,567,556	45,468,639	99.78%	72,779	45,541,418	99.94%
2010	44,997,919	44,844,495	99.66%	33,012	44,877,507	99.73%
2011	41,460,916	41,375,354	99.79%	24,416	41,399,770	99.85%
2012	39,948,762	39,863,393	99.79%	19,647	39,883,040	99.84%
2013	40,450,767	39,716,932	98.19%	55,532	39,772,464	98.32%
2014	39,336,952	39,238,902	99.75%	20,866	39,259,768	99.80%
2015	38,329,032	38,258,272	99.82%	49,590	38,307,862	99.94%

Note: Amounts are net of chargebacks from the County Tax Revolving Funds for taxes still delinquent after three years.

Note: Delinquent Tax Collection represents amounts received in the indicated fiscal year.

Source: City of Lansing Treasurer

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita	Population (1)
	General Obligation Bonds	Special Assessment Debt	Installment Purchase Agreements	Loans	General Obligation Bonds	Revenue Bonds	Lease Purchases	Loans				
(2) 2006	\$ 17,255,582	\$ 25,000	\$ 7,351,126	\$ 1,409,844	\$ 158,320,227	\$ 48,772,782	\$ -	\$ 4,180,000	\$ 237,314,561	11.14% ⁽²⁾	\$ 1,993	119,100
(2) 2007	20,128,052	10,000	15,721,844	1,772,049	156,536,857	44,787,045	-	4,180,000	243,135,847	11.42% ⁽²⁾	2,041	119,100
(2) 2008	20,914,466	-	14,037,885	1,534,822	175,578,524	41,921,307	-	4,180,000	258,167,004	12.13% ⁽²⁾	2,168	119,100
(3) 2009	17,899,203	-	12,394,082	1,290,479	189,210,199	39,045,570	-	4,180,000	264,019,533	12.41% ⁽²⁾	2,217	119,100
(3) 2010	26,329,157	-	10,925,689	1,038,804	199,063,758	36,122,872	-	4,180,000	277,660,280	13.05% ⁽²⁾	2,331	119,100
(3) 2011	27,804,224	-	9,564,693	779,580	197,000,901	33,209,092	-	1,574,209	269,932,699	12.17% ⁽³⁾	2,362	114,297
(3) 2012	25,816,914	-	8,193,615	512,577	189,536,530	30,135,311	-	1,637,177	255,832,124	11.32% ⁽³⁾	2,238	114,297
(3) 2013	29,994,604	-	2,807,838	6,246,743	180,359,931	27,528,327	-	1,702,664	248,640,107	11.01% ⁽³⁾	2,175	114,298
(3) 2014	27,180,294	-	3,100,563	7,062,234	174,471,861	24,055,438	1,668,081	-	237,538,471	10.69% ⁽³⁾	2,078	114,298
(3) 2015	25,790,281	-	16,387,327	7,872,600	167,787,460	19,445,482	1,459,431	-	238,742,581	10.74% ⁽³⁾	2,089	114,297

(1) population per decennial census by the U.S. Census Bureau

(2) personal income data comes from U.S. Census Bureau, American Community Survey 2005

(3) personal income data comes from U.S. Census Bureau, American Community Survey 2009

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population ⁽¹⁾	Taxable Value ⁽³⁾	Gross Bonded Debt ⁽²⁾	Debt Service Monies Available	Debt Payable From Restricted Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Value	Net Bonded Debt per Capita
2006	119,100	\$ 2,429,206,976	\$ 175,600,809	\$ 88,826	\$ 159,920,227	\$ 15,591,756	0.0064	131
2007	119,100	2,500,894,289	176,674,909	309,363	162,596,857	13,768,689	0.0055	116
2008	119,100	2,619,195,965	196,492,990	256,144	184,442,624	11,794,222	0.0045	99
2009	119,100	2,658,126,184	207,109,402	186,636	197,225,199	9,697,567	0.0036	81
2010	119,100	2,662,792,292	225,392,915	126,434	206,198,758	19,067,723	0.0072	160
2011	114,297	2,446,969,549	224,805,125	46,029	203,225,901	21,533,195	0.0088	188
2012	114,297	2,297,591,331	215,353,444	-	194,911,530	20,441,914	0.0089	179
2013	114,298	2,088,692,281	210,354,535	178	184,849,931	25,504,427	0.0122	223
2014	114,298	2,001,408,500	201,652,155	-	178,031,861	23,620,294	0.0118	207
2015	114,297	2,086,836,622	193,577,741	1,000	170,372,460	23,204,281	0.0111	203

⁽¹⁾ Source: 2000 and 2010 Census by the U.S. Census Bureau

⁽²⁾ includes all general obligation debt and special assessment debt with governmental obligation

⁽³⁾ the tax assessment day is December 31 prior to beginning of fiscal year

Direct and Overlapping Governmental Activities Debt
As of June 30, 2015

Name of Governmental Unit	Net General Obligation	% Applicable to City	Amount
	Debt Outstanding		Applicable to City
Net direct - City	\$ 52,050,208	100.00%	<u>\$ 52,050,208</u>
Share of County-issued bonds			
Joint Building Authority	2,108,229	100.00%	2,108,229
Drain Commission	223,300	100.00%	<u>223,300</u>
			<u>\$ 2,331,529</u>
Overlapping debt			
Eaton Intermediate School District	\$ 740,000	0.58%	\$ 4,292
Ingham Intermediate School District	1,836,000	22.81%	418,792
Waverly School District	29,760,000	0.22%	65,472
Lansing School District	39,930,000	81.04%	32,359,272
East Lansing School District	41,068,377	3.74%	1,535,957
Holt School District	70,412,946	2.38%	1,675,828
Ingham County	30,064,178	26.07%	7,837,731
Eaton County	30,395,466	1.60%	486,327
Clinton County	2,053,375	0.28%	5,749
Lansing Community College	72,720,000	18.82%	13,685,904
Okemos School District	17,629,329	2.76%	486,569
Mason School District	13,365,000	0.35%	46,778
Grand Ledge School District	51,650,000	1.22%	<u>630,130</u>
Total overlapping debt			<u>59,238,801</u>
Total direct and overlapping debt			<u>\$ 113,620,538</u>

Note: Overlapping debt percentages are apportioned based upon relative assessed values.

Source: Municipal Advisory Council of Michigan

Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value, real and personal property	\$ 2,027,060,822
Assessed value equivalents	<u>59,776,000</u>
Total valuation	2,086,836,822
Legal debt margin	
Debt limitation - 10 percent of total valuation	<u>208,683,682</u>
Debt applicable to limit	
Total City Bonded Debt	213,023,223
City Share:	
Drain Commission-County Issued	223,300
Joint Building Authority-County Issued	2,108,229
TIF Supported Bonds	<u>17,074,155</u>
	<u>232,428,907</u>
Less:	
Michigan Transportation (MTF) Bonds	(2,585,000)
Sewage Disposal Revenue Bonds	(20,275,000)
Pollution Abatement (CSO Project) Bonds	<u>(118,216,293)</u>
Total net debt applicable to limit	<u>91,352,614</u>
Legal debt margin	<u><u>\$ 117,331,068</u></u>

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 314,307,611	\$ 324,987,531	\$ 318,810,868	\$ 298,581,799	\$ 298,052,683	\$ 268,975,768	\$ 233,669,637	\$ 208,869,228	\$ 205,138,999	\$ 208,683,682
Total net debt applicable to limit	<u>103,095,986</u>	<u>84,276,312</u>	<u>87,966,365</u>	<u>79,513,756</u>	<u>98,368,804</u>	<u>100,923,863</u>	<u>92,357,575</u>	<u>91,833,157</u>	<u>93,062,835</u>	<u>91,352,614</u>
Legal debt margin	<u><u>\$ 211,211,625</u></u>	<u><u>\$ 240,711,219</u></u>	<u><u>\$ 230,844,503</u></u>	<u><u>\$ 219,068,043</u></u>	<u><u>\$ 199,683,880</u></u>	<u><u>\$ 168,051,905</u></u>	<u><u>\$ 141,312,062</u></u>	<u><u>\$ 117,036,071</u></u>	<u><u>\$ 112,076,164</u></u>	<u><u>\$ 117,331,068</u></u>
Total net debt applicable to the limit as a percentage of debt limit	32.80%	25.93%	27.59%	26.63%	33.00%	37.52%	39.52%	43.97%	45.37%	43.78%

Pledged-Revenue Coverage

Last Ten Fiscal Years

Sewage Disposal Bonds							
Gross Revenue	Direct Operating Expenses ⁽¹⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage ⁽²⁾	
			Principal	Interest	Total		
2006	\$ 27,932,464	\$ 12,867,761	\$ 15,064,703	\$ 3,805,000	\$ 2,036,736	\$ 5,841,736	2.58
2007	29,292,698	13,494,658	15,798,040	3,950,000	2,152,990	6,102,990	2.59
2008	29,356,299	15,997,449	13,358,850	2,830,000	2,002,400	4,832,400	2.76
2009	27,759,684	14,206,961	13,552,723	2,840,000	1,900,000	4,740,000	2.86
2010	28,613,004	12,358,472	16,254,532	2,840,000	1,803,425	4,643,425	3.50
2011	29,865,648	12,616,100	17,249,548	2,925,000	1,621,221	4,546,221	3.79
2012	30,178,511	12,562,663	17,615,848	3,040,000	1,448,856	4,488,856	3.92
2013	31,169,428	12,112,994	19,056,434	3,160,000	1,111,390	4,271,390	4.46
2014	31,996,794	13,424,901	18,571,893	3,265,000	1,054,878	4,319,878	4.30
2015	31,945,082	13,295,574	18,649,508	1,490,000	920,788	2,410,788	7.74

⁽¹⁾ Operating expenses less depreciation

⁽²⁾ Coverage is defined as net revenue available for debt service divided by debt service requirements

Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population ⁽¹⁾	Personal Income	Per capita Personal Income ⁽²⁾	Median Age ⁽³⁾	Lansing School District Enrollment ⁽⁴⁾	Unemployment % Rate ⁽⁵⁾	Labor Force ⁽⁵⁾
2006	119,100	\$ 2,130,460,800	\$ 17,888	32.4	16,014	8.4%	67,023
2007	119,100	2,129,750,646	17,882	32.5	15,178	8.9%	66,224
2008	119,100	2,129,040,730	17,876	32.7	14,475	10.2%	65,833
2009	119,100	2,128,331,049	17,870	32.8	14,482	16.2%	66,822
2010	119,100	2,127,621,606	17,864	32.9	14,098	15.0%	64,074
2011	114,297	2,218,237,360	19,408	30.4	13,465	13.1%	63,130
2012	114,297	2,259,194,502	19,766	32.4	13,236	11.3%	63,374
2013	114,298	2,259,194,502	19,766	32.2	12,544	11.9%	63,181
2014	114,298	2,221,933,680	19,440	32.0	12,088	9.1%	63,102
2015	114,297	2,221,933,600	19,440	32.1	11,587	7.4%	57,432

⁽¹⁾ Source: U.S. Census Bureau

⁽²⁾ Source: personal income for 2000 and 2005 from the U.S. Census Bureau; other years were extrapolated from 2000 and 2005

⁽³⁾ Source: 2000 data from U.S. Census Bureau. Data for other years estimated by City of Lansing Finance Department

⁽⁴⁾ Source: Lansing School District

⁽⁵⁾ Source: Michigan Department of Career Development: Employment Service Agency - Labor Market Information

Principal Employers

Current Year and Nine Years Ago

Employer	2015			2006		
	Employees ⁽¹⁾	Rank	Percentage of Total City Employment ⁽²⁾	Employees ⁽¹⁾	Rank	Percentage of Total City Employment
State of Michigan	13,700	1	6.01%	13,000	1	6.09%
Michigan State University	10,725	2	4.70%	10,500	2	4.45%
Sparrow Health System	5,735	3	2.52%	6,000	4	2.54%
General Motors	5,222	4	2.29%	6,300	3	2.67%
Lansing Community College	2,990	5	1.31%	3,800	5	1.35%
McClaren Greater Lansing	2,400	6	1.05%	2,500	7	0.89%
Lansing School District	1,613	7	0.71%	3,000	6	1.06%
Meijer	1,500	8	0.66%	2,000	8	0.85%
Auto Owners Insurance	1,400	9	0.61%	1,500	9	0.64%
Jackson National Life Insurance	1,400	10	0.61%			
Ingham County				1,200	10	0.52%
Greater Lansing metropolitan area employment			227,995			

⁽¹⁾ Data is representative of the Greater Lansing Region

⁽²⁾ Source: Michigan Department of Career Development: Employment Service Agency - Labor Market Information

Full-time Equivalent City Governmental Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government										
City council	10	10	10	10	11	11	11	11	11	11
Mayor's office	5	5	5	5	5	5	5	5	5	7
City clerk	5	5	5	5	6	7	7	7	7	7
54-A district court	46	43	43	48	50	53	53	53	55	55
City attorney's office	11	10	10	10	11	12	12	12	12	11
City TV	2	2	2	2	2	2	2	2	2	2
Internal auditor	1	1	1	1	1	1	1	1	1	2
Human resources	10	10	9	9	11	12	13	14	14 ⁽¹⁾	12
Information technology	11	11	10	10	14	15	17	18	18	18
Finance										
Accounting/Budget/Purchasing	9	10	10	13	14	16	17	16	18 ⁽¹⁾	21
Tax services	20	20	20	21	22	24	25	26	29	30
Property management	-	-	- ^(b)	18	20	21	23	24	26 ⁽³⁾	28
Fleet management	-	-	- ^(b)	27	29	30	31	33	37 ⁽²⁾	20
	<u>29</u>	<u>30</u>	<u>30</u>	<u>79</u>	<u>99</u>	<u>106</u>	<u>113</u>	<u>117</u>	<u>128</u>	<u>117</u>
Planning & neighborhood development										
Administration	2	2	2	2	2	2	2	2	2	2
Code compliance	-	- ⁽⁸⁾	15	15	16	16	16	17	19	15
Building safety	13	13	12	13	15	15	15	15	16	17
Planning	4	4	4	4	5	5	4	5	7	7
Development	10	11	9	9	9	9	10	10	10	11
Parking & transportation	14	15	20	20	20 ^(b)	40	41	41	43	49
	<u>43</u>	<u>45</u>	<u>62</u>	<u>63</u>	<u>66</u>	<u>87</u>	<u>88</u>	<u>90</u>	<u>97</u>	<u>101</u>
Police	234	234 ⁽⁸⁾	229 ⁽⁷⁾	260	327	344	342	341	338	339
Fire	181	188	180	179	207	218	219	219	219	220
Code compliance	14	14 ⁽⁸⁾								
Public services										
Administration & engineering	19	19	19	21	21	17	18	18	18	19
Operations & maintenance	117	117 ⁽⁸⁾	120	121	135 ^(b)	110	113	113	119	122
Service garage	-	-	-	-	-	-	-	-	- ⁽²⁾	17
Wastewater	41	41	41	41	41	44	50	50	51	61
Property Management	18	18	18 ^(b)							
Fleet Management	27	27	27 ^(b)							
	<u>222</u>	<u>222</u>	<u>225</u>	<u>183</u>	<u>197</u>	<u>171</u>	<u>181</u>	<u>181</u>	<u>188</u>	<u>219</u>
Human relations & community services	7	6	5	5	5	5	6	8	9	9
Parks & recreation										
Administration & design	6	6	5	5	5	7	7	8	8	9
Grounds & forestry	-	-	-	-	- ^(b)	27	31	32	32 ⁽²⁾	32
Leisure & special recreation	6	6	8	10	12	15	19	17	19 ⁽³⁾	20
Cemeteries	1	1	1	1	1	3	4	4	5	5
Golf/ice arena	3	3	3	3	4	4	4	4	4	6
Zoo (4)	-	-	-	-	-	-	-	-	18	19
	<u>16</u>	<u>16</u>	<u>17</u>	<u>19</u>	<u>22</u>	<u>56</u>	<u>65</u>	<u>65</u>	<u>86</u>	<u>91</u>
	<u>847</u>	<u>852</u>	<u>843</u>	<u>888</u>	<u>1,034</u>	<u>1,105</u>	<u>1,135</u>	<u>1,144</u>	<u>1,190</u>	<u>1,221</u>

Source: The City of Lansing

In FY 2007, the following restructuring of departments occurred:

- (1) A payroll position was transferred from Finance to Human Resources
- (2) Operations of the City's three fleet garages was consolidated in Finance
- (3) Four custodial positions were transferred from Parks & Recreation to Finance
- (4) On July 1, 2007, Potter Park Zoo employees were transferred to Ingham County

In FY 2011, the following restructuring of departments occurred:

- (5) Grounds Maintenance positions were moved from Parks & Recreation and Planning & Neighborhood Development and consolidated with Public Service staff

In FY 2013, the following restructuring of departments occurred:

- (6) Fleet and Property Management were moved from the Finance Department to the Public Service Department
- (7) On June 27, 2012, 911 Dispatch employees were transferred from the City to Ingham County

In FY 2014, the following restructuring of departments occurred:

- (8) Fourteen (14) positions are transferred from PND to Fire; four (4) to Police, and one (1) to Public Service for FY 2014

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety										
Fire department responses	20,170	19,427	18,444	17,093	16,974	16,659	15,852	15,780	15,267	14,869
EMS related	17,376	16,235	15,918	14,851	14,628	14,398	13,447	13,151	12,779	12,152
Fire related	2,794	3,012	2,526	2,242	2,346	2,261	2,405	2,629	2,488	2,117
Police department responses	79,331	76,855	73,087	74,058	78,112	87,724	89,958	87,634	97,466	87,551
Arrests	4,510	5,656	7,196	8,043	8,858	11,644	11,559	12,810	13,260	7,479
Traffic violations	10,781	7,756	14,905	8,829	15,585	18,297	20,122	25,398	29,047	30,948
Public works										
Potholes filled	53,281	55,193	33,155	30,116	32,918	24,945	43,601	40,790	28,122	36,522
Streets resurfaced (miles)	4	4.60	6.00	5.01	8.99	20.70	16.20	20.92	22.11	27
Recreation										
Recreation participation	122,639	50,859	55,122	66,836	66,254	70,529	39,060	37,783 ⁽¹⁾	41,069	38,878
Pavilion rentals	206	185	199	198	161	288	315	341	254	255
Sewage disposal										
Average amount processed daily (gal)	13.28 millio	14.49 million	14.75 million	12.82 million	12.83 million	15.01 million	18.15 million	16.73 million	16.00 million	15.00 million
Parking system										
Average number of monthly permits	3,077	2,891	2,718	2,735	3,122	3,480	3,783	4,059	3,905	4,073
Parking tickets issued	30,888	34,373	38,127	41,829	45,176	63,610	66,183	57,153	75,637	82,221
Cemetery										
Lots sold	138	93	113	115	143	142	119	98	114	104
Golf										
Annual rounds played	22,998	22,786	25,554	28,560	26,084	30,936	41,588	43,605 ⁽²⁾	59,244	57,256
Garbage and rubbish										
Yards sent to landfill	19,667	18,829	17,985	18,705	20,334	21,805	29,322	29,869	30,402	30,517
Recycling										
Recycled goods sold (tons)	5,691	5,075	3,562	3,149	2,446	2,163	2,591	2,818	2,269	2,441
Yards composted	21,685	25,260	21,832	20,413	15,725	21,819	21,871	21,928	17,189	21,304

Source: The City of Lansing

⁽¹⁾ The addition of the Southside Community Center, with a pool, resulted in a large increase in recreation participation in FY 2010

⁽²⁾ Two golf course were closed in FY 2008 with one of those being converted to a driving range

Source: City of Lansing

Capital Assets Statistics by Function/Program Last Ten Fiscal Years										
Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety										
Police stations	2	2	2	2	3	3	3	3	3	3
Police patrol units	60	61	60	60	58	61	61	58	55	55
Fire stations	6	6	6	6	8	9	9	9	9	9
Public works										
Streets (miles)	414.00	411.00	411.00	407.80	410.80	410.63	410.15	410.15	410	409.89
Traffic signals	200	200	204	204	208	203	196	203	188	194
Recreation										
Park acreage	2,363.45	2,364.85	2,364.85	2,434.88	2,422.63	2,422.63	2,422.63	2,422.63	2,219.63	2,219.63
Playgrounds	72	72	75	73	71	71	82	82	80	76
Baseball/softball fields	47	61	61	61	61	61	61	61	61	61
Soccer/football fields	6	6	6	6	6	6	6	6	6	6
Community centers	4	4	4	4	4	4	4	4	4	4
Sewage disposal										
Sanitary sewers (miles)	361	359	359	359	359	357	354	347.4	341.0	338.0
Storm sewers (miles)	235	234	234	234	234	233	230	225.1	220.0	217.0
Combined sewers (miles)	188	188	188	188	188	191	192	197.4	203.0	208.0
Parking system										
Ramps	4	4	4	4	4	4	4	6	6	5
Lots	17	17	18	15	15	16	16	15	15	15
Meters	2,166	2,452	2,452	2,452	2,452	2,493	2,493	2,489	2,489	2,489
Cemetery										
Number of cemeteries	3	3	3	3	3	3	3	3	3	3
Golf										
Number of courses	1	1	1	1	1	1	1	1 ^b	3	3
Acreage	115	115	115	115	115	115	115	115 ^b	318	318
Garbage and rubbish										
Refuse collection trucks	17	17	17	19	22	18	16	21	21	20
Recycling										
Recycling trucks	7	7	7	7	9	10	10	10	10	10
Potter park zoo										
Number of animals	N/A	N/A ^a	398	403						

Source: The City of Lansing

a. Zoo operations were transferred to Ingham County in FY2008
 b. Two municipal golf courses were non-operational beginning in 2008

INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

December 21, 2015

Honorable Mayor and
Members of the City Council
City of Lansing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Lansing, Michigan* (the "City") as of and for the year ended June 30, 2015, and have issued our report thereon dated December 21, 2015. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 11, 2015, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated December 21, 2015. In addition, we noted certain other matters which are included in Attachment A to this letter.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on September 24, 2015.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements.

As described in Note 19 to the financial statements, the City changed accounting policies related to pension plan reporting by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*. The cumulative effect of the accounting change as of the beginning of the year is reported in the Government-wide statement of activities as well as the statement of revenues, expenses and changes in fund net position for proprietary funds.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.
- Management's estimate of the leases receivable balances is based on past experience and future estimate of leases receivable.
- Management's estimate of the income tax receivable balance is based on past experience utilizing the first 45 days collections of income tax withholdings.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Significant Difficulties Encountered During the Audit

The timing of our audit procedures was delayed from the schedule agreed to during the planning stages of our engagement due to delays in the availability of supporting documentation and the ability of City staff to provide needed follow-up documentation in expected timeframes. This condition appears to largely be the result of limited staffing levels in the Finance Department.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The material misstatements detected as a result of audit procedures and corrected by management are described in the Schedule of Findings and Responses issued in connection with our report on internal control over financial reporting.

The schedule of adjustments passed is included with management's written representations in Attachment C to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment C to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the City of Lansing, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

CITY OF LANSING, MICHIGAN

Attachment A - Comments and Recommendations

For the June 30, 2015 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. Our consideration of the City's internal control over financial reporting is described in our report, dated December 21, 2015, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated December 21, 2015, on the financial statements of the City of Lansing, Michigan.

Stale Reconciling Items (Repeat Comment)

During our review of the City's bank reconciliations, we noted a number of reconciling items dating back as far as 1997. We continue to recommend the City review stale items and either void and reissue or escheat them to the State, as necessary.

End Control over Payroll Processing (Repeat Comment)

The City currently has procedures in place to ensure that employees are being paid at the correct rate and for the actual number of hours worked. Since the process of inputting timesheet data into the payroll system requires manual entry, we recommend that the City implement an "end control" over payroll disbursements. This could be done by having an employee independent of payroll processing review a preliminary payroll register by employee, or by having the payroll system generate exception reports for data outside certain parameters. In all instances, any independent review and approval should be documented and retained as evidence of the control.

Compliance with the Uniform Budgeting Manual (Repeat Comment)

In adopting the budgets for the year, the City budgeted for one special revenue fund's expenditures to exceed revenue and fund balance reserve. The Michigan Uniform Budgeting Manual does not allow for budgeted fund deficits. We recommend the City review budgeted expenditures and revenues for accuracy and consider the need for transfers in from other funds to avoid budgeted deficits.



CITY OF LANSING, MICHIGAN

Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2015 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 72 ■ Fair Value Measurement and Application

Effective 06/15/2016 (your FY 2016)

This standard defines "fair value" as the price that would be received to sell an asset in an orderly transaction between market participants (an "exit price"). Fair value measurement is currently applied principally to investments, which GASB 72 does not change. However, it does introduce specific methods for measuring fair value when a market price is not readily available, and establishes a 3-level hierarchy of fair value that is disclosed in the footnotes, based on the presence or absence of observable market inputs.

GASB 73 ■ Pensions and Related Assets Not Within the Scope of GASB 68

Effective 06/15/2016 (your FY 2016)

This standard addresses accounting and financial reporting for pensions that were not covered by GASB Statement No. 68, because the plan assets are not held in trust. Essentially, it applies the same treatment as GASB 68, but reflects the total pension liability and plan assets separately, rather than a net pension liability. We do not expect this standard to have any significant effect on the City.

GASB 74 ■ Postemployment Benefit Plans Other than Pension Plans

Effective 06/15/2017 (your FY 2017)

This standard requires the calculation of a net other postemployment benefit (OPEB) liability based on an actuarial valuation of retiree healthcare and similar benefits administered by an OPEB trust. It mirrors the new accounting and financial reporting requirements of GASB 67 for pension plans.

GASB 75 ■ Postemployment Benefits Other than Pensions

Effective 06/15/2018 (your FY 2018)

This standard builds on the requirements of GASB 74 by requiring employers that provide other postemployment benefits (OPEB) to recognize a net OPEB liability on their statements of net position. It mirrors the new accounting and financial reporting requirements of GASB 68 for pension benefits.

GASB 76 ■ The Hierarchy of GAAP for State and Local Governments

Effective 06/15/2016 (your FY 2016)

This standard clarifies the source of "generally accepted accounting principles" (GAAP) for governments. Authoritative sources of GAAP now include (1) GASB pronouncements, (2) GASB implementation guides, and (3) AICPA literature specifically cleared by the GASB. This standard does not change existing GAAP.

CITY OF LANSING, MICHIGAN

■ Attachment B - Upcoming Changes in Accounting Standards / Regulations For the June 30, 2015 Audit

GASB 77 ■ Tax Abatement Disclosures *Effective 12/15/2016 (your FY 2017)*

This standard requires governments to disclose certain information about tax abatement agreements made to foster economic development or otherwise benefit the government or its citizens. Required disclosures include a brief description of the arrangement, the gross dollar amount of taxes abated in the current period, and any additional commitments made by the government as part of the agreement.

2 CFR 200 ■ Uniform Guidance for Federal Awards *Cost Principles Effective 12/26/2014; Single Audit Requirements Effective 12/26/2015 (your FY 2016)*

The Office of Management and Budget (OMB) has consolidated seven separate circulars (including administrative requirements, cost principles, and audit requirements) into a single federal regulation. The new Uniform Guidance covers all aspects of federal grants from pre-award through the single audit. While much of the guidance was simply reorganized and recodified, there were also several substantive changes to the single audit thresholds. A single audit will now only be required if total expenditures of federal awards exceed \$750,000 (up from \$500,000). The OMB also made revisions to the list of compliance requirements tested in a single audit.

In addition, the Uniform Guidance now explicitly requires grant recipients to have sound internal controls (which should be consistent with the COSO framework), and documented procedures for grant administration. Written procedures are required for payments (cash draws), procurement (including conflicts of interest), allowability of costs, compensation, and travel costs. Rehmann is available to assist grant recipients in developing/documenting these policies and procedures in compliance with the new requirements.



CITY OF LANSING, MICHIGAN

Attachment C - Management Representations

For the June 30, 2015 Audit

The following pages contain the written representations that we requested from management.



December 21, 2015

Rehmann Robson
2330 East Paris Avenue, SE
Grand Rapids, Michigan 49546

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Lansing, Michigan* (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the respective budgetary comparison for the General Fund of the City in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of December 21, 2015:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 11, 2015, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates are reasonable.

6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. We agree with the findings of specialists in evaluating the worker's compensation liability and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
22. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Information Provided

23. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
24. All transactions have been recorded in the accounting records and are reflected in the financial statements.
25. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
26. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - d. Management;
 - e. Employees who have significant roles in internal control; or
 - f. Others where the fraud could have a material effect on the financial statements.
27. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
28. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
29. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
30. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
31. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
32. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
33. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
34. There are no:
 - g. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - h. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - i. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
35. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
36. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

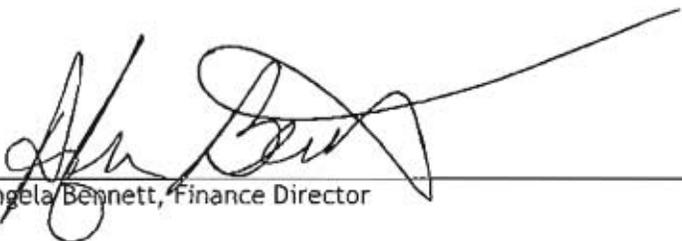
37. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

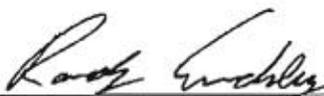
38. With respect to the supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

39. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.



Angela Bennett, Finance Director



Randy Endsley, Accounting Manager

CITY OF LANSING, MICHIGAN

Schedule of Adjustments Passed (SOAP) For the June 30, 2015 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Equity	Revenues	Expenses/Expenditures
Governmental activities					
Unreported estimated liability for potential Michigan Tax Tribunal settlement	\$ -	\$ (178,670)	\$ 223,337	\$ -	\$ 44,667
Misstatement as a percentage of total assets - governmental activities	0.00%	-0.07%	0.09%	0.00%	0.02%

INDEPENDENT AUDITORS' 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*

December 21, 2015

Honorable Mayor and
Members of City Council
City of Lansing, Michigan

We have audited, in accordance with the 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Lansing, Michigan* (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2015-001 and -002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2015-003 and -004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City of Lansing, Michigan's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 City'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.

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2015

2015-001 - Material Audit Adjustments (Repeat Comment)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed material adjustments (which were approved and posted by management) to adjust the City's accounting records. In addition, we received several revisions to the City's trial balance, (the final version was received on December 7, 2015), each of which contained material corrections to previous versions. Also, management identified and posted many smaller adjustments to a wide variety of funds and accounts throughout the audit process that collectively had a material effect on the City's financial reporting process.

Cause. Over the past several years, the City's finance department has reduced in size due to staffing reductions and staffing turnover. These changes have placed a significant burden on the year-end close process, and has resulted in adjustments not being posted timely.

Effect. As a result of this condition, the City's financial information was initially misstated by amounts that were deemed to be quantitatively material to nearly every opinion unit, and numerous account balances were not adjusted timely throughout the year. Correcting entries were subsequently posted by management to the City's records and the appropriate balances are presented in the audited financial statements.

Recommendation. Management has already taken appropriate corrective action by posting correcting journal entries. However, we strongly recommend that the City critically assess the staffing levels in its Finance Department to ensure that there are an appropriate number of qualified/trained individuals available throughout the year to maintain the City's books and records in accordance with GAAP.

View of Responsible Officials. The City believes that the staffing levels are budgeted at adequate levels; however, staffing turnover has resulted in vacancies. One of the vacancies was filled subsequent to the fiscal year end. Two other vacancies are in the hiring process and are currently filled by temporary employees.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2015

2015-002 - Timely and Accurate Preparation and Submission of Pension and OPEB Data (Repeated Comment)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. The City obtains actuarial valuations and other reports for its various pension and other postemployment benefit (OPEB) plans each year. Ideally, these valuations should be obtained far enough in advance to be used to calculate amounts to be included in the audited financial statements. The City is responsible for accurate and timely compilation of data necessary for actuarial professionals to process and complete reporting necessary for the proper reporting of pension and OPEB information in the annual financial statements.

Condition. Investment schedules related to the pension plans, subsequent to the actuarial valuation report as of December 31, 2014, were not completely updated and reconciled until 4 months after year-end. This caused significant delays in submitting investment and pension reserve information to the actuaries, thus delaying the issuance of the actuary's June 30, 2015 reports, for GASB 67/68 purposes. In addition, of the 40 retirees selected for testing from the City's census submitted for the OPEB plan, we noted one retiree's benefits were reported as Full Family, despite the fact that the retiree was actually only receiving 2 person coverage as of the date of the valuation.

Cause. Position vacancies in Finance resulted in the delayed delivery of the investment schedules to the actuary.

Effect. As a result of this condition, the City experienced an increased risk that misstatements in the accounting records, whether caused by error or fraud, would not be detected and corrected on a timely basis.

Recommendation. Management has already taken appropriate corrective action by completing all current year investment reconciliations. However, we strongly recommend that the City critically assess the activities of the finance staff to assure that required tasks are completed accurately and in a timely fashion.

View of Responsible Officials. In regards to OPEB census reporting, currently, the comprehensive list of retiree health care coverages comprises of static information, meaning that the benefits tracked are those that are currently in effect at the time the information is viewed. The City will modify its source of benefit tracking to include historical changes including dates going forward. In terms of vacancies, vacant positions are in the process of being filled, one having been filled subsequent to the fiscal year-end.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2015

2015-003 - Internal Controls over Manually Prepared Spreadsheets (Repeat Comment)

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. The City utilizes manual spreadsheets for documenting the composition of certain account balances. These spreadsheets support amounts presented in the City's financial statements, and are therefore considered to be a part of the City's internal controls.

Condition. The City maintains manual spreadsheets related to amounts and disclosures related to the OPEB plan, accrued compensated absences, capital assets and long-term installment debt. We noted certain errors in the manual capital asset detail spreadsheets that had to be corrected: 1) a significant item did not include the full amount of cost in its capitalized amount, 2) the sale of park land did not initially generate a disposal on the detail worksheet, and 3) an inaccurate formula caused the initial undercapitalization of road construction costs by a significant amount. In addition, we noted that all parks and recreation land parcels owned by the City were contained in one lump sum in the detail, thus requiring an estimate to be completed to arrive at a cost figure to dispose of a land sale. While management has indicated that these spreadsheets are reviewed, no evidence of independent review was retained.

Cause. The condition above appears to be caused by a lack of detailed review of these schedules, or the absence of a detail review evidenced in writing.

Effect. As a result of this condition, the City's capital asset balances were misstated by amounts that were significant to the financial statements taken as a whole. Also as a result of this condition, the City experienced an increased risk that misstatements in the accounting records, whether caused by error or fraud, would not be detected and corrected on a timely basis.

Recommendation. We recommend the City implement an independent review and approval process over all manual spreadsheets that are used as a basis for balances in the accounting records. We recommend that this review process be documented by the appointed reviewer by initials and date.

View of Responsible Officials. While independent reviews were initially performed, subsequent revisions made during the review process were not subsequently reviewed. Going forward, all revisions made during review, will then be reviewed. Additionally, reviews will be documented either by email or by a signature on a paper document.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2015

2015-004 - Preparation of Schedule of Expenditures of Federal Awards

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. OMB Circular A-133, §___.300, requires that the City “identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.” In addition, the City is required to “prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §___.310.”

Condition. While management was able to provide us with a substantially complete schedule of expenditures of federal awards (SEFA) during our audit fieldwork, we noted that the schedule omitted one significant program and, in certain instances, identified program income earned as federal awards received. The omission was a State Loan program that contained a portion of a Federal pass-through award that was received by one of the City's enterprise funds. Because these were loan proceeds, and not grant income, there was no activity statement impact and thus the City's internal controls over the identification of federal programs, which is focused on grant income, did not initially identify it.

Cause. As is the case with many governments, the City administers a vast array of federal and state grants administered by various departments. The function of grant administration is therefore very decentralized. In addition there appears to be a lack of appropriately detailed review of the SEFA.

Effect. As a result of this condition, the City's SEFA was initially misstated by an amount that is significant to the SEFA.

Recommendation. We recommend that the City critically assess its policy for grants administration, to ensure that federal awards are properly identified and reported on the SEFA.

View of Responsible Officials. Several policies were issued, subsequent to year end, to properly identify all Federal grant awards and other compliance requirements related to Federal awards. These policies will be further refined in fiscal year ending June 30, 2016 to comply with 2 CFR 200 for non-grant awards, such as loans.



CITY COUNCIL

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CITY COUNCIL

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OFFICE OF THE MAYOR

9th Floor, City Hall
124 W. Michigan Avenue
Lansing, Michigan 48933-1694
(517) 483-4141 (voice)
(517) 483-4479 (TDD)
(517) 483-6066 (Fax)

Virg Bernero, Mayor

TO: City Council President Tina Houghton and Councilmembers

FROM: Mayor Virg Bernero

DATE: 12-10-15

RE: **Resolution – Appointment of Tina Houghton of 6231 Coulson Court in Lansing, MI, 48911, as a City of Lansing Representative to the Tri-County Regional Planning Commission for a term to expire December 31, 2016**

The attached correspondence is forwarded for your review and appropriate action.

VB/rh
Attachment

BY THE _____
RESOLVED BY THE CITY COUNCIL OF THE CITY OF LANSING

WHEREAS, the Mayor made the appointment of Tina Houghton of 6231 Coulson Court in Lansing, MI, 48911, as a City of Lansing Representative to the Tri-County Regional Planning Commission for a term to expire December 31, 2016.

WHEREAS, The nominee has been vetted and meets the qualifications as required by the City Charter;

WHEREAS, the _____ Committee met on _____ and took affirmative action;

NOW, THEREFORE, BE IT RESOLVED that the Lansing City Council, hereby, confirms the appointment of Tina Houghton of 6231 Coulson Court in Lansing, MI, 48911, as a City of Lansing Representative to the Tri-County Regional Planning Commission for a term to expire December 31, 2016.



OFFICE OF THE MAYOR

9th Floor, City Hall
124 W. Michigan Avenue
Lansing, Michigan 48933-1694
(517) 483-4141 (voice)
(517) 483-4479 (TDD)
(517) 483-6066 (Fax)

Virg Bernero, Mayor

TO: City Council President Tina Houghton and Councilmembers

FROM: Mayor Virg Bernero

DATE: 12-10-15

RE: **Resolution – Appointment of Kathie Dunbar of 1334 Boston Boulevard in Lansing, MI, 48910, as a City of Lansing Representative to the Tri-County Regional Planning Commission for a term to expire December 31, 2016**

The attached correspondence is forwarded for your review and appropriate action.

VB/rh
Attachment

BY THE _____
RESOLVED BY THE CITY COUNCIL OF THE CITY OF LANSING

WHEREAS, the Mayor made the appointment of Kathie Dunbar of 1334 Boston Boulevard in Lansing, MI, 48910, as a City of Lansing Representative to the Tri-County Regional Planning Commission for a term to expire December 31, 2016.

WHEREAS, The nominee has been vetted and meets the qualifications as required by the City Charter;

WHEREAS, the _____ Committee met on _____ and took affirmative action;

NOW, THEREFORE, BE IT RESOLVED that the Lansing City Council, hereby, confirms the appointment of Kathie Dunbar of 1334 Boston Boulevard in Lansing, MI, 48910, as a City of Lansing Representative to the Tri-County Regional Planning Commission for a term to expire December 31, 2016.



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Virg Bernero, Mayor

TO: City Council President Tina Houghton and Councilmembers

FROM: Mayor Virg Bernero

DATE: 12-10-15

RE: **Resolution – Appointment of Chris Swope of 1402 N. Genesee Drive in Lansing, MI, 48915, as a City of Lansing Representative to the Tri-County Regional Planning Commission for a term to expire December 31, 2016**

The attached correspondence is forwarded for your review and appropriate action.

VB/rh
Attachment

BY THE _____
RESOLVED BY THE CITY COUNCIL OF THE CITY OF LANSING

WHEREAS, the Mayor made the appointment of Chris Swope of 1402 N. Genesee Drive in Lansing, MI, 48915, as a City of Lansing Representative to the Tri-County Regional Planning Commission for a term to expire December 31, 2016.

WHEREAS, The nominee has been vetted and meets the qualifications as required by the City Charter;

WHEREAS, the _____ Committee met on _____ and took affirmative action;

NOW, THEREFORE, BE IT RESOLVED that the Lansing City Council, hereby, confirms the appointment of Chris Swope of 1402 N. Genesee Drive in Lansing, MI, 48915, as a City of Lansing Representative to the Tri-County Regional Planning Commission for a term to expire December 31, 2016.

**INDEPENDENT AUDITORS' 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***

December 21, 2015

Honorable Mayor and
Members of City Council
City of Lansing, Michigan

We have audited, in accordance with the 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Lansing, Michigan* (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2015-001 and -002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2015-003 and -004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City of Lansing, Michigan's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 City'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.

Rehmann Johnson LLC

Schedule of Findings and Responses

For the Year Ended June 30, 2015

2015-001 - Material Audit Adjustments (Repeat Comment)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed material adjustments (which were approved and posted by management) to adjust the City's accounting records. In addition, we received several revisions to the City's trial balance, (the final version was received on December 7, 2015), each of which contained material corrections to previous versions. Also, management identified and posted many smaller adjustments to a wide variety of funds and accounts throughout the audit process that collectively had a material effect on the City's financial reporting process.

Cause. Over the past several years, the City's finance department has reduced in size due to staffing reductions and staffing turnover. These changes have placed a significant burden on the year-end close process, and has resulted in adjustments not being posted timely.

Effect. As a result of this condition, the City's financial information was initially misstated by amounts that were deemed to be quantitatively material to nearly every opinion unit, and numerous account balances were not adjusted timely throughout the year. Correcting entries were subsequently posted by management to the City's records and the appropriate balances are presented in the audited financial statements.

Recommendation. Management has already taken appropriate corrective action by posting correcting journal entries. However, we strongly recommend that the City critically assess the staffing levels in its Finance Department to ensure that there are an appropriate number of qualified/trained individuals available throughout the year to maintain the City's books and records in accordance with GAAP.

View of Responsible Officials. The City believes that the staffing levels are budgeted at adequate levels; however, staffing turnover has resulted in vacancies. One of the vacancies was filled subsequent to the fiscal year end. Two other vacancies are in the hiring process and are currently filled by temporary employees.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2015

2015-002 - Timely and Accurate Preparation and Submission of Pension and OPEB Data (Repeated Comment)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. The City obtains actuarial valuations and other reports for its various pension and other postemployment benefit (OPEB) plans each year. Ideally, these valuations should be obtained far enough in advance to be used to calculate amounts to be included in the audited financial statements. The City is responsible for accurate and timely compilation of data necessary for actuarial professionals to process and complete reporting necessary for the proper reporting of pension and OPEB information in the annual financial statements.

Condition. Investment schedules related to the pension plans, subsequent to the actuarial valuation report as of December 31, 2014, were not completely updated and reconciled until 4 months after year-end. This caused significant delays in submitting investment and pension reserve information to the actuaries, thus delaying the issuance of the actuary's June 30, 2015 reports, for GASB 67/68 purposes. In addition, of the 40 retirees selected for testing from the City's census submitted for the OPEB plan, we noted one retiree's benefits were reported as Full Family, despite the fact that the retiree was actually only receiving 2 person coverage as of the date of the valuation.

Cause. Position vacancies in Finance resulted in the delayed delivery of the investment schedules to the actuary.

Effect. As a result of this condition, the City experienced an increased risk that misstatements in the accounting records, whether caused by error or fraud, would not be detected and corrected on a timely basis.

Recommendation. Management has already taken appropriate corrective action by completing all current year investment reconciliations. However, we strongly recommend that the City critically assess the activities of the finance staff to assure that required tasks are completed accurately and in a timely fashion.

View of Responsible Officials. In regards to OPEB census reporting, currently, the comprehensive list of retiree health care coverages comprises of static information, meaning that the benefits tracked are those that are currently in effect at the time the information is viewed. The City will modify its source of benefit tracking to include historical changes including dates going forward. In terms of vacancies, vacant positions are in the process of being filled, one having been filled subsequent to the fiscal year-end.

Schedule of Findings and Responses

For the Year Ended June 30, 2015

2015-003 - Internal Controls over Manually Prepared Spreadsheets (Repeat Comment)

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. The City utilizes manual spreadsheets for documenting the composition of certain account balances. These spreadsheets support amounts presented in the City's financial statements, and are therefore considered to be a part of the City's internal controls.

Condition. The City maintains manual spreadsheets related to amounts and disclosures related to the OPEB plan, accrued compensated absences, capital assets and long-term installment debt. We noted certain errors in the manual capital asset detail spreadsheets that had to be corrected: 1) a significant item did not include the full amount of cost in its capitalized amount, 2) the sale of park land did not initially generate a disposal on the detail worksheet, and 3) an inaccurate formula caused the initial undercapitalization of road construction costs by a significant amount. In addition, we noted that all parks and recreation land parcels owned by the City were contained in one lump sum in the detail, thus requiring an estimate to be completed to arrive at a cost figure to dispose of a land sale. While management has indicated that these spreadsheets are reviewed, no evidence of independent review was retained.

Cause. The condition above appears to be caused by a lack of detailed review of these schedules, or the absence of a detail review evidenced in writing.

Effect. As a result of this condition, the City's capital asset balances were misstated by amounts that were significant to the financial statements taken as a whole. Also as a result of this condition, the City experienced an increased risk that misstatements in the accounting records, whether caused by error or fraud, would not be detected and corrected on a timely basis.

Recommendation. We recommend the City implement an independent review and approval process over all manual spreadsheets that are used as a basis for balances in the accounting records. We recommend that this review process be documented by the appointed reviewer by initials and date.

View of Responsible Officials. While independent reviews were initially performed, subsequent revisions made during the review process were not subsequently reviewed. Going forward, all revisions made during review, will then be reviewed. Additionally, reviews will be documented either by email or by a signature on a paper document.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2015

2015-004 - Preparation of Schedule of Expenditures of Federal Awards

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. OMB Circular A-133, §___.300, requires that the City “identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.” In addition, the City is required to “prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §___.310.”

Condition. While management was able to provide us with a substantially complete schedule of expenditures of federal awards (SEFA) during our audit fieldwork, we noted that the schedule omitted one significant program and, in certain instances, identified program income earned as federal awards received. The omission was a State Loan program that contained a portion of a Federal pass-through award that was received by one of the City’s enterprise funds. Because these were loan proceeds, and not grant income, there was no activity statement impact and thus the City’s internal controls over the identification of federal programs, which is focused on grant income, did not initially identify it.

Cause. As is the case with many governments, the City administers a vast array of federal and state grants administered by various departments. The function of grant administration is therefore very decentralized. In addition there appears to be a lack of appropriately detailed review of the SEFA.

Effect. As a result of this condition, the City’s SEFA was initially misstated by an amount that is significant to the SEFA.

Recommendation. We recommend that the City critically assess its policy for grants administration, to ensure that federal awards are properly identified and reported on the SEFA.

View of Responsible Officials. Several policies were issued, subsequent to year end, to properly identify all Federal grant awards and other compliance requirements related to Federal awards. These policies will be further refined in fiscal year ending June 30, 2016 to comply with 2 CFR 200 for non-grant awards, such as loans.



INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

December 21, 2015

Honorable Mayor and
Members of the City Council
City of Lansing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Lansing, Michigan** (the "City") as of and for the year ended June 30, 2015, and have issued our report thereon dated December 21, 2015. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 11, 2015, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated December 21, 2015. In addition, we noted certain other matters which are included in Attachment A to this letter.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on September 24, 2015.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements.

As described in Note 19 to the financial statements, the City changed accounting policies related to pension plan reporting by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*. The cumulative effect of the accounting change as of the beginning of the year is reported in the Government-wide statement of activities as well as the statement of revenues, expenses and changes in fund net position for proprietary funds.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.
- Management's estimate of the leases receivable balances is based on past experience and future estimate of leases receivable.
- Management's estimate of the income tax receivable balance is based on past experience utilizing the first 45 days collections of income tax withholdings.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Significant Difficulties Encountered During the Audit

The timing of our audit procedures was delayed from the schedule agreed to during the planning stages of our engagement due to delays in the availability of supporting documentation and the ability of City staff to provide needed follow-up documentation in expected timeframes. This condition appears to largely be the result of limited staffing levels in the Finance Department.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The material misstatements detected as a result of audit procedures and corrected by management are described in the Schedule of Findings and Responses issued in connection with our report on internal control over financial reporting.

The schedule of adjustments passed is included with management's written representations in Attachment C to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment C to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the City of Lansing, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Lehman Lohman LLC". The signature is written in dark ink and is positioned below the "Very truly yours," text.

Attachment A - Comments and Recommendations

For the June 30, 2015 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. Our consideration of the City's internal control over financial reporting is described in our report, dated December 21, 2015, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated December 21, 2015, on the financial statements of the City of Lansing, Michigan.

Stale Reconciling Items (Repeat Comment)

During our review of the City's bank reconciliations, we noted a number of reconciling items dating back as far as 1997. We continue to recommend the City review stale items and either void and reissue or escheat them to the State, as necessary.

End Control over Payroll Processing (Repeat Comment)

The City currently has procedures in place to ensure that employees are being paid at the correct rate and for the actual number of hours worked. Since the process of inputting timesheet data into the payroll system requires manual entry, we recommend that the City implement an "end control" over payroll disbursements. This could be done by having an employee independent of payroll processing review a preliminary payroll register by employee, or by having the payroll system generate exception reports for data outside certain parameters. In all instances, any independent review and approval should be documented and retained as evidence of the control.

Compliance with the Uniform Budgeting Manual (Repeat Comment)

In adopting the budgets for the year, the City budgeted for one special revenue fund's expenditures to exceed revenue and fund balance reserve. The Michigan Uniform Budgeting Manual does not allow for budgeted fund deficits. We recommend the City review budgeted expenditures and revenues for accuracy and consider the need for transfers in from other funds to avoid budgeted deficits.



CITY OF LANSING, MICHIGAN

Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2015 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 72 ■ Fair Value Measurement and Application

Effective 06/15/2016 (your FY 2016)

This standard defines "fair value" as the price that would be received to sell an asset in an orderly transaction between market participants (an "exit price"). Fair value measurement is currently applied principally to investments, which GASB 72 does not change. However, it does introduce specific methods for measuring fair value when a market price is not readily available, and establishes a 3-level hierarchy of fair value that is disclosed in the footnotes, based on the presence or absence of observable market inputs.

GASB 73 ■ Pensions and Related Assets Not Within the Scope of GASB 68

Effective 06/15/2016 (your FY 2016)

This standard addresses accounting and financial reporting for pensions that were not covered by GASB Statement No. 68, because the plan assets are not held in trust. Essentially, it applies the same treatment as GASB 68, but reflects the total pension liability and plan assets separately, rather than a net pension liability. We do not expect this standard to have any significant effect on the City.

GASB 74 ■ Postemployment Benefit Plans Other than Pension Plans

Effective 06/15/2017 (your FY 2017)

This standard requires the calculation of a net other postemployment benefit (OPEB) liability based on an actuarial valuation of retiree healthcare and similar benefits administered by an OPEB trust. It mirrors the new accounting and financial reporting requirements of GASB 67 for pension plans.

GASB 75 ■ Postemployment Benefits Other than Pensions

Effective 06/15/2018 (your FY 2018)

This standard builds on the requirements of GASB 74 by requiring employers that provide other postemployment benefits (OPEB) to recognize a net OPEB liability on their statements of net position. It mirrors the new accounting and financial reporting requirements of GASB 68 for pension benefits.

GASB 76 ■ The Hierarchy of GAAP for State and Local Governments

Effective 06/15/2016 (your FY 2016)

This standard clarifies the source of "generally accepted accounting principles" (GAAP) for governments. Authoritative sources of GAAP now include (1) GASB pronouncements, (2) GASB implementation guides, and (3) AICPA literature specifically cleared by the GASB. This standard does not change existing GAAP.

Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2015 Audit

GASB 77 ■ Tax Abatement Disclosures

Effective 12/15/2016 (your FY 2017)

This standard requires governments to disclose certain information about tax abatement agreements made to foster economic development or otherwise benefit the government or its citizens. Required disclosures include a brief description of the arrangement, the gross dollar amount of taxes abated in the current period, and any additional commitments made by the government as part of the agreement.

2 CFR 200 ■ Uniform Guidance for Federal Awards

Cost Principles Effective 12/26/2014; Single Audit Requirements Effective 12/26/2015 (your FY 2016)

The Office of Management and Budget (OMB) has consolidated seven separate circulars (including administrative requirements, cost principles, and audit requirements) into a single federal regulation. The new Uniform Guidance covers all aspects of federal grants from pre-award through the single audit. While much of the guidance was simply reorganized and recodified, there were also several substantive changes to the single audit thresholds. A single audit will now only be required if total expenditures of federal awards exceed \$750,000 (up from \$500,000). The OMB also made revisions to the list of compliance requirements tested in a single audit.

In addition, the Uniform Guidance now explicitly requires grant recipients to have sound internal controls (which should be consistent with the COSO framework), and documented procedures for grant administration. Written procedures are required for payments (cash draws), procurement (including conflicts of interest), allowability of costs, compensation, and travel costs. Rehmann is available to assist grant recipients in developing/documenting these policies and procedures in compliance with the new requirements.



CITY OF LANSING, MICHIGAN

Attachment C - Management Representations

For the June 30, 2015 Audit

The following pages contain the written representations that we requested from management.



Virg Bernero, Mayor

December 21, 2015

Rehmann Robson
2330 East Paris Avenue, SE
Grand Rapids, Michigan 49546

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Lansing, Michigan* (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the respective budgetary comparison for the General Fund of the City in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of December 21, 2015:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 11, 2015, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates are reasonable.

6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. We agree with the findings of specialists in evaluating the worker's compensation liability and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
22. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Information Provided

23. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
24. All transactions have been recorded in the accounting records and are reflected in the financial statements.
25. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
26. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - d. Management;
 - e. Employees who have significant roles in internal control; or
 - f. Others where the fraud could have a material effect on the financial statements.
27. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
28. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
29. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
30. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
31. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
32. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
33. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
34. There are no:
 - g. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - h. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - i. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
35. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
36. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

37. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

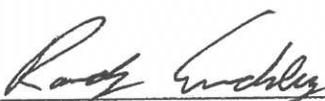
38. With respect to the supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

39. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.



Angela Bennett, Finance Director



Randy Endsley, Accounting Manager

CITY OF LANSING, MICHIGAN

Schedule of Adjustments Passed (SOAP)

For the June 30, 2015 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Equity	Revenues	Expenses/ Expenditures
Governmental activities					
Unreported estimated liability for potential Michigan Tax Tribunal settlement	\$ -	\$ (178,670)	\$ 223,337	\$ -	\$ 44,667
Misstatement as a percentage of total assets - governmental activities	0.00%	-0.07%	0.09%	0.00%	0.02%

CITY OF LANSING FISCAL YEAR 2015 AUDIT MANAGEMENT COMMENT RESPONSES

Stale Reconciling Items

During our review of the City's bank reconciliations, we noted a number of reconciling items dating back as far as 1997. We continue to recommend the City review stale items and either void and reissue or escheat to the State, as necessary.

Response: Due to changes in State reporting requirements, additional information is needed to remit amounts for escheating purposes. Some information is not currently in possession by the City due to the nature of the items. The City will be working to obtain the information necessary to complete the escheating process.

End Control over Payroll Processing

The City currently has procedures in place to ensure that employees are being paid at the correct rate and for the actual number of hours worked. Since the process of inputting timesheet data into the payroll system requires manual entry, we recommend that the City implement an "end control" over payroll disbursements. This could be done by having an employee independent of payroll processing review a preliminary payroll register by employee, or by having the payroll system generate exception reports for data outside certain parameters. In all instances, any independent review and approval should be documented and retained as evidence of the control.

Response: The required "end control" is specific to entries added or deleted outside of the standard process. The City continues to explore the most effective methods available to provide a comprehensive end control, in addition to the existing audit trail.

Compliance with Uniform Budgeting Manual

In adopting the budgets for the year, the City budgeted for one special revenue fund's expenditures to exceed revenue and fund balance reserve. The Michigan Uniform Budgeting Manual does not allow for budgeted fund deficits. We recommend the City review budgeted expenditures and revenues for accuracy and consider the need for transfers in from other funds to avoid budgeted deficits.

Response: When adopting the fiscal year 2015 budget, a fund was budgeted to use a portion of estimated fund balance reserve. After fiscal year 2014 fund balance reserves were ultimately determined, it was identified that the reserves were less than estimated when adopting the 2015 budget. While the fund did not end the fiscal year 2015 with a deficit, management acknowledges that a budget transfer reducing the overall appropriation in the fund, should have been executed. This also occurred in a fund in the prior year and procedures have since been updated to prevent future instances; however this occurred after a fund was split into two funds.

We appreciate the service Rehmann Robson has provided in this audit and with these recommendations. If you have any questions, please feel free to contact me.

Sincerely,



Randy Endsley

Accounting Manager

Governmental Accounting Standards Board (GASB) Statement 68 Enterprise Fund Impact

<u>FY 2015 Year-End Results Before GASB 68 Statement</u>	Enterprise Funds					
	<u>Cemeteries</u>	<u>Golf</u>	<u>Garbage & Rubbish</u>	<u>Recycling</u>	<u>Sewer</u>	<u>Parking</u>
Operating Revenue	\$ 335,379	\$ 363,559	\$ 1,744,999	\$ 3,624,671	\$ 31,730,416	\$ 6,988,879
Operating Expenses	632,485	835,897	1,712,671	3,378,135	23,615,272	5,806,809
Operating income (loss)	<u>\$ (297,106)</u>	<u>\$ (472,338)</u>	<u>\$ 32,328</u>	<u>\$ 246,536</u>	<u>\$ 8,115,144</u>	<u>\$ 1,182,070</u>
Non-Operating Revenues & (Expenses)	\$ -	\$ (9,617)	\$ -	\$ (245,141)	\$ (3,676,905)	\$ (859,479)
Income/(loss) before transfers	<u>\$ (297,106)</u>	<u>\$ (481,955)</u>	<u>\$ 32,328</u>	<u>\$ 1,395</u>	<u>\$ 4,438,239</u>	<u>\$ 322,591</u>
Transfers from Other Funds	\$ 388,808	\$ 555,677	\$ -	\$ -	\$ (300,000)	\$ -
Change in Net Position	<u>\$ 91,702</u>	<u>\$ 73,722</u>	<u>\$ 32,328</u>	<u>\$ 1,395</u>	<u>\$ 4,138,239</u>	<u>\$ 322,591</u>
Beginning Unrestricted Retained Earnings, net of pension liability	\$ 162,295	\$ (6,327)	\$ 65,124	\$ 1,491,807	\$ 28,538,594	\$ 9,765,293
Change in Net Position	91,702	73,722	32,328	1,395	4,138,239	322,591
Ending Unrestricted Retained Earnings, net of pension liability	253,997	67,395	97,452	1,493,202	32,676,833	10,087,884
GASB 68 Statement Impact						
Ending Unrestricted Retained Earnings, net of pension liability	\$ 253,997	\$ 67,395	\$ 97,452	\$ 1,493,202	\$ 32,676,833	\$ 10,087,884
Net Pension Liability	1,036,630	1,093,905	2,517,861	4,105,363	13,852,705	4,828,132
Ending Retained Earnings with Pension Liability	(782,633)	(1,026,510)	(2,420,409)	(2,612,161)	18,824,128	5,259,752

Submitted @ mtg

**FY 2015 Year-End Results - General Fund/Budget Stabilization Fund
(Includes Stadium Fund as displayed in CAFR)**

	<u>General Fund</u>	<u>Stadium Fund</u>	<u>Combined</u>
Revenues	\$ 120,252,835	\$ 432,433	\$ 120,685,268
Expenditures	119,122,265	103,925	119,226,190
Surplus/(Deficit) of Revenues over Expenditures	<u>\$ 1,130,570</u>	<u>\$ 328,508</u>	<u>\$ 1,459,078</u>
<u>Changes in Fund Balance Assignments</u>			
Human Services Ordinance and Donations	\$ 47,688		47,688
Police Millage Fund - FY 2013 Residuals	(1,112,863)		(1,112,863)
Fire Millage Fund - FY 2013 Residuals	(490,992)		(490,992)
Stadium Fund Balance		328,508	328,508
Inventories/Prepaid Amounts	(44,346)		(44,346)
	<u>\$ (1,600,513)</u>	<u>\$ 328,508</u>	<u>\$ (1,272,005)</u>
 Increase in Unassigned Fund Balance	 \$ 2,731,083	 \$ 0	 \$ 2,731,083

(1) Because the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances on page 42 of the CAFR does not document changes in fund balance restrictions, the Net Change in Fund Balance shows as \$1,459,078. However, due to the changes in fund balance assignments noted above, unassigned fund balance increased by \$2,731,082. That increase is demonstrated when the unassigned fund balance (page 40 of FY 2015 CAFR) is compared to the FY 2014 unassigned fund balance (page 38 of FY 2014 CAFR) as indicated below.

Change in General Fund/Budget Stabilization Fund Balances	
<u>FY 2014 Unassigned Fund Balance</u>	
General Fund	\$ 1,771,111
Budget Stabilization Fund	5,281,719
Total Combined Beginning Fund Balance	<u>\$ 7,052,830</u>
 Surplus/(Deficit) (from above)	 \$ 2,731,083
<u>FY 2015 Unassigned Fund Balance</u>	
General Fund	\$ 3,818,585
Budget Stabilization Fund	5,965,325
Total Combined Ending Fund Balance	<u>\$ 9,783,911</u>
 Total General Fund Reserves as a Percent of Expenditures - 6/30/2015	 8.2%
Total General Fund Reserves as a Percent of Expenditures - 6/30/2014	6.2%

submitted @ mts