CITY OF LANSING

2002 Comprehensive Annual Financial Report

FOR
FISCAL YEAR ENDED JUNE 30, 2002

DAVID C. HOLLISTER, ***Mayor***
ROBERT W. SWANSON, *Director of Finance*

LANSING CITY GOVERNMENT
2002

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DEBBIE MINER

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LARRY MEYER	2nd Ward – SANDRA ALLEN
SATURNINO RODRIGUEZ	3rd Ward – TONY BENAVIDES
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City Attorney..... James D. Smiertka
City Treasurer ..... Jill Rhode
Executive Assistant to the Mayor ..... David M. Wiener
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Fire Chief ..... Gregory Martin
Human Relations & Community Services, Interim Director of ..... Willard K. Walker
Internal Auditor ..... Gregory J. Koessel
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Personnel, Director of..... Sharon Bommarito
Planning & Neighborhood Development, Director of..... Dennis Sykes
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Public Service, Director of..... David A. Berridge

City of Lansing
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December 1, 2002

Council President Larry Meyer
and Council Members
10th Floor City Hall
Lansing, Michigan 48933-1694

Dear President Meyer 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, 2002. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. 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 of the various funds of the City. Disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the management discussion and analysis (MD&A), government wide and general-purpose financial statements and combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, including information required for purposes of continuing disclosure for bond issues, which is generally presented on a multi-year basis.

In June 1999, the Government Accounting Standards Board (GASB) unanimously approved "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments"(Statement #34). This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation (based on the size of government) starting with fiscal years ending 2002 (for larger governments). As part of this statement, there is a new reporting requirement regarding the local government's required capitalization of infrastructure (roads, bridges, sewers, etc.). This statement permits an optional four-year delay for implementation to the fiscal year ending in 2006. The City has elected to implement both the basic model and the infrastructure-related portion of GASB 34 for the fiscal year ended June 30, 2002.

The financial reporting entity (the City) includes all of the funds 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, the Tax Increment Finance Authority and the Brownfield Redevelopment Authority are blended component units. 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, is reported as a discretely presented component unit.

The City provides a full range of services, including police and fire protection; sanitation services; the construction and maintenance of highways, streets, sewers, and infrastructure; recreational activities and support for human services and cultural events.

ECONOMIC CONDITION AND OUTLOOK

Serving as Michigan's capital since 1848, Lansing was incorporated in 1859 and operates under provisions of Public Act 279 of 1909, as amended ("Home Rule City Act"). The City 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. It is a mature core City with a population of 119,128, according to the 2000 Census.

As a leading passenger car assembly site, Lansing's economy has historically been subject to cyclical trends in automobile sales and within the national economy. However, unlike many other capital goods manufacturing centers, Lansing is also the seat of State Government, adjacent to a major university, and a regional health care center with two major hospitals employing more than 8,000 people. Additionally, over the past eight years, the City has led a concerted effort, with the enthusiastic participation of State, regional and private sector partners, to expand and diversify the area economy. This effort has been recognized with an award from the International Economic Development Council for the City's successful "Keeping GM" campaign. But, even apart from its continuing success in partnering for the future with General Motors, the City's economic development efforts have met with broad success in every area of the local economy, including commercial, office, health care, housing, recreation, Brownfield redevelopment, and reinvestment by the City, the County, and the State in public facilities and infrastructure. New investment represents more than two billion dollars. Perhaps the most indicative result is in a comparison of unemployment rates. While statewide unemployment in Michigan stood at 5.6%, Lansing unemployment in September of 2002 was 3.4% and was the second lowest of Michigan's 16 reporting labor markets.

Lansing's relationship with General Motors dates back to 1897 when Ransom E. Olds chartered the first operating automobile company in Michigan. Over the last three years Lansing, with its regional partners, and GM have acted decisively to extend this 105 year partnership and ensure that Lansing continues as the top passenger car assembly site in North America. In 1999, General Motors decided to build its first new plant in more than a decade, the Lansing Grand River Assembly Plant, on the site of its existing downtown Lansing facilities. Representing an investment of more than one-half billion dollars, this technologically cutting edge production facility began producing the flagship model for new era Cadillac's, the "CTS", which appeared in showrooms in January, 2002. With this model, Cadillac returned to its roots as a producer of technologically advanced high performance vehicles, featuring state of the art drivability in an entry-level sport/luxury platform. With the success of this model, a second shift will be added in the Spring of 2003, to produce the Cadillac SRX, a luxury sport utility vehicle to be built on the CTS platform. These vehicles are designed to challenge offerings from BMW, Daimler-Chrysler, and Lexus in the strongest segments of high margin categories.

While construction was just beginning on the Grand River Assembly Plant, the City and its regional partners continued negotiations with General Motors. In April of 2000,an agreement was announced for a second new assembly plant and a new stamping facility, designated the "Platinum Plant." Remarkably, Lansing is now the only City in the world where one new automobile assembly plant has been completed and a second new plant is planned, representing an estimated total investment of over $1.5 billion dollars. The regional stamping facility, associated with the Platinum Plant is now complete, while the assembly plant is expected to open in the Fall of 2006.

The new plants reflect the success of the "Keeping GM" initiative, a continuing three year, Lansing led, regional effort to promote Lansing's historically positive labor management relationships, reputation for quality production, and high quality of life, and to influence General Motors to reinvest in and enhance Lansing area facilities. With success, the "Keeping GM" effort is now dealing with an anticipated influx of new automotive suppliers and reinvestment by existing suppliers to service the new production facilities. It also continues to work with GM on locating replacement plants and for alternative uses for the City's older assembly facilities.

An econometric study by the Institute of Labor and Industrial Relations at the University of Michigan enumerated some startling economic outcomes related to the decision to build the new plants, even if the existing

Townsend and Verlinden plants were to be closed without specific replacement facilities or alternative uses. Apart from construction related employment gains, when both new plants are fully operational, 41,000 direct and indirect jobs would be generated in Michigan. Approximately 12,000 of these jobs are projected to be in the Lansing area. Over the next 20 years, the plants are projected to generate $38.6 billion in additional personal income in the State, including $10.8 billion in the Lansing area.

The economic development packages which were negotiated with GM to support plant construction included site infrastructure assistance and tax abatements, as well as a major new commitment to worker training. They reflect close cooperation among Lansing, Delta Township, the Board of Water and Light, and State Government.

For the Lansing Grand River Assembly Plant, the City provided tax incentives under Michigan Public Act 198 and Michigan Public Act 328. The former provided for a 50% tax abatement on real property, exclusive of land, for 12 years plus two years during construction. The latter provided for a 100% exemption on new personal property over the same period. As part of the package, GM also pays an annual infrastructure recovery and service payment to the City. The net impact of the Lansing Grand River Plant on City property tax related revenues in FY 2002 was $669,000, and is expected to increase to $1,371,000 in FY 2003. Over the 14 years of abatements, the City is projected to receive some $15.4 million in new property tax revenue. In addition, the new jobs directly created by the project are projected to provide $550,000 annually in income tax revenue.

For the Platinum Plant, the City and adjacent Delta Township developed an unprecedented intergovernmental agreement under Michigan Public Act 425. The agreement provides for the conditional transfer of 1000 acres from the Township to the City, for a period of twenty-five years, with an optional renewal. General Motors had previously optioned and subsequently concluded purchase of the site. It should be noted that the new Platinum assembly plant and related stamping plant are sited on 300 acres, leaving substantial space for further development.

This agreement was necessary as Michigan law does not permit the Township to offer an exemption of personal property taxes under Michigan P.A. 328, which was a critical element in the incentive package. Following the adoption of the 425 agreement, Lansing exempted new personal property, and provided a fifty percent abatement on plant construction for an incentive package valued at $188,700,000 over twenty-five years. The Platinum Plant is estimated to provide $27,500,000 in new property tax related revenue to the City, and the same amount to the Township, over the same period, inclusive of an annual infrastructure improvement and service payment. Lansing will receive all income tax revenue, estimated at more than $1,000,000, annually. Electric Service will be provided by the Lansing Board of Water and Light. Sewer service in the transferred area will be jointly provided. Water service, and provision for police, fire and emergency services will be provided by the Township.

Recognizing the importance of these two new plants to the State as a whole, not just the Lansing region, the Michigan Economic Development Corporation (MEDC) provided GM with tax incentives for both plants. For the Grand River Plant the State provided a new job creation credit with a present value of $73,087,000 over 20 years. For the Platinum Plant, a job retention credit with a present value of $61,829,000 was provided, also over 20 years. The total combined value of these credits is estimated at $226,000,000.

As part of the incentive package provided by the State of Michigan, and under the auspices of Lansing Community College, funding of $4,500,000 has been provided for construction of a Manufacturing Technology Education Center (MTEC). MTEC will provide for worker training in the emergent fields of high technology manufacturing processes, providing General Motors and its suppliers with a facility for worker training and retraining to meet the complex skill needs of its new manufacturing facilities. Area students will be provided with a conduit to prepare for the relatively high wage jobs that these facilities will make available. The MTEC will also be available to other employers and employees.

City of Lansing

The General Motors Craft Center, located in nearby Lansing Township, has historically produced relatively low volume custom vehicles, most recently the Cadillac Eldorado. In the Spring of 2003, the Craft Center will begin producing the “SSR Roadster”, a “retro look” truck with a convertible feature. This will be the first of several new niche vehicles expected to be produced at the plant.

Finally, in FY 2001, the production of Chevrolet Malibu models was completely moved from Oklahoma City to Lansing’s existing production facilities. The current production of the Grand Am and Alero at the Lansing Car Assembly is expected to run through 2004. The existing version of the Malibu, to be named the Chevrolet “Classic”, will be directed at fleet sales and produced through 2005. General Motors, the City, and our regional partners are continuing to discuss future production plans for Lansing Plants. However, existing plants are hampered by non-contiguous and aging production sites, necessitating cross town transport of vehicle components to final vehicle assembly. GM is expected to replace these facilities. The Blue Ribbon Committee to Retain General Motors has been working hard with the State, GM, and local UAW leaders to ensure that a replacement plant is built in the Lansing area. The additional land acquired at the Platinum site, new worker education facilities, the commitment of local leaders toward improving primary and secondary education, supplier investment and reinvestment, economies of scale with the new facilities already under construction, and the continued commitment from Lansing regional leaders, offer persuasive encouragement that this goal will be realized. The Committee also continues to work with GM on the reuse of the Lansing Car Assembly facility. Despite the slowing economy, local plants operated on an overtime basis throughout 2002, as GM continued to build market share and replace inventories, with aggressive marketing.

The new Grand River Assembly Plant is “state of the art”, not only in production quality and efficiency, but also in addressing ecological concerns. As part of new production at the Craft Center, continuing operations at Lansing Car Assembly, and planning for the new Platinum Plant, GM is installing new generation air quality equipment. New air quality permits have been approved for each of these facilities.

With the new Lansing Grand River Plant and the Platinum Plant, GM's manufacturing processes will be the most efficient and technologically advanced in the world. Modern facilities and "just in time" delivery and inventory practices will result in the relocation of component suppliers to the Lansing region. Development of this component supplier base is seen as positive to GM's eventual decision on the future of existing production facilities. One new component maker, Thomas National Trucking (TNT), has already constructed a 150,000 square foot facility that provided more than 100 new jobs within the City, and other suppliers have located in the area, fulfilling the promise of mutual benefit from mutual cooperation in the Lansing region.

Current Lansing GM plants produce vehicles with some of the lowest defect rates in the industry and enjoy excellent and highly cooperative labor management relationships and comparatively high worker productivity. A 2002 J.D. Power and Associates study of the number of problems experienced by consumers in the first 90 days after purchase ranked the Malibu, Alero, and Grand Am first, second and third in initial quality among mid-size cars. Similarly, The Habour Report 2002 ranked Lansing Car Assembly the most productive compact car plant in North America. When these cars were launched in 1998, Lansing plants set a record for model changeover, with the first vehicles coming off the line just 21 days after the beginning of retooling.

Regional cooperation has been a hallmark of the "Keeping GM" effort that is now strengthening the Lansing area economy. At the outset of this area wide effort, 40 local units of government and taxing jurisdictions signed a resolution pledging cooperation in this effort. The resolution called for local governments to forego their parochial needs in favor of cooperating as a region to convince GM that Lansing and the local area should be the location of choice for constructing new facilities.

The partnership between General Motors and the City extends to a mutual interest in promoting the quality of life of the Lansing region. For the past three years, General Motors has provided primary sponsorship for “Common Ground”, a week-long summer celebration and downtown music festival. Common Ground features a variety of national acts, including contemporary music, rock, gospel, jazz, and country venues, as well

as family activities in downtown Lansing. Estimated attendance grew from 48,000 in 2000, to more than 58,000 in 2001.The festival reached a financial "break-even" point in 2002, and is expected to continue to grow in future years. Also, when Lansing constructed its nationally recognized minor league baseball park in 1995, GM participated in the financial package for this economic development initiative by purchasing the naming rights to "Oldsmobile Park".

EDUCATION INITIATIVES

Most significantly, with the assistance of GM and community leaders, foundations and other private businesses, the City and the Lansing School District have been "ahead of the curve" in seeking to address the nationwide concern and the challenges inherent in modern urban education. In 1997 Lansing's Mayor appointed a special 'Blue Ribbon' panel, chaired by the Presidents of Michigan State University and Lansing Community College, with representatives from General Motors, the Lansing School District, teacher unions, parent teacher organizations, and neighborhoods. Recommendations of this Blue Ribbon Committee have now evolved into a comprehensive effort to address the needs of children from ages 0 to 18. Most such initiatives have been housed under the auspices of the Committee for Lansing Schools Success (CLASS), a non-profit organization which was established in 1997, with financial support and loaned executive talent from General Motors. CLASS–helped mobilize cash and in-kind contributions exceeding $3.5 million to enhance and improve the performance of Lansing schools.

More recently, through the efforts of Lansing's Mayor and Police Chief, in partnership with Lansing Community College and the Lansing School District, a motivational effort has evolved to help ensure access to higher education for Lansing students. The Hope Scholarship Program is a crime prevention and education initiative, founded under the premise that educational access promotes positive life style choices. Under the program, sixth graders are offered two years of free education at Lansing Community College if they graduate from high school. These students are chosen by their school, based upon their ability to use the program. More than $1,000,000 has now been donated to provide scholarships from corporate sponsors, local businesses and nonprofit organizations, as well as foundations, service clubs and individuals. The ultimate goal is to raise more than $2,000,000.

Meanwhile, CLASS activities have continued to support education initiatives on a number of fronts. In September, 2000, CLASS joined with three other youth oriented organizations to create the Capital Area Youth Alliance (CAYA). CAYA partners include:

"Project TEAM"- This is a General Motors/United Auto Workers initiative that has placed 44 laid off skilled trades workers in elementary schools to assist staff achieve targeted school improvements identified by staff, parents, and community leaders.

"Capital Area Community of Promise"- Organized using an Americorps Promise Fellow, students are encouraged to undertake projects in the community. Currently a "Youth Summit" is planned to increase the access and impact that young people have in creating public policy and allocating resources.

"Ready to Succeed"- This initiative grew out of another Mayoral Blue Ribbon Committee to develop a universally available system of supports and services for children from ages 0 to 5, with a goal of ensuring that children reach Kindergarten ready to succeed in school and life. The Committee's report served as the basis for a successful $3.9 million State grant through the Ingham County Intermediate School District. The core of this program is its Family Resource Teams who provide home visits, play groups, and parent education programs. Families receive resource guides and "passports" connecting them to a network of services and supports to child development. Some of the ongoing CLASS education initiatives include:

CLASS Volunteer Tutors- CLASS has recruited over 650 volunteer reading tutors each year, most of whom serve as "HOSTS" (Helping One Student to Succeed) mentors. Volunteers include 200 "Young Spartans"

and “America Reads” tutors from Michigan State University and Lansing Community College. In January, 2002 a pilot program was initiated to further improve the reading among middle school sixth graders. Fifty students are transported to the Service Learning Center at Michigan State University, where volunteer MSU students serve as reading mentors.

RSVP ‘CUTT’ (“Citizens United to Track Truancy”) volunteers- This program uses ten senior citizens from the Retired Senior Volunteer Program, in partnership with the Lansing Police Department, to help the Lansing School District track truants. In the current school year, the Lansing School District increased the priority of mandatory school attendance by hiring three new Truancy Specialists. Family Court judges volunteer their time to review truancy cases and meet with parents and truant children to require community service and other accountability.

“CLASS Act” mentoring program- This program provides role model mentors to work with at risk high school students, beginning with their freshman year. Students are expected to show annual improvement in attendance, discipline, and academics. They must also participate in community service. Deserving students may be offered summer jobs, career camps and stipends. At the end of four years students who meet criteria are eligible for two years free college at Lansing Community College.

“Success Team”- This is a program to increase parental involvement in elementary schools. Annual events are held for students and their parents, focusing on five themes: reading, hygiene, nutrition, attendance, and television watching. Funded from a number of foundation and private sources, 1200 parents and children have attended over the past three years.

“Welcome Back to School”- Over 130 community leaders and volunteers are recruited to welcome students, staff and parents back to school in the Fall, at all school locations. “CLASS partners” provide welcome back gifts of school supplies. The program provides for visibility, interaction, and is intended to help students to realize the importance the Community places on their education. This year’s program was expanded to include neighborhood canvasses to provide families with back to school packets. Also school open houses were held during the week before school opened.

“Galaxy Science Program”- Funded by a $500,000 grant from the General Motors Foundation, this program trained teachers to introduce elementary students to math and science principles. More than 175 teachers, representing those in all of Lansing’s 30 elementary schools, have already been trained. With the expiration of the grant this year, the program has been integrated into the Lansing School District’s curriculum.

“LAMP”- Under the auspices of CLASS, and in partnership with GM, the United Auto Workers, Lansing Community College and the Lansing School District, new "school to work" programs have been initiated. The "LAMP"(Lansing Area Manufacturing Partnership) offers an educational program designed around skills needed in the modern manufacturing environment. The STAR program, a collaboration between Lansing Community College and the Lansing School District, offers real world experiences in geographic information systems and computer applications.

Providing additional resources, and in recognition of its leadership, in FY 2001 Lansing was named one of six cities in the nation to receive the prestigious Municipal Leadership in Education Award from the National League of Cities Institute for Youth, Education and Families (IYEF). Supported by the Carnegie Foundation, 30 months of technical assistance is being provided to the Lansing School District to improve the quality of middle school education. The action plan includes activities to increase parental and community involvement, as well as improving attendance, behavior, and student achievement. Strategies include promoting involvement by municipal officials and other community leaders and improving relations with national experts and organizations to assist the schools and the community in meeting goals.

The IYEF award criteria required a demonstrated capacity within the Mayor's Office to support and sustain a leadership role in school improvement efforts. In Lansing, this track record is demonstrated by the many initiatives resulting from the Mayor's 1997 Blue Ribbon Panel's recommendations, and the continuing involvement of City, GM, school and community volunteers.

In Michigan public schools are operated by separately elected school boards. The City and the Lansing School District are working as cooperative partners to improve education, as an imperative to both organizations' missions. Since the hiring of a new Superintendent in FY 2000, the Lansing School District has proceeded with a number of new initiatives to improve both performance and public perception, and has succeeded in reversing the enrollment losses that had been anticipated. As an example of such innovations, "Magnet Schools" have been created, both at the primary and middle school level, with core studies in Language and Cultural Arts, Science and Geography, and Performing Arts. The District has instituted improved maintenance of its facilities, and provided for improved discipline through an innovative peer adjudication program. These achievements resulted in Lansing's Superintendent being named "Superintendent of the Year" in Michigan in 2001.

Local support for millages to support specific needs has remained strong. In August, 2002, voters approved an increase in the millage for the Capital Area Transportation Authority (CATA) to expand services, including provision of services to Michigan State University which had previously operated its own internal transportation system. In August of 2001, regional voters supported a 1mill increase in the millage levy for Lansing Community College that will improve available technology and provide salary increases for faculty. While a proposed $388 million bond issue to renovate virtually all Lansing primary and secondary schools did not pass, the Lansing School District is in the process of working with community groups to redesign the proposal, to be placed before voters sometime in the future. In cooperation with Ingham County, Lansing was successful in gaining voter approval to form an autonomous District Library Authority with a one mill supporting property tax levy. Effective on January 1, 1998, the Capital Area District Library became responsible for operating all libraries within the boundaries of the City of Lansing and Ingham County (with the exception of those in East Lansing and parts of two townships already included in other districts), replacing the old county library system and the former Lansing Library which had been operated by the School District. In August, 2000 nearly 70% of voters approved a three year renewal and an increase of .28 mills for support of the District Library. The library millage will, again, be placed before voters in 2003.

DEVELOPMENT

Inclusive of the new GM plants, more than $2,400,000,000 in new commercial, industrial, and governmental construction has either recently been completed or is in the construction or immediate preconstruction phase. This includes about $200,000,000 in new privately owned office space and $117,000,000 in governmentally owned space in the downtown area. Improvements throughout Lansing include major investments in the medical, retail/commercial, and housing sectors. While not included in the above construction total, other industrial and manufacturing initiatives have added new technical jobs to Lansing's employment base.

In FY 2002, development agreements were reached for two major privately owned downtown development projects which include office and commercial facets, along with construction of significant new housing units and significant parking improvements

The "Triangle" development is designed to include an office complex to house the Michigan Departments of State Police and Military Affairs, under a long-term lease. The legislature's Joint Capital Outlay Committee recently approved the project. It will be located on land that is currently a City surface parking lot, for which the City had sought development proposals. The City will issue bonds under its Building Authority to construct a new parking ramp to support parking demand in the southeast end of the downtown area. The ramp will be designed to be expandable to provide for eventual replacement of other aging facilities. Linked to this, and requiring simultaneous construction, developers will construct an 80 unit high rise housing complex on a parcel now owned by the Lansing Board of Water and Light, adjoining the City's river trail, on the Grand River. The

City will provide assistance to the project for site clean-up activities. A second phase of housing development, which is partially dependent on City land acquisition, will add eight to 15 townhouse units adjoining the high rise complex. Both aspects of the project will be located within the City's Tax Increment Finance Authority (TIFA), which will capture the total tax revenues from the project. The project would bring approximately 1000 employees to the downtown area, from current locations that are primarily outside the City.

The "Boji" development is planned as a multi-use facility, including office, office condominium, retail space and a fitness center. It will be located on land that the developer has acquired from the Accident Fund and the City has acquired from the State of Michigan. The site overlooks the State Capital and is seen as prime office space for State associations and persons doing business with the State. The project will include a parking ramp to support the office building, as well as additional parking needs of the Accident Fund, the State, and Cooley Law School. Because the project is within the City's Tax Increment Finance Authority, the TIFA will capture most tax revenues from the project. A Core Communities Initiative grant and loan from the State is assisting with this project.

As an older, core City, Lansing's growth has historically been restricted by the lack of significant parcels of undeveloped land, and by the higher costs associated with environmental restoration of obsolete facility sites ("brownfields") for redevelopment. The City has made strategic use of two tools provided by Michigan Law to overcome these challenges.

Public Act 425 of 1984, as amended, provides for the negotiation of "conditional land transfer agreements" among governmental units. Through such agreements City sewer service and Lansing Board of Water and Light electrical and water services have been extended to parcels in surrounding townships, which lack such services, to accommodate specific development plans. Certain economic development tools available only to the City can also be made available by "425 Agreements". The area involved becomes part of the City for a specified period, and tax revenues and provision of services are shared between the City and the partnering township

Lansing's initial success with the use of a 425 Agreement occurred in 1998, with negotiation of a conditional land transfer agreement with Alaiedon Township to provide for the retention and expansion of the Jackson National Life Insurance Company, beating out sites in California and Colorado. The new Jackson National Life World Headquarters building opened in 2000. The agreement includes that Lansing provides water, electric, and sewer services to the site, and maintains jurisdiction for 50 years. Lansing levies property and income taxes within the transferred area, collects the construction fees, sewer and utility fees, and will receive potential additional revenue from attendant development, which could double the initial Jackson National Life investment. The City also collects an annual infrastructure and service payment. The Township receives a portion of the property tax revenue and provides for police, fire and emergency medical services. Under the previously referenced Michigan Public Act 328, Lansing provided the company with an exemption of new personal property from property taxes. The Township gained additional annual revenue, land valued at more than $1 million for Park use, and control over future development.

A second Public Act 425 Agreement was completed in 1999 between Lansing and Meridian Township, a portion of which intervenes between Lansing and Alaiedon Township. Lansing would utilize the trunk utilities being constructed for the Alaiedon project to aid development of a significant and upscale residential and golf/recreation development, known as the "Governor's Collection". Again the agreement is for a period of fifty years. Lansing will levy its operating millage and its debt service millage and share this revenue with the township. Once again, the township provides police and fire services. Property taxes accruing to the City are projected to be as much as $980,000 annually, once this project is completed.

As previously referenced, the foundation for the economic development package that resulted in the GM Platinum Plant was also a 425 Agreement between Delta Township and the City. In negotiating these agreements, Lansing has been able to use both the relatively low rates charged by the Lansing Board of Water and Light and

excess capacity within its sewage treatment facilities to strong advantage. In turn, the agreements further spread the fixed costs of providing these services, add little in marginal cost, and thereby help to ameliorate the need for future rate increases for Lansing citizens.

Public Act 381 of 1996 provides for the capture of increased tax value from redevelopment of "brownfield" sites to reimburse developers for costs associated with environmental restoration. In addition to such reimbursement, qualified projects may also earn credits to use against the Michigan Single Business Tax. Eligible activities may include site assessment, remediation and due care activities, infrastructure improvements, demolition, lead/asbestos abatement and site preparation.

The City is now making increased use of P.A. 381 or "Brownfield" recapture to further its economic redevelopment. In 1997 the Lansing City Council established the Lansing Brownfield Redevelopment Authority (LBRA), designating the entire City as a zone eligible for investment/recapture agreements under the Act. Operated under the auspices of the Lansing Economic Development Corporation, LBRA has been awarded two grants from the United States Environmental Protection Agency to provide environmental assessment work in advance of development, and to pay for eligible remediation projects in preparation for planned redevelopment projects. Seventeen sites have been identified which are considered "sites of opportunity" for productive redevelopment. Three brownfield projects have been completed, including redevelopment of the former Motor Wheel site by Dimmer Corporation. The site offers modern facilities for the anticipated inflow of GM suppliers. Brownfield developments currently represent $13,000,000 in private investment and the creation or retention of 310 jobs. Site assessment has been completed or is underway on five additional significant brownfield sites, including the previously referenced "Triangle" and " Boji" developments, which could ultimately represent $150 to $200 million in private investment.

Other significant developmental efforts include:

Downtown/Commercial: The Michigan Catholic Conference's new $16,000,000/53,000 square foot facility is nearing completion. This redevelops the site of a defunct hotel. A bare frame reconstruction of a $6.1 million / 46,000 square foot building which previously housed nonprofit groups was completed and now houses the Michigan Economic Development Corporation (MEDC). A 36,800 square foot addition, not including first floor parking, is included with this project. Construction was completed in FY 99 on a new, privately owned, $40 million complex providing office space for the Michigan State House of Representatives and, more recently, a $15 million facility to house Cooley Law School. A new 12 story office structure and a bare frame reconstruction of a 10 story office building, representing $9 million in private investment, have also been completed. A 90,300 square foot building that formerly housed the State Library was purchased by private developers to house the Michigan State Housing Development Authority, under lease. The City's former Civic Center was demolished for construction of the 500,000 square foot privately owned "Constitution Hall", a $60 million office building leased to the State. Also completed is the Ingham County-City of Lansing Veterans Memorial Courthouse, which houses the Ingham County Circuit Courts, at a cost of $22 million. Renovation of Ingham County's downtown offices will be completed by year-end, representing a $6.4 million project. In addition to Cooley Law School and the new Veterans Memorial Courthouse, the State of Michigan's new $90 million Hall of Justice, housing the State Supreme Court and the Court of Appeals, has now opened.

To further enhance downtown development, Lansing's Mayor assembled a Blue Ribbon Committee to make recommendations on Downtown Revitalization in the fall of 1999. This major developmental effort used nationally respected urban design consultants and the talents of property owners, local business, state government, local government, and education leaders to develop specific recommendations for improvements to the Downtown and Old Town Business districts. Implementation of the Committee's recommendations is now being addressed on several fronts.

With funding provided by the City and its Tax Increment Finance Authority, the second phase of a project to remove a 1970's era pedestrian mall, provide improved on-street parking, and enhance the appearance of the

City's core downtown commercial area, is now complete. Thus far, more than $1.4 million has been invested, with additional phases planned for the summers of 2003 and 2004. Along with providing improved traffic flow, the attendant streetscape, with wrought iron lampposts and fixtures, brick sidewalk accents, and upscale plantings, provides a consistent theme for continuing downtown redevelopment efforts. It has already resulted in reinvestment in buildings by adjoining property owners and is expected to enhance the viability of such businesses with improved parking availability and its more inviting appearance.

Improving housing stock availability to provide a full time customer base, and revitalizing historical appearances of structures to provide urban ambiance were two of the Committee's significant recommendations. Through its Economic Development Corporation, the City is making available $500,000 in loans and grants for facade restoration and business development and improvement. Eight such restorations have been completed, representing private investment of $282,000. The City has made available $100,000 and the Michigan Housing Development Authority has provided a grant for $250,000 for such improvements and to develop loft housing on the upper stories of downtown commercial structures. Two lofts have thus far been developed and rented, representing $350,000 in private investment. Six additional lofts, valued at $650,000 are under construction. One project also resulted in a new downtown restaurant on one building's street level. Development proposals are pending for two significant developments which are proposed to be assisted through use of "brownfield" agreements, and would result in a commercial/residential development, parking expansion, and new office space construction. A building formerly housing City offices was sold to the private sector in the mid 1990's, and is now undergoing renovations to serve as a new downtown facility for the YWCA. Private investment of some $1.7 million has already been committed to develop housing in the downtown area, which includes one of the City's Neighborhood Enterprise Zones (See "Housing", below).

The foundation of downtown development efforts over the past eight years was the City's decision to build the $12,708,000 Oldsmobile Park. This occurred when the City and the owners of a Class A minor league baseball franchise (Take Me Out to the Ballgame LLC (T.M.O.)) reached agreement in late 1994 to relocate the team to Lansing beginning in the 1996 season. The project has been a resounding success, drawing higher attendance (3,000,000 in its first seven years), than any Class A or Class AA baseball team in history. Additionally, when not in use for baseball, the new stadium is a notable community resource for concerts, outdoor movies and special events.

The original funding package for Oldsmobile Park was developed through a cooperative effort with a consortium of six local banks, utilizing a 15-year installment purchasing authority under Michigan Public Act 99. Other infrastructure costs, including environmental clean-up, street work, utilities, site acquisition, and public plaza and parking, were funded from a variety of other sources. Since original construction, the City and T.M.O have shared the cost to construct additional seating and, in 1999, an expanded picnic area adjoining right field, as an added attraction for groups and families. In FY 1999, the City refinanced the original debt package, saving a nominal $1.7 million.

Ancillary benefits have stemmed from the successful completion of Oldsmobile Park, including redevelopment of several nearby and formerly dilapidated structures into upscale restaurants, pubs and galleries, and positive impacts on revenue generation within the City operated parking system. The City has chosen to expand the Tax Increment Finance Authority district adjacent to the Stadium to permit further public improvements in the area. With the success of the stadium, and subsequent downtown redevelopment, revenues within the Parking System Enterprise Fund show significant improvement over pre-stadium levels, while operating expenses show only nominal growth. While the City faced a strong probability of needing to subsidize the Parking Fund prior to development efforts, revenues now provide sufficient coverage for both operating and debt service requirements, as well as significant investment for major maintenance to extend the useful lives of existing parking ramps. The fund is now in a position to support new ramp construction attendant to the "Triangle" project.

Medical: Sparrow Hospital is in the process of constructing a new parking ramp to provide additional convenience and alleviate neighborhood congestion. Sparrow completed a $45,000,000 campus style renovation in FY 2000, including a new facility to house physician offices. Physician's Health Plan, an area HMO, moved it offices from suburban Okemos to a facility near Sparrow. With enhanced facilities numerous clinicians have been encouraged to locate facilities and practices nearby. The hospital has been rated as one of the top 100 hospitals in the United States. Attendant to its investment, the Hospital has provided incentives to employees to move to the hospital area, helping the City to stabilize and improve the surrounding neighborhood. A fund raising effort is underway to construct a pediatric emergency care facility at Sparrow. A $14,000,000 project to improve Lansing's Ingham Medical Center was also completed in FY 2000. This project renovated 40,000 square feet to serve as a regional maternal and child medical center. Ingham Medical has long been rated as one of the top cardiology centers in the Country.

Housing: Lansing is beginning to experience a resurgence in housing development. With ongoing commercial redevelopment of "Old Town", a turn of the century district on the City's north side, private developers have completed the first phase and are successfully marketing a 45-unit condominium complex along the Grand River. The new units were designed to blend with the nearby neighborhood and have the appearance of period brownstones.

The project represents one of the designated "Neighborhood Enterprise Zones" (NEZ) created by the City to encourage housing development and ownership. With such zones, incremental taxes on renovated owner occupied properties are 100% abated, and property taxes on new owner occupied housing are 50% abated. Twenty-three certificates for new construction, valued at $3.1 million have been issued. Also, six certificates for rehabilitation have been issued, valued at $500,000. Certificates have been requested for an additional 28 units, valued at $2.9 million.

In 1996 the State of Michigan developed a limited experiment in the use of 'Renaissance Zones' as an economic redevelopment tool. Such zones will be free of State and Local property taxes, income taxes, and Michigan's Single Business Tax for a period of 12 years. Upon application to the State, Lansing was awarded two zones comprised of an economically deprived seven block residential area adjacent to the State Capitol complex, and an abandoned industrial site. A printing company located within one of the zones has undergone significant expansion, seven new residential homes have been constructed, and 17 have been substantially renovated. Construction is expected to begin soon on a 60,000 to 70,000 square foot office complex.

A 25 acre site which was formerly the State of Michigan's Boys Training School has been purchased by the City which has identified a developer for what is expected to include 156 units of single family detached town homes, stacked flats and apartments. The proposed development would be aided by another "brownfield" recapture agreement for environmental and site utility costs. Sale to the developer is expected in 2003, with the first developed units available in 2004. Upon completion, the project is expected to represent a $26 million investment.

Under the previously referenced P.A. 425 agreement with Meridian Township, the "Governor's Collection" project includes a golfing community, which is planned with 200 upscale homes. As noted, the project is in the final stages of site plan review, and would generate as much as $600,000 in General Fund property tax revenue, phased in over an estimated five years.

Commercial/Retail: Lansing is receiving increased interest from national retailers. An additional $32,000,000 has been invested by such firms as Lowe's, Menard's, Hooter's, Target, Texas Roadhouse, Applebees, Midway Distribution, Holiday Inn, Staybridge Suites and Meijer. In 1999 a $15,000,000 renovation of the Frandor shopping center was completed. Frandor now houses numerous new retail outlets and is serving as a catalyst for redevelopment of surrounding retail and commercial properties. In 1998, construction of a $6,000,000 "Celebration Cinema" complex was completed on the City's South side, providing a needed entertainment venue. On the City's eastern border, Michigan State University has completed a hotel and executive development center

complex, at a cost of more than $10.1 million. This facility will enhance the University's educational offerings for mid-career executives, through the highly rated Eli Broad School of Business, bringing professionals from around the world to Lansing for training.

Within the "Old Town" area, the City has completed sewer separation through its combined sewer overflow abatement program. Ancillary to this are road and sidewalk improvements, which complement redevelopment activity. The City's Convention and Visitor's Bureau has relocated to offices in renovated warehouse space in Old Town. More than $7.5 million has been invested in this and other revitalization efforts. The City's oldest remaining commercial structure, known as the Race Street Mill, has received a ground up reconstruction and is nearing completion, representing a $1.9 million investment. The building, on the banks of the Grand River, is planned to house a restaurant and offices. Also, a $1.4 million redevelopment has taken place to house a restaurant. These projects were accomplished with assistance of Clean Michigan Initiative (CMI) that provide grants for public access and use along the Grand River and job creation and retention. With the recent completion of a revised downtown master plan, an expansion of the Lansing Center and, with regional construction of a Performing Arts Center remain under discussion.

Another key development effort has already begun to stimulate economic activity in one of the City's lowest personal income areas. In 1998, the City, in partnership with a private developer, received a State of Michigan Transportation Economic Development grant to improve road service to an abandoned factory facility on the City's Northeast side. The City leased a portion of this facility to serve as a North Police precinct that was intended to act as a linchpin to a major redevelopment effort. A significant local engineering and consulting firm, and elements of Lockheed-Martin Corporation under contract to the State of Michigan, have now relocated to the site. The Lockheed-Martin operation brought approximately 125 jobs to Lansing. A second phase of the project may include condominiums and ultimately bring its investment to as much as $40 million.

The addition of a North Precinct facility continued decentralization of police services following creation of a South Precinct in 1996. Both precincts offer community meeting facilities and gymnasiums intended to help forge positive relationships with youth and the surrounding population.

Technology: The Information Technology Association of Michigan estimated in FY 2000 that there are more than 360 "pure play" information technology or E-business firms in the Lansing area, representing a direct contribution to local personal income of some $210,000,000. These companies largely represent relatively small start up efforts, but range to large firms such as EDS and IBM. Local officials are making this a focus for future development efforts, by focusing on enhancement of infrastructure, organizational structure, and economic incentives for firms to relocate and grow within the region.

Once again, Lansing's work force is a key element in prospective technology development. As discussed by author Richard Florida at the International Economic Development Conference in 2002, the Lansing region ranks in the top ten of similar sized cities in the United States on a "creativity index." This is an index that compares Cities' "creative class", high tech industry strength, innovation as measured by patents per capita, and diversity.

Lansing's position in information technology has been enhanced by three key developments:

In February, 2001, Lansing's Mayor assembled a diverse group of 40 State, local, private sector, K-12 and higher education leaders, along with representatives of regional community groups, to evaluate the City and region's readiness for the "networked world" and assess the City's continued potential for success in the development of "new economy" assets. With a goal of making information technology available to everyone who lives, works, and does business in Lansing, this task force commissioned a digital readiness assessment (DRA) of Lansing's IT resources. This study determined that Lansing was second only to Detroit in its IT connectivity, making it highly poised to embrace and develop its high technology economy. The Lansing IT Assessment Task Force continues to actively pursue strategies to enhance Lansing's IT efforts. The study serves as the foundation

for policy making, infrastructure development, and creation of a competitive environment to accelerate technological development in Lansing and the surrounding region. The City itself is "going digital", and will add such services as online registration for recreation classes on its web page this year.

Secondly, effective in November 2002, the State of Michigan implemented new legislation providing for a statewide authority to encourage and regulate broadband development. With a consistent set of rules and charges on a statewide basis, replacing a myriad of local ordinances and regulations, permitting and oversight for use of the right-of- way will be greatly simplified. The legislation also provides for a consistent fee to providers, revenue from which will be passed through to local units to provide for improved right of way maintenance activities.

Finally, to enhance growth in its technological sector, Lansing has received authorization from the State of Michigan to establish two "SMART" zones. These will be marketed internationally by the Michigan Economic Development Corporation. The SMART zone concept is to facilitate technological transfer from University research to create commercial products and services. Similar to the Tax Increment Finance Authorities that have been used for many years, Local Development Finance Authorities would capture property tax revenues from development within the zones to finance public improvements, providing a dedicated source of revenue to support required technological infrastructure. The City is working with the City of East Lansing, the Michigan Biotechnology Institute, Michigan State University, and the Michigan State University Foundation to begin development of one such zone. The second zone is a former power generating facility in the downtown area owned by the Lansing Board of Water and Light. This location, with heavy floor loading capability and power access, has recently been partially re-used as the site of the previously mentioned chiller for provision of chilled water to State Buildings and the downtown area. With this innovation, the building becomes ideal for use in E-business and technology related fields. Such installations may require ten times the electrical power of a standard office building, extensive cooling, and heavy floor loading capability.

In FY 2000, Lansing granted tax abatements to three technology related companies, including TelGen Corporation, Jet Engineering, and CTI Logistx. These represented some $34 million in new investment and 235 new jobs. The City granted partial tax abatements for expansion of two existing biotechnology related companies during 1998-99. Neogen, a maker of testing and safety products for the food and agricultural sectors, relocated businesses which it acquired on the East coast to Lansing, creating 25 new jobs and helping to retain 16 existing positions in related operations. Since the events of September 11, Lansing's Bioport Corporation has received considerable media attention. Bioport was formed when the State Public Health Laboratory was sold to private interests. It is the sole supplier of the Anthrax vaccine, and a producer of plasma derivative products. Lansing's abatement facilitated these improvements, and will assist in creating 20 new jobs and retaining 30 jobs in existing operations. The value of the facilities, previously owned by the State of Michigan, has been placed back on the tax rolls.

Recreation: Lansing has more than 2,500 acres of Park land, with a full complement of recreational activities ranging from its Fenner Natural Area to recreational and competitive sports and recreational opportunities for special needs individuals. Furthering opportunities for youth has been a top priority. Lansing has initiated essential partnerships to accomplish this.

In partnership with the Lansing Area Skate, Bike and Recreation Foundation, a new skateboarding facility, designed by Tim Payne, a nationally recognized designer and competitor, was completed in June, 2002.The facility, which includes a 15,000 square foot concrete "bowl", is located on the City's east side in Ranney Park. Partners included Ingham County and the City of East Lansing, along with fund raising by the Foundation and in-kind contributions by contractors. The park has been well received by youth, with as many as 75 users on summer days. Attendant to the skateboard facility Lansing has committed funding from the existing Ranney Park Trust to implement broader multi-use development of the park.

In cooperation with East Lansing, Michigan State University, the Ingham County Road Commission, the Michigan Department of Transportation, and Lansing Township, and with joint funding of more than $600,000, Lansing's award winning "Rivertrail" was extended eastward in FY 2001 to connect with the Michigan State University campus in East Lansing. For more than 20 years, Lansing has acquired riverfront property and rights of way to such property along the Grand River, Red Cedar River, and Sycamore Creek, utilizing land sale proceeds, park millage funding, State and Federal Grants, and General Fund resources. The Rivertrail now extends some 8.2 miles on a diagonal from the City's northwest side to its eastern border. The trail system is being connected southward to a new Ingham County park on the City's southeast side. Known as Hawk Island Park, the new facility reutilizes a former gravel pit, and includes beach facilities and provision for water recreation such as canoeing. Lansing contributed sidewalk improvements for better access to this area. The Department is currently investigating routes and easements to extend the Rivertrail Northwest and South to the respective City limits.

In another example of creative reuse of land and in partnership with Ingham County, the new Hope Soccer complex was completed and placed in service in FY 2000. The complex, located in Lansing's southeast corner, is being operated by Ingham County and provides competitive level facilities for a growing population of young soccer enthusiasts. In synergy, it makes use of a closed landfill site that had very little developmental use potential. Lansing contributed environmentally related refitting through use of remaining proceeds from its 1988 and 1990 Environmental Bonds, and contributed proceeds from sale of unused park land to this effort. For its part, Ingham County contributed proceeds from a State Grant designated for Soccer Field Development.

In FY 98, a partnership with the Ingham County Drain Commissioner provided for major reconstruction of the City's most utilized public golf course, upgrading it to one of the premier public courses in the State. From the Drain Commissioner's perspective, use of retention ponds and natural areas associated with Groesbeck Golf Course avoided a much more costly alternative which would have required significant new storm sewer construction. The project was paid for through State Revolving Loan Funds through Ingham County, fee increases within the City's Golf Enterprise Fund, and special assessments within Lansing Township. Subsequent to course improvements, a fire destroyed the facility's starter house, which has now been reconstructed, largely from insurance proceeds, and enhanced to better service the needs of leagues and golf outings. The City intends to contract with a local restaurant to enhance concession offerings and promote group golf outings on the course. As part of this strategy, beer and wine would be available on the course, and available to be served at outings for the first time. This is anticipated to make the course more attractive in a highly competitive market, adding as much as $75,000 in new revenue.

The City and First Tee Incorporated plan to begin construction in the Spring of 2003 on a youth training facility and driving range complex. The facility will be located on the site of the Sycamore Golf course that is subject to frequent flooding. Course operations routinely lose money, and it is hoped the practice facility will provide enhanced revenue while promoting golf to youth and providing "close in" practice facilities that which are now available only at distant suburban courses.

In partnership with the Potter Park Zoo Society, a new zoo entrance plaza and education center was completed in FY 2000. The City contributed funding from land sales and the park millage, while the Zoo Society raised more than one-third of the project's $3,300,000 cost. The Priggoris Education Center contains state of the art video capabilities for environmental and animal care education. The Zoo Society provides docents and operates the facility that provides educational enhancement through field trips for area schools, and helps to make the overall zoo experience more meaningful for the general public. The new facility also provides improved administrative space and includes a banquet and community room area that is available for rental, providing a unique backdrop for private gatherings and a source of funding to support operations. With donations of $50,000 from the Lansing Rotary Club and $20,000 from the Zoo Society a new animal care facility was completed and has recently opened. The Zoo received re-accreditation from the American Association of Zoos and Aquariums in September, 2002, assuring its continued eligibility to participate in rare and endangered animal exchange and the breeding programs.

Other recreational initiatives with community groups include the construction of a BMX track in FY 2000.The bicycle/BMX facility is located in Gier Park in the northeast part of the City. This site already includes a community center, lighted ball fields and concession facilities. Constructed and operated by a local sanctioned affiliate of the National Bicycle League, meets were held at the track with as many as 500 attendees in the summer of 2002. Landscape and drainage improvements have been completed, and a viewing stand and paved parking lot, representing some $280,000 in park millage funding, are nearing completion.

In cooperation with Lansing Community College (LCC), one of the City's older ballfield locations at Westside Park is being renovated to serve as the home field for the College's baseball team. LCC is responsible for $90,000 in ballfield, bleacher, and dugout improvements, while the City is reconstructing the restroom and concession building on the site. When not in use by LCC, renovations will provide improved facilities for the Parks and Recreation Department's programs.

State and Local Government. By State Constitution, the principal offices of State Departments must be located in Lansing. State Government has proven to be an active partner in Lansing's development efforts, centralizing many operations in the Downtown area.

Apart from the previously mentioned "Triangle" development which will house the Departments of State Police and Military Affairs, the State has completed, more than $200,000,000 in new facilities in the downtown area over the last four years. As previously referenced, new facilities include the new Legislative Office Building, renovated structures to house the Michigan State Housing Development Authority and the Michigan Economic Development Corporation, and the new "Constitution Hall" which houses the Department of Agriculture and the Department of Environmental Quality. Some of these facilities have consolidated offices located elsewhere in the City, while others support employment transfers from other State locales. Excluding the new Hall of Justice Building and the MEDC Building, these facilities provide for private ownership in the near term. Consequently, they are included on the property tax rolls at substantially increased values, providing additional resources to the General Fund, Debt Service Funds and to the City's Tax Increment Finance Authority. They also ensure a strong daytime customer base for businesses in the downtown area.

Based upon indicators such as home sales, unemployment rates, and City tax revenue, the Lansing regional economy has weathered the economic downturn, although State of Michigan revenues continue to lag. In turn, revenue that the City receives under the State of Michigan's Revenue Sharing formula has been reduced. Such revenue represents a portion of proceeds from the Michigan Sales Tax, allocated primarily on the basis of population.

Revenue Sharing losses from the slowing economy were compounded by Census 2000 results, showing that City population had fallen by some 8,000 during the decade of the 1990's.Raw data from the count, itself, was compiled by different zones than the reported census tracts. In reconciling differences between the tabulated count data, and the reported data by Census tract, there appears to be a reasonable possibility for an appeal within Census Bureau guidelines based on an undercount of reported "group quarters" population. It is likely that such an appeal would not be decided before 2003. As reflected in the State's Revenue Sharing formula, the Census decline resulted in a reduction in base revenue of nearly $1,000,000, which was implemented on a retroactive basis against payments received in FY 2001. Due to declining sales tax receipts and to prevent deep reductions in other General Fund areas, the State of Michigan reduced its revenue sharing allocations to local government on several occasions during FY 2002. Lansing's actual revenue sharing receipts were $3.5 million below the State's original forecast, which had been included in the City's FY 2002 budget. The State's original FY 2003 budget provided for flat funding of revenue sharing at FY 2002 actual levels. However, the State's revenue outlook has continued to deteriorate and additional cuts are deemed likely.

The City responded to these revenue reductions by instituting internal control procedures to eliminate non-essential purchases and manage the hiring process, where feasible, in order to maintain positive results of operations in FY 2001. No position reductions were undertaken, nor was it necessary to defer or eliminate

significant planned purchases. In its FY 2002 budget, the loss of base Revenue Sharing revenue was offset by a permanent improvement in proceeds from the "Return on Equity" payment the City receives from its investment in its public utility, the Lansing Board of Water and Light. The BWL, under contract to supply State of Michigan and other downtown office buildings, undertook a new business by providing centrally generated chilled water for air conditioning service. This is expected to make downtown redevelopment more attractive, by eliminating the need for individual building cooling systems in the downtown area. Also, a ten year agreement between the City and the Board, which defines the basis for amounts to be paid to the City, expired in June, 2002, and has been renegotiated to provide a higher return which better reflects similar agreements in place in other municipalities. The City will now receive 4% of wholesale and retail sales, rather than 4% of retail sales, only. This will provide an additional $1,000,000 annually for the next ten years, fully offsetting Census losses in the State Revenue Sharing base over the next decade. In addressing the reductions in revenue sharing that the State implemented during FY 2002, the City instituted a hiring freeze applied to all but public safety and essential positions. Departments were required to reduce non-personnel operating cost expenditures, and some equipment purchases were deferred.

Increased emphasis on renovation and improvement of roads and transportation systems has been the City's first priority infrastructure goal over the last seven years. Due to long term under-funding from State sources, Lansing has taken the initiative since 1994 by committing significant local resources to major road maintenance, funding an 8 year plan to improve the condition of roads. These efforts were enhanced by actions at the State and Federal levels. Effective in August of 1997, the Michigan Legislature adopted new funding for road maintenance, including a 4 cent per gallon increase in the State's Gas Tax. During FY 98, the City netted $1.375 million in additional one time and formula revenue. This action relieved some of the burden placed on the City's General Fund for road maintenance. However, road maintenance will remain the thrust of Lansing's infrastructure commitment through 2003. At that time, when all roads are projected to have an adequate "drivability index", the annual funding need will be reduced and pre-existing road repair related debt, both within the Debt Service Fund and Act 51 Funds will have been repaid.

In the summer of 2001, the Michigan Department of Transportation undertook a $46 million dollar project to completely renovate I-496, which bisects Lansing, through the downtown area. This project included the renovation of all overpass bridges and added an additional lane from downtown to the City's east side interchange. The project had originally been conceived as a two-year effort, but was undertaken in a single phase to complement the opening of GM's Grand River Assembly Plant. It was the largest road construction project undertaken since I-496 was constructed in the 1970's. The City was required to provide relatively minimal matching funds to accommodate this project. The match was funded through a low interest, $650,000 loan from the State Infrastructure Bank and will be amortized over 5 years, beginning in FY 2003.

In FY 2001, the City reprogrammed debt service savings to add a new road maintenance crew. The crew performs crack filling and resurfacing activities to extend the useful life of roads that have been repaired under the multi-year plan. From Federal Surface Transportation Program funding, the City received nearly $4,800,000 in assistance for repair of major thoroughfares in FY 2000 and FY 2001. Also, the City is in the final year of a five year, $2,775,000, Intelligent Transportation Systems designated project which provides for the updating of its traffic control and signalization systems. In FY 2002, federal legislation provided for reconstruction of Lansing's Pennsylvania Avenue overpass, a Critical Bridge on one of the City's major thoroughfares. Demolition will begin in late 2003, with construction planned for 2004. Also included was $750,000 to fund a system to be used by emergency vehicles for mobile control of traffic signals. The system will provide for significant improvements in fire/ambulance response times and improve traffic safety for City personnel and the public.

POLICY AND ORDINANCE INITIATIVES

Since the current administration took office in January, 1994, two key ordinance and policy initiatives have been put in place that directly impact the City's financial management and resource utilization. These include the following:

Creation of a Budget Stabilization Fund (BSF). The City created by ordinance a Budget Stabilization Fund to provide for the maintenance of prudent reserves, given Michigan's cyclical economy, and to provide added assurance of its credit worthiness. Effective July 1, 1994, an amount equal to 7% ($5,657,436) of the City's FY 95 General Fund appropriations were transferred from the General Fund's unreserved Fund Balance to the BSF. The Ordinance provides that
25% of any excess of revenue in relationship to expenditures within the General Fund is to be transferred to the BSF at year- end, to a maximum of 10% of final appropriations.

Since its creation, the City has experienced a surplus in each fiscal year. In most years it has transferred more than the required 25% of year-end surpluses to the fund. Despite the economic downturn and reduction in interest earnings and State Revenue Sharing in FY 2002, the City's results of operations remained positive. Because the State of Michigan required that a Special Revenue Fund be created to account for building permit activity and inspections, and because the City created a Special Revenue Fund to account for its largely county funded 911 center operations, the Budget Stabilization Fund balance exceeded the 10% limitation provided by ordinance. This required an appropriation from the fund of $214,470 in the City's original FY 2002 budget. At year-end the City was able to restore $141,404 to the fund. The BSF remains fully funded at $10,184,421**.** The Ordinance provides for limited access to these reserves during economic downturns or natural or manmade disasters. While State law has permitted the creation of such a Budget Stabilization Fund for several years, only a few other major Michigan municipalities have made this commitment.

Infrastructure Funding. With adoption of its FY 95 Budget, the City implemented a policy of dedicating a minimum of 4% of General Fund expenditures to infrastructure, and has also dedicated by policy any one time or intermittent receipts such as those from sales of property, to infrastructure. Further, in order to segregate infrastructure appropriations from available operating funds, infrastructure funds are transferred directly to a Capital Projects fund. Any project residuals upon completion are retained and reprogrammed, and one time or intermittent revenues are credited directly to the fund.

In August 2000, voters overwhelmingly approved a five-year renewal of a 1 mill levy for park renovations and improvements. This was the third time the measure was successfully placed before voters. It garnered more than 72% of the vote. With the renewal and increase of the District Library levy at the same election, this is indicative of strong local support for quality of life issues in the Lansing community. By having a designated funding source for such community improvements, the City has been able to meet necessary match requirements for State, Federal, and nonprofit grants, without such projects having to compete directly with basic infrastructure funding in the General Fund. The designated Park Millage has also served to improve capital maintenance of existing Community Centers, pools, and other park infrastructure.

It should be noted that with adoption of the FY 2003 budget, the City's debt millage was decreased by 1.03 mills and the operating millage increased by 0.5 mills, resulting in a reduction of 0 .53 mills in the City's total tax rate. At that time, the annual minimum General Fund designation for infrastructure was increased from 4% to 5%, with additional funds dedicated to State Revolving Loan ineligible costs for the City's combined sewer overflow abatement program. Thus the City will cash fund a portion of the costs for sewer separation, while avoiding borrowing for this purpose and limiting growth in sewer rates to an estimated 4%, annually, over the next five years.

In its original FY 2002 budget, the General Fund contribution to the Capital Projects Fund was $3,341,328 for general infrastructure and $1,805,859 from the Park Millage, for a net of 5% of General Fund appropriations. Through direct receipting of interest income and one time revenues, exclusive of loan proceeds, and programming use of year end residuals for infrastructure, the net available funding within the Park Millage and General Infrastructure Funds was increased by

$1,326,426 over original appropriations. In total, this represents 6.3% of original General Fund appropriations. By the end of FY 2003 the City will have expended more than $50 million in General Fund revenue on infrastructure projects over nine years. This is more than had been expended in the previous 33 years, combined.

In its FY 1996, the City implemented a fee on all properties to pay the costs of operating and maintaining its stormwater collection system, costs to be associated with the stormwater permitting process under the Clean Water Act, and costs to meet Environmental Protection Agency requirements to eliminate sanitary sewage effluent from its stormwater runoff. Under agreement with the Michigan Department of Environmental Quality, the latter is to be accomplished by separating combined sewers, which was estimated to cost $176 million over 30 years. The fee was based upon averages of permeable and unpermeable land on various types of properties, attempting to reflect the amount of surface run-off that such properties were contributing to the stormwater collection system. It was intended to pay for 50% of the sewer separation project, with the City's Sanitary Sewage Disposal Fund paying the balance.

The fee was challenged in court, and in 1997 the Michigan Court of Appeals ruled that the fee was valid. However, in 1999, the Michigan Supreme Court ruled on a 4-3 vote that the fee was in fact a tax and as such violated the Michigan Constitution. The Supreme Court remanded the case to the Michigan Court of Appeals which subsequently ruled that City acted in good faith and does not need to repay the nearly $15 million collected during the first three years. The Michigan Supreme Court upheld the Court of Appeals ruling and denied a petition for rehearing on this matter, concluding all litigation on the stormwater fee.

FINANCIAL INFORMATION

The City Administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived: and (2) the valuation of costs and benefits requires estimates and judgments by management.

GASB Statement #34. With presentation of these financial statements, for the first time the City is fully implementing the requirements of Governmental Accounting Standards Board Statement #34, including recording of infrastructure. The assets of the City exceeded its liabilities at the close of FY 2002 by $409.5 million, an increase of $14.5 million from the previous year. Component units reported net assets of $734,269, a decrease of $807.

Budgeting Controls. The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances generally are reappropriated as part of the following year's budget. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibilities for sound financial management.

General Government Functions. The following schedules present a summary of general fund and debt service fund revenues and expenditures for the fiscal year ended June 30, 2002, and amounts and percentages of increases and decreases in relation to prior year revenues and expenditures.

REVENUES	AMOUNT	PERCENT OF TOTAL	INCREASE (DECREASE) FROM LAST YEAR	PERCENT OF INCREASE (DECREASE)
Taxes & Special Assessments	**$60,442,894**	**58.26%**	**$ 3,123,235**	**5.45%**
Licenses & Permits	**976,332**	**.94%**	**331,245**	**51.35%**
Intergovernmental	**21,202,213**	**20.43%**	**(978,266)**	**-4.41%**
Charges for Services	**8,651,949**	**8.34%**	**1,176,928**	**15.74%**
Fines & Forfeits	**4,050,234**	**3.90%**	**471,602**	**13.18%**
Interest	**643,190**	**.62%**	**(623,825)**	**-49.24%**
Contributions	**7,542,754**	**7.27%**	**825,986**	**12.30%**
Miscellaneous	**252,541**	**.24%**	**(104,935)**	**-29.35%**
TOTAL	**$103,762,107**	**100.00%**	**$4,221,970**	

Strong growth in local property tax revenue, despite State and national trends, relates to growth in taxable values attributable to successful economic development efforts and the strength of housing markets in the current low interest rate environment. Income Tax receipts, moderated by slightly higher unemployment and a probability of reduced overtime, improved 2.79%.

The indicated increase in License and Permit revenue represents a one-time gain from accrual of cable television franchise fees, as well as improvements in fiber optic installation and maintenance fees attendant to the City's emphasis on information technology development. Under new State law that was effective in November, 2002, the latter revenue will be greatly enhanced in future years, and dedicated to right of way maintenance.

Intergovernmental revenues are dominated by State Revenue Sharing. Such revenue sharing includes both a constitutional and a statutory component, and allocates State Sales Tax revenue partially on a population basis to counties and cities, as well as villages and townships. Demographic changes toward population growth in rural and suburban areas on a statewide basis, as well as reductions based upon declining State Sales Tax revenue contributed to the indicated reduction.

As previously indicated, agreements attendant to Act 425 development efforts provided for infrastructure recovery and service payments, which are included in Charges for Services revenue. As development occurred on these sites, related revenue was increased over prior year. Other factors in the revenue increase within this category included increased recovery of indirect costs, improved multiple dwelling registration and inspection fees, and collections from additional ambulance transport.

Fines and Forfeits revenue increased as the District Court emphasized cost recovery in penal cases, as opposed to simply penal fines. Assessed costs are wholly retained by the City, while significant fine revenue is passed through to the State. Also, traffic ticket revenue increased, attributable to increased traffic enforcement.

Interest Income from short- term investment of excess cash declined significantly with the Federal Reserve's multiple discount rate reductions and related market conditions.

Revenue from contributions reflects the City's return on equity from the Lansing Board of Water and Light. Increased revenue results from the new ten year agreement, effective April 1,2002, which included wholesale sales in the base upon which the payment is calculated. The payment had previously included only retail sales. Payments also increased as the Board began offering a new chilled water utility service, largely to downtown State facilities.

Miscellaneous revenues largely reflect reimbursements from prior year activity. Such revenue, by its nature is variable and has little impact on the City's overall budget or finances.

EXPENDITURES	AMOUNT	PERCENT OF TOTAL	INCREASE (DECREASE) FROM LAST YEAR	PERCENT INCREASE (DECREASE)
General Government	**$46,621,331**	**49.71%**	**$795,732**	**1.74%**
Recreation & Forestry	**6,108,158**	**6.51%**	**252,331**	**4.31%**
Public Safety	**31,425,522**	**33.51%**	**1,105.510**	**3.65%**
Highways, Streets & Sanitation	**2,069,940**	**2.21%**	**(18,580)**	**-.89%**
Debt Service	**5,159,772**	**5.50%**	**(366,437)**	**-6.63%**
Other	**2,395,721**	**2.56%**	**41,619**	**1.77%**
TOTAL	**$93,780,424**	**100.00%**	**$1,810,175**	

Expenditure increases in General Government and Highways, Streets and Sanitation categories were restrained by the City's response to State revenue sharing reductions. It should be noted that this reduction does not reflect
infrastructure investments which are accounted for in other funds. The City maintained capital spending for its multi-year road program and sewer separation projects.

Recreation and Forestry expenditures were increased by higher equipment maintenance costs and late year cyclical equipment replacement, as well as wage increases for contractual officials, such as game officials and summer playground and swimming pool employees.

As previously indicated, the City did not freeze hiring of public safety personnel. Expenditures in this category also reflect labor contract settlements.

Debt Service expenditures were reduced as repayment was completed on the City's 1986 Transportation Bonds in FY 2001, and an existing installment purchase of a Police Department mainframe computer was completed.

Other Expenditures largely reflect the City's human services area which is charged with Equal Employment Opportunity, Affirmative Action, Fair Labor Standards, and Civil Rights activities, along with support for direct human service provider agencies. By Ordinance, the City dedicates 1.25% of General Fund estimated revenue to fund this contractual human service network. Any unexpended funding within the 1.25%

dedication is reappropriated in the following fiscal year. In addition, the City provides funding to a variety of local agencies such as a regional planning consortium, aging consortium, the Lansing Entertainment and Public Facilities Authority, Arts Council, Sister Cities agency, etc., which also appear in this category.

Business Type Functions : Within proprietary funds notable activity includes:

Potter Park Zoo Fund. The City has chosen to present the Potter Park Zoo Fund as a separate enterprise activity, despite continued subsidization, as it is attempting to garner regional support for this attraction through the Potter Park Zoo Society and surrounding Cities and Townships whose citizens are frequent visitors to the zoo. As previously mentioned the Zoo Society provides docents and was instrumental in fund raising for the facility's new education and animal care buildings. The fund shows a Retained Earnings deficit, resulting largely from the recording of depreciation of fixed assets, which must currently be recorded against retained earnings rather than against the contributed capital that funded many of those assets.

Golf Fund. Course construction in Michigan has created an extremely competitive environment. The courses remain subsidized both due to the market atmosphere and because they, in part, fulfill a social mission through such means as offering low cost play to youth and senior citizens. The City is actively attempting to reduce subsidy levels. As previously noted, in partnership with the Ingham County Drain Commissioner improvements have been completed at Groesbeck Golf Course, which is the most utilized of the City's four courses. Also, to improve its competitive posture, the City and a private vendor have reached a food and beverage agreement and obtained a license to allow the sale of beer and wine at Groesbeck and to market event outings for 2003. It is anticipated that this will enhance revenue by increasing play during periods of the day when the course is underutilized, as well as provide enhanced revenue from catering activities. In another project, the City and its partner, First Tee, Inc., are in the design stage of converting Sycamore Golf Course, an underutilized and short 9 hole course which is subject to frequent Spring flooding, to a youth training facility and driving range complex. This will provide additional youth activities and increase revenue from adult practice.

Cemetery Fund. Like many municipal cemetery operations, the City's Cemetery Fund has required an annual subsidy. Such subsidy results from historically insufficient perpetual investment returns, from responsibility for grave sites acquired under annexation with no perpetual care funding, and from changes in societal mores resulting in more frequent cremation. In FY 2000, the City funded creation of a columbarium for burial of such cremated remains. The City's Cemeteries have significant undeveloped land assets, and the City has also opened an additional Cemetery section. Such changes are expected to marginally improve operating results. Fees are maintained at competitive levels with area private facilities.

Garbage and Rubbish Collection Fund. After offering the program on a trial basis in select areas, the City began to offer refuse carts to customers on a citywide basis in FY 99. Previously the City offered residential collection only through the purchase of City sealed trash bags through local retailers. This change resulted from a reduction in System users due to competition from private haulers using the cart system, which was perceived by many to be more convenient. The City continues to offer the "bag" system that is particularly attractive to low volume users and helps encourage recycling by allowing customers to minimize solid waste costs. The new cart system has helped to reduce overall operating losses. In FY 2002 increased fees were adopted which will maintain a price advantage over private haulers while improving revenue. The City instituted improved process controls and has restated receivables to better reflect assets available within the fund.

Pension Trust Fund Operations. The Employees Retirement System and the Police and Fire Retirement System defined benefit plans have shown notable progress since 1994 in accumulating assets to pay pension benefits when due, largely resulting from recognition of investment earnings which are presented subject to five year leveling of returns. The Pension Funded Ratio of the Actuarial Accrued Liability measures the progress of the systems in accumulating benefits when due. By this measure, the Employees Retirement System changed from approximately 89.6% funded to 88.4% funded between FY 2001 and FY 2002, a slight decline based on the incorporation of actuarial changes resulting from a recent experience study. The Police and Fire Retirement

System improved from approximately 111.4% funded to 112.6% funded. A defined contribution plan was created in 1990 for all new full time employees who are classified, elected, executive, or exempt or that are represented by Teamster or FOP 911 bargaining units. This plan had no unfunded liabilities as of June 30, 2002.

Debt Administration. At June 30, 2002, Lansing had a number of debt issues outstanding. These issues included $135,901,000 of general obligation bonds, $90,000 of special assessment debt with governmental commitment, and $31,902,000 of revenue bonds.

In late 1999, Fitch Investors Service improved the City's rating to AA+, saying that the upgrade "represents strong management practices, improved performance and flexibility, increased private investment that diversified the economic base and continued internal funding for capital projects to maintain a low debt burden". Lansing's rating was improved to Aa3 in 1998 from Moody's Investor Service, and the City has maintained its AA+ rating from Standard and Poors Corporation. No other Michigan City is rated higher than Lansing by all three major rating houses.

These ratings were affirmed in June, 2001, when the City issued the second phase of Fire Station Bonds which totaled $7 million. Such bonding was authorized in August of 1998. New stations will help to improve response times and provide for facility upgrades. This debt issue extended a portion of current debt service, but will not result in any increase in overall millage rates. The first new fire station funded from these bonds was opened in 2001.

Favorable ratings and interest rates made it prudent for Lansing to refinance its 1988 and 1990 Series I and Series II Environmental Bonds during 1997. Such refinancing savings were passed through to taxpayers in the form of a millage rate reduction. While modest in amount, this represented the first time in 16 years that the City property tax levy was reduced. The total millage rate has been reduced on three other occasions since that time.

In 1998, Lansing issued Sewage Disposal System Revenue and Revenue Refunding Bonds. It received an exceptionally high underlying rating on this insured revenue bond issue of A1 from Moody's Investor Services, and A+ from Standard and Poors Rating Services and Fitch Investor Services. The interest rate on these bonds was only 4.34%.

Cash Management. Cash temporarily idle during the year was invested in demand deposits, obligations of the U.S. Treasury and commercial paper. Pension fund investments included corporate bonds and common stock. The investment policy of the City is to maximize investment income while maintaining prudent credit and market risk. The City maintains custodial services for all investments within the Treasurer's pooled cash account and pension systems. Assets of the two defined benefit plans are externally managed and evaluated by an external consulting firm. All of the investments held, categorized by standards established by the Governmental Accounting Standards Board, are within the lowest credit risk category. Yields on idle funds averaged approximately 1.6% during fiscal 2002. Pension fund asset returns have averaged approximately 7.26% annually over the five-year period ended June 30, 2002.

Risk Management. Insurance protection is maintained at replacement cost for all City buildings. Workers' Compensation is self-insured with excess reinsurance coverage for claims exceeding $750,000 from the State Accident Fund. In FY 2002 the City purchased liability coverage from Royal Insurance Company. This replaced coverage from St. Paul Insurance. A $15,000,000 umbrella from Guaranty National Company was maintained in both FY 2001 and in FY 2002.

OTHER INFORMATION

Independent Audit. State statutes require an annual audit by independent certified public accountants. The firm of PricewaterhouseCoopers LLP, was selected by the City's Audit Committee. In addition to meeting requirements set forth in State statutes, the audit also was designed to meet the requirements of the Federal Single

Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the general purpose financial statements and schedules is included in the financial section of this report.

Awards. 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, 2001. This was the 24th 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.

Acknowledgments. The preparation of this comprehensive annual financial report, on a timely basis, was made possible by the dedicated service of the entire staff of the Finance Department. Because of vacancies and a hiring freeze, many staff were working in out of class assignments during the audit, and the results reflect the extra efforts of all involved. Each member of the department has our sincere appreciation for their contributions made in the preparation of this report and in the financial management of the City. The 24th consecutive GFOA award, recognizing their efforts, is well deserved indeed.

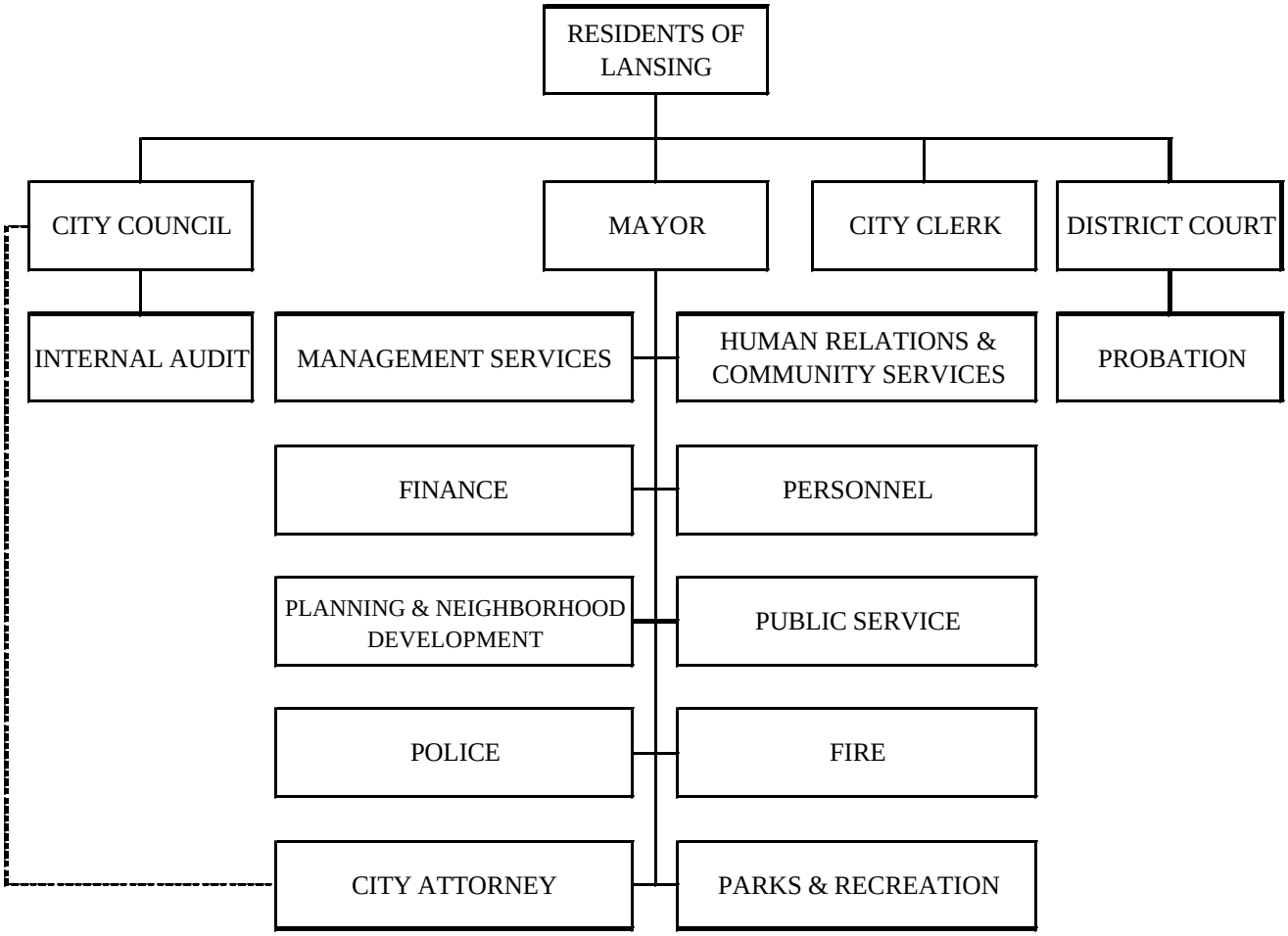
Sincerely,

David C. Hollister
Mayor

Robert W. Swanson
Director of Finance

INSERT CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART



II Financial Section

Management Discussion and Analysis
Independent Auditor's Report
Basic Financial Statements

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, 2002 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.

GASB adoption
During fiscal year 2002, the City adopted GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended by GASB Statement No. 37 and No. 38, and applied those standards on a retroactive basis.

HIGHLIGHTS

Government-wide:

- The assets of the City exceeded its liabilities at the close of the fiscal year by $409.5 million (reported as *net assets*), an increase of $14.5 million from the previous year. Component unit reported net assets of $734,269, a decrease of $807 from the previous year.

Fund Level:

- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of $50.4 million. Of this, $44.4 million is reported as unreserved fund balance, inclusive of $10.2 million in the City's Budget Stabilization Fund and $14.7 million designated for capital projects for subsequent year expenditure. The remaining fund balance of $6.0 million is reserved for specific purposes, such as long-term advances to other funds and encumbrances. At the end of the fiscal year, unreserved fund balance for the General Fund was $5.8 million, an increase of $87,928.
- The proprietary funds reported net assets at year-end of $193.1 million, an increase of $5.6 million during the year. The majority of the increase represents Sewage Disposal Fund construction.

Long Term Debt:

- The City's total long term debt was $195.6 million at June 30, 2002, an increase of $913,000 (or .47%), which represents the net difference between new issuances, and payments and refundings of outstanding debt. During the year the City issued debt of $14.2 million, including $4.0 million in new unlimited tax general obligation fire station bonds and $10.2 million in limited tax general obligation bonds for its Combined Sewer Overflow (CSO) abatement project. Capital leases of $119,000 were added. More detailed information regarding these activities and funds begins on page 40.

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.

For the first time, this report includes government-wide financial statements as required by GASB Statement No. 34.

Government-wide Statements (Reporting the City as a Whole) These statements include all non-fiduciary assets and liabilities, but exclude assets and liabilities related to pensions. The Statement of Net Assets and the Statement of Activities are two new 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 Assets (pages 4 and 5) presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets are an indicator of whether the City's long term financial position is improving or deteriorating.

The Statement of Activities (pages 6 and 7) presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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 Assets 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 cost 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 only one such discretely presented unit; the Lansing Entertainment and Public Facilities Authority.

These financial statements include two schedules (pages 10 and 12) 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 revenue 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.

- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements.

- Bond issuance costs, 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 either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

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. The notes can be found beginning on page 21 of this report.

Fund Financial Statements (Reporting the City's Major Funds)

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than (the previous financial reporting model's) fund types.

The City's Major Funds are identified as its Sewage Disposal Fund, its Parking System Fund, and its Act 51 Major and Local Street Funds, along with its General Fund. The major fund financial statements begin on page 9. In addition to major funds, individual fund data for the non-major funds begins on page 63. 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 Parking Fund. Internal service funds are reported as governmental activities on the government-wide statements.

- *Fiduciary Funds* -- The City acts as a trustee or fiduciary, for its employee pension 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 Assets and Changes in Fiduciary Net Assets beginning on page 103. 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 budgetary comparison schedules reconciling the statutory and generally accepted accounting principles (GAAP) fund balances at fiscal year-end, and required pension supplementary information.

Other Supplementary Information
Other supplementary information includes combining financial statements for non-major 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.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The City's combined net assets increased $14.5 million over the course of this fiscal year's operations to a total of $409.5 million. The net assets of the governmental activities increased $6.2 million or 3.0% and business-type activities increased $8.3 million or 4.8%.

Net Assets as of June 30, 2002
(in millions of dollars)

	Governmental Activities	*Business-type Activities*	*Total Primary Government*
Current and other non-current assets	*$ 57.2*	*$ 58.3*	*$ 115.5*
Capital assets	*236.8*	*274.7*	*511.5*
Total assets	*$ 294.0*	*$ 333.0*	*$ 627.0*
Long-term liabilities	*$ 60.2*	*$ 135.2*	*$ 195.4*
Other liabilities	*17.4*	*4.7*	*22.1*
Total liabilities	*$ 77.6*	*$ 139.9*	*$ 217.5*
Net assets:			
Invested in capital assets, net of related debt	*$ 191.2*	*$ 140.5*	*$ 331.7*
Restricted	*6.2*	*5.9*	*12.1*
Unrestricted	*19.0*	*46.7*	*65.7*
Total net assets	*$ 216.4*	*$ 193.1*	*$ 409.5*

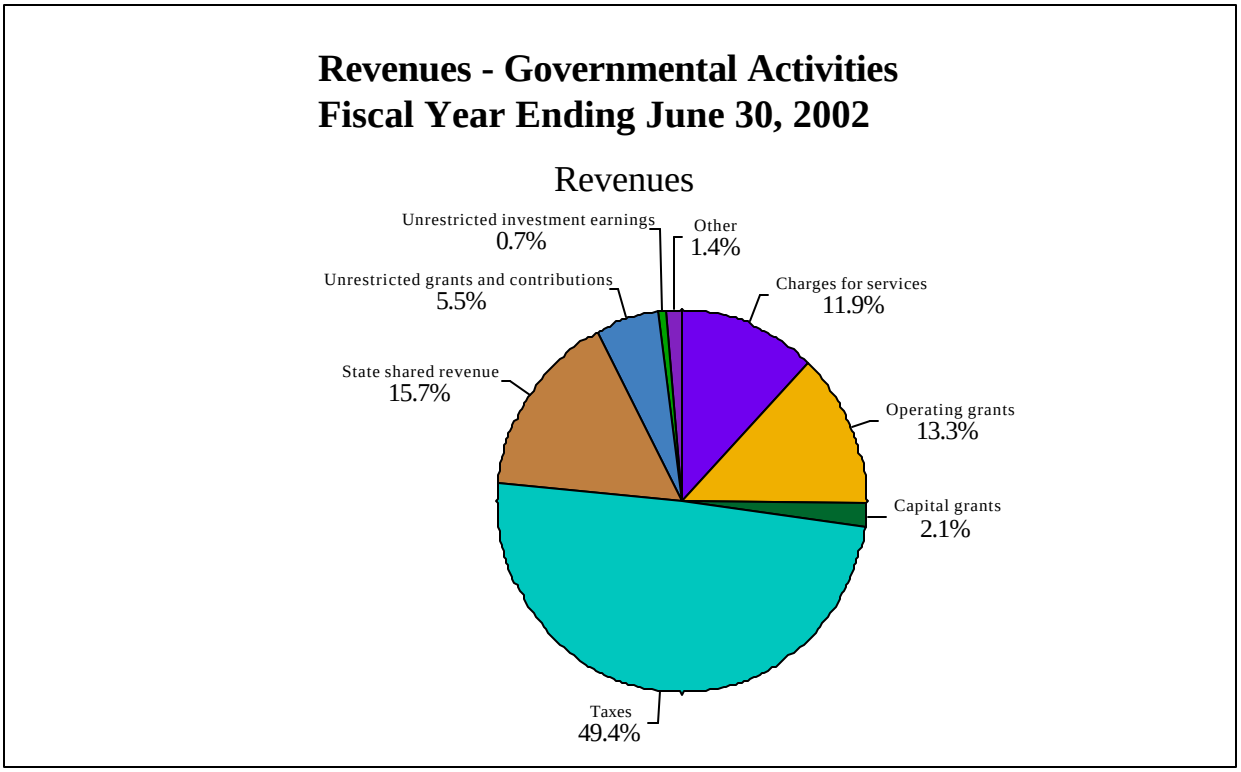
The largest component (81%) of the City 's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Unrestricted net assets are the next largest component, comprising 16%. These represent resources that may be used at the City's discretion, but often have limitations based upon policy action. The remaining portion, restricted net assets, are subject to external restrictions such as bond covenants, City Charter, State legislation or Constitutional provision.

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

Change in Net Assets
for the Fiscal Year Ended June 30, 2002
(in millions of dollars)

	Governmental Activities	*Business-type Activities*	*Total Primary Government*
Revenues			
Program revenues			
Charges for services	$ 16,156,713	$ 37,579,484	$ 53,736,197
Operating grants	17,980,993		17,980,993
Capital grants	2,822,477		2,822,477
General revenues			
Taxes	66,755,137		66,755,137
State shared revenue	21,169,930		21,169,930
Unrestricted Grants and Contributions	7,448,345		7,448,345
Unrestricted Investment Earnings	972,802	628,797	1,601,599
Other	1,946,818	1,438,488	3,385,306
Total revenues	135,253,215	39,646,769	174,899,984
Expenses			
General government, administrative	$ 48,907,951	$ -	$ 48,907,951
Public Safety	37,442,294		37,442,294
Public Works	22,332,626		22,332,626
Recreation and Culture	6,790,347		6,790,347
Community Development	8,960,204		8,960,204
Interest on Long Term Debt	2,705,290		2,705,290
Sewage Disposal System		17,218,878	17,218,878
Municipal Parking System		8,322,193	8,322,193
Cemetery		570,291	570,291
Golf		1,222,525	1,222,525
Garbage and Refuse Collection		1,229,951	1,229,951
Recycling		2,437,371	2,437,371
Potter Park Zoo		1,778,059	1,778,059
Total expenses	$ 127,138,712	$ 32,779,268	$ 159,917,980
Excess (deficiency) Before Contributions and Transfers	$ 8,114,503	$ 6,867,501	$ 14,982,004
Transfers in (out)	(1,925,790)	1,486,240	(439,550)
Increase in net assets	$ 6,188,713	$ 8,353,741	$ 14,542,454
Beginning Net Assets	$ 210,217,615	$ 184,753,554	$ 394,971,169
Ending Net Assets	$ 216,406,328	$ 193,107,295	$ 409,513,623

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

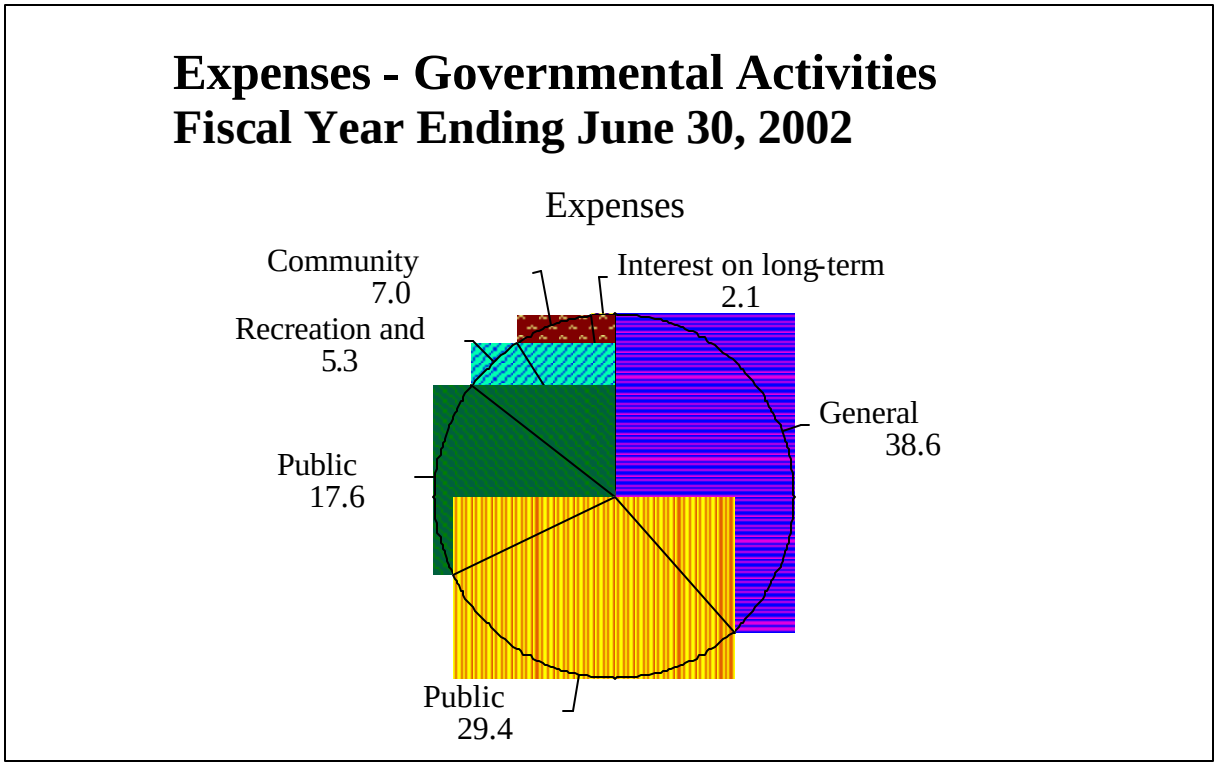


Property taxes comprised 29% of Governmental Activities revenue, with $3,993,179 representing debt service on voted unlimited tax- general obligation debt, and $35,165,688 representing operating millage. With adoption of the City's FY 2003 budget, 1.03 mills of debt service was reduced upon completion of repayment for the City's 1987 Transportation Bond issue and the City increased operating millage by 0.5 to support capital costs for its combined sewer overflow abatement project. In total, the City's property tax levy was reduced by 0.53 mills. The City's operating millage is currently 14.9 mills. In accordance with Charter and State Constitutional provisions, the City may levy up to 19.4033 mills for operations in FY 2003.

Income taxes comprised 20.4% of Governmental Activities revenue which fully appears within the General Fund. 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.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. FY 2002 receipts from the State of Michigan trended downward, attributable to census adjustment, which impacts the population portion of the formula base, declining sales tax collections and discretionary reductions in revenue sharing payments.

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



Business-type Activities

Net assets of the business-type activities increased by $5.6 million during the fiscal year. The factor contributing to these results was funds raised for the City's combined sewer overflow project.

The Sewage Disposal System Fund net assets increased by $8,373,899. This is primarily a result of funding for capital costs of the combined sewer separation project. Sewage system revenues are expected to increase by 4% per year over the next five years to continue this 30 year project.

The Parking System completed major maintenance on the North Grand ramp, resulting in a decrease in net assets of $1,577,206, as balances accumulated for this purpose in prior years were used as part of an ongoing cycle of maintenance to extend the useful lives of the City's four existing facilities. Inflation level increases in system revenues have supported these activities.

Within non-major funds, Cemeteries, Golf, and Potter Park Zoo remain subsidized by the General Fund. Garbage and Rubbish Fund and Recycling Fund net assets were reduced by $1,236,751. This resulted from a downward adjustment in the Recycling fee intended to reduce what were deemed to be excess retained earnings in the fund. The City also instituted improved process controls and restated receivables, in both funds, to better reflect available assets.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds reported fund balances of $50.4 million. Of this total amount, $44.4 million, or 88.1% constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds. This includes $10.2 million in the City's Budget Stabilization Fund and $14.6 million designated for capital projects for subsequent year expenditure. The remainder of fund balance is reserved and is not available for new spending because it has already been reserved for specific purposes, including special assessments and encumbrances.

General Fund
The General Fund is the chief operating fund of the City. At the end of fiscal year 2001-2002, the General Fund fund balance was $6.9 million, including an unreserved fund balance of $5.8 million and a reserved fund balance of $1.1 million. The total fund balance remained unchanged as year end balances were transferred to the Capital Projects Fund and to the Budget Stabilization Fund, in accordance with policy and ordinance. Unreserved fund balance increased by $87,928.

General Fund Budgetary Highlights:
Expenditures in comparison to budget were reduced in virtually all operating departments by a partial hiring freeze impacting all but public safety positions, by selective deferral of equipment purchases, and by administrative actions to reduce operating costs.

Reduced General Administration expenditures in comparison to budget resulted from a lower actuarially required contribution to the Police and Fire Retirement System, and from reduced costs due to vacancies resulting from the hiring freeze.

- Property tax revenue increased $2,102,853 or 7.86% in FY 2002. This occurred despite the economic downturn at the State and National level and is attributed to the City's economic development efforts.

- Income tax revenue increased $748,778 or 2.79% in FY 2002. Growth was maintained at historical levels.

- The State reduced revenue sharing payments by $962,523 or 4.35% in FY 2002. This resulted from State actions in response to the economic slowdown and legislatively enacted tax cuts.

Revenue from return on the City's equity in the Lansing Board of Water and Light increased by $804,450 or 12.15%. The agreement between the City and Board which provides for this payment expired and was renegotiated, effective April 1, 2002. The base was on which the payment is calculated was expanded to include both retail and wholesale sales. Also the Board began a new utility service, providing chilled water for air conditioning of downtown buildings.

Interest income was reduced by $509,513 or 45.98% due to market conditions resulting in reduced rates of return.

Budget Stabilization Fund
Fund balance at June 30, 2002 decreased to $10.2 million, from $10.3 million the previous year. The Fund is limited by Ordinance to 10% of year end General Fund appropriations. Because two new Special Revenue Funds, representing items formerly accounted for within the General Fund, were created in FY 2001, the City was required to reduce the balance in its Budget Stabilization Fund in FY 2002 to meet Ordinance requirements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2001-2002, the City had invested $511.5 million, net of accumulated depreciation, in a broad range of capital assets (see the table below). Total depreciation charges for this fiscal year was $21.8 million.

Capital Assets as of June 30, 2002
(net of depreciation, in millions of dollars)

	Governmental Activities	*Business-type Activities*	*Total Primary Government*	*Component Unit*
Land	***$ 23.7***	***$ 21.8***	***$ 45.5***	***$ -***
Land improvements	***3.2***	***14.7***	***17.9***	
Buildings and improvements	***44.8***	***94.4***	***139.2***	
Equipment	***6.2***	***1.9***	***8.1***	***.3***
Sewers		***75.6***	***75.6***	
Infrastructure	***151.0***		***151.0***	
Subtotal	***$ 228.9***	***$ 208.4***	***$ 437.3***	***$ .3***
Construction in progress	***7.9***	***66.3***	***74.2***	
Total	***$ 236.8***	***$ 274.7***	***$ 511.5***	***$ .3***

Long-term Debt: The City, along with the Lansing Building Authority (LBA), a blended component unit of the City, are 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 only dedicated revenue bonds which are 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. The General Fund pays for firing range related debt service. More detailed information regarding the City's long-term obligations is presented in Note 14 to the financial statements.

Outstanding Bonded Debt as of June 30, 2002
(in millions of dollars)

	Governmental Activities	*Business-type Activities*	*Total Primary Government*
General obligation bonds (backed by the City)	***$ 33.8***	***$ 102.2***	***$ 136.0***
Revenue bonds and notes (backed by specific fee revenues)		***31.9***	***31.9***
Total	***$ 33.8***	***$ 134.1***	***$ 167.9***

During fiscal year 2001-2002, the City issued unlimited tax general obligation debt of $4.0 million for fire station construction, backed by voted millage. The City also subscribed to $10.2 million in limited tax-general obligation debt for its combined sewer overflow abatement project, supported, in part, by Sewage Disposal Fund user fees.

ECONOMIC CONDITION AND OUTLOOK

While Lansing's unemployment rate has consistently remained below 4% and currently stands at 3.4%, downturns in the U.S. economy and multi-year tax reduction legislation sharply curtailed the State of Michigan's revenue collections. Michigan's unemployment rate averaged 5.0% in 2001 and currently stands at 5.6%. In May 2001 it became apparent that State revenues were declining and State Revenue Sharing payments to local government were cut to meet reduced revenue projections. Such reductions, and reductions in interest earnings on surplus funds, impacted both the City's FY 2001 and FY 2002 operating results, necessitating managerial constraints on operating expenditures.

Continuing reductions in State Revenue Sharing and the low interest rate environment necessitated reductions in proposed expenditures for FY 2003 as well, and a continuance of administrative cost containment measures. Further, the State of Michigan instituted an early retirement incentive program in addressing its budgetary shortfall. While the impact of this program will be softened by the addition of a second shift at the new General Motors Grand River Assembly Plant, reductions in State employment disproportionately impact Lansing as the State Capitol and will restrain income tax revenue growth. The City's FY 2002-2003 budget does not anticipate use of its Budget Stabilization Fund. Use of the Fund in the remainder of FY 2003 and in FY 2004 may become necessary if economic growth is stagnant, or if the State of Michigan further reduces support to local governments. It is anticipated the Budget Stabilization Fund will only be used to prevent layoffs of City employees.

CONTACTING THE CITY FINANCE DEPARTMENT

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. If you have any questions about this report or need additional financial information, contact the Finance Department at (517) 483-4500.

Report of Independent Accountants

The Honorable Mayor David Hollister
and Members of City Council
City of Lansing, Michigan

In our opinion, the accompanying general-purpose financial statements as listed in the table of contents present fairly, in all material respects, the financial position of the City of Lansing, Michigan ("the City"), at June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the City's management; our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Lansing Entertainment and Public Facility Authority, which reflected total assets of $4,805,930 as of June 30, 2002, and total revenues of $5,901,229, and total additions of $304,855 for the year then ended, the Brownfield Redevelopment Authority, which statements reflected total assets of $126,992 as of June 30, 2002, and total revenues of $282,420 for the year then ended, and the Tax Increment Finance Authority, which statements reflected total assets of $1,156,814 as of June 30, 2002, and total revenues of $5,711,539 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Lansing Entertainment and Public Facility Authority, a business-type fund, the Brownfield Redevelopment Authority, and the Tax Increment Finance Authority, both governmental fund types, are based solely on the report of the other auditors. We conducted our audit of these statements 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City adopted the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments:* Omnibus - an Amendment of GASB Statements No. 21 and No. 34 and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001.

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2002 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the required supplementary information other than management's discussion and analysis are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information identified in the table of contents as combining financial statements and supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the financial data presented in the introductory section and the statistical section, and therefore, we express no opinion thereon.

November 26, 2002

Basic Financial Statements

City of Lansing
Statement of Net Assets
June 30, 2002

	Primary Government			Component unit Non-major
	Governmental activities	Business-Type activities	Totals	Lansing Entertainment & Public Facilities Authority
Assets				
Cash and cash equivalents	$ 12,649,684	$ 16,497,902	$ 29,147,586	$ 227,065
Equity in pooled cash	37,749,817	9,053,881	46,803,698	
Investments	118,505	-	118,505	
Receivables, net of allowances for uncollectibles				
Accounts	5,125,086	2,000,133	7,125,219	836,996
Accrued interest	5,484	78,941	84,425	
Taxes	3,254,683	-	3,254,683	
Special assessments	877,245	-	877,245	
Contract retainage	46,464	20,000	66,464	
Loans	287,365	-	287,365	
Other	1,670,990	-	1,670,990	
Internal balances	(16,596,990)	16,596,990	-	
Due from other governments	9,494,840	-	9,494,840	
Due from pension fund	15,003	-	15,003	85,327
Prepaid expenses	768,843	-	768,843	84,887
Inventories	1,465,716	445,307	1,911,023	51,388
Total current assets	56,932,735	44,693,154	101,625,889	1,285,663
Restricted assets				
Cash and cash equivalents	204,327	12,968,312	13,172,639	333,509
Accrued interest receivable	330	7,034	7,364	
Lease receivable	-	7,646	7,646	
Bond issue costs	8,936	660,626	669,562	
Capital assets				
Land	23,865,515	21,753,688	45,619,203	
Land improvements	6,011,903	22,397,286	28,409,189	
Buildings	77,115,881	162,099,258	239,215,139	
Equipment	32,148,139	5,596,348	37,744,487	1,388,087
Infrastructure	325,074,413	100,318,528	425,392,941	
Less accumulated depreciation	(235,287,780)	(103,724,420)	(339,012,200)	(1,055,333)
Construction in progress	7,883,476	66,258,928	74,142,404	
Total capital assets	236,811,547	274,699,616	511,511,163	332,754
Total assets	$ 293,957,875	$ 333,036,388	$ 626,994,263	$ 1,951,926

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

City of Lansing
Statement of Net Assets
June 30, 2002

	Primary Government			Component unit Non-major
	Governmental activities	Business-Type activities	Totals	Lansing Entertainment & Public Facilities Authority
Liabilities				
Accounts payable	$ 7,082,072	$ 1,633,146	$ 8,715,218	$ 194,927
Deposits payable	717,563	51,940	769,503	
Accrued interest payable	614,521	347,103	961,624	
Accrued payroll	2,600,063	253,556	2,853,619	
Other accrued liabilities	589,791	-	589,791	220,796
Contract retainage payable	2,472,184	-	2,472,184	
Indemnity bonds	2,450	-	2,450	
Due to pension fund	1,049,842	-	1,049,842	85,327
Due to other governments	1,079,847	125,089	1,204,936	
Deferred revenues	1,063,406	648,158	1,711,564	508,650
Payable from restricted assets				
Accounts payable	-	1,350,526	1,350,526	
Accrued interest payable	32,546	362,414	394,960	
Capital lease payable	1,825,000	-	1,825,000	
Due to federal government	-	600	600	
General obligation bonds payable, current	-	4,560,000	4,560,000	
Revenue bonds payable, current	-	3,475,000	3,475,000	
Loans payable	649,843	-	649,843	
Capital leases payable	9,440,888	-	9,440,888	207,957
General obligation bonds payable	33,758,133	97,672,751	131,430,884	
Revenue bonds payable	-	28,426,891	28,426,891	
Accrued compensated absences	10,762,779	1,021,919	11,784,698	
Accrued workers' compensation	3,410,619	-	3,410,619	
Accrued general liability claims	400,000	-	400,000	
Total liabilities	77,551,547	139,929,093	217,480,640	1,217,657
Net Assets				
Invested in capital assets, net of related debt	191,149,395	140,516,083	331,665,478	124,797
Restricted for				
Reserved for debt retirement	172,111	2,105,762	2,277,873	
Unrestricted	25,084,822	50,485,450	75,570,272	609,472
Total Net Assets	$ 216,406,328	$ 193,107,295	$ 409,513,623	$ 734,269

City of Lansing
Statement of Activities
June 30, 2002

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for services**	**Operating grants and contributions**	**Capital grants and contributions**
Primary government				
Governmental activities				
General government, administrative	$ 48,907,951	$ 1,908,603	$ 3,483,892	$ -
Public safety	37,442,294	10,393,731	3,316,535	3,750
Public works	22,332,626	2,345,220	10,977,339	-
Recreation and culture	6,790,347	1,509,159	189,427	81,557
Community development	8,960,204	-	13,800	2,737,170
Interest on long-term debt	2,705,290	-	-	-
Total governmental activities	127,138,712	16,156,713	17,980,993	2,822,477
Business-type activities				
Sewage Disposal System	17,218,878	25,414,112	-	-
Municipal Parking System	8,322,193	7,763,065	-	-
Cemetery	570,291	231,304	-	-
Golf	1,222,525	1,014,675	-	-
Garbage and Rubbish Collection	1,229,951	801,418	-	-
Recycling	2,437,371	1,928,476	-	-
Potter Park Zoo	1,778,059	426,434	-	-
Total business-type activities	32,779,268	37,579,484	-	-
Total primary government	$ 159,917,980	$ 53,736,197	$ 17,980,993	$ 2,822,477
Component unit				
Lansing Entertainment & Public Facilities Authority	$ 5,902,036	$ 5,096,791	$ 797,812	$ -
Total component unit	$ 5,902,036	$ 5,096,791	$ 797,812	$ -

General Revenues:
Taxes:
Property tax and special assessments
State shared revenue
Income tax
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Gain on sale of capital assets
Miscellaneous
Transfers:
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net assets - Beginning (restated)
Prior period adjustments
Net assets - Ending

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

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component unit Non-major
Governmental activities	Business-Type activities	Totals	Lansing Entertainment & Public Facilities Authority
$ (43,515,456)	$ -	$ (43,515,456)	$ -
(23,728,278)		(23,728,278)	
(9,010,067)		(9,010,067)	
(5,010,204)		(5,010,204)	
(6,209,234)		(6,209,234)	
(2,705,290)		(2,705,290)	
(90,178,529)	-	(90,178,529)	-
	8,195,234	8,195,234	
	(559,128)	(559,128)	
	(338,987)	(338,987)	
	(207,850)	(207,850)	
	(428,533)	(428,533)	
	(508,895)	(508,895)	
	(1,351,625)	(1,351,625)	
-	4,800,216	4,800,216	-
(90,178,529)	4,800,216	(85,378,313)	-
-	-	-	(7,433)
-	-	-	(7,433)
39,158,867	-	39,158,867	-
21,169,930	-	21,169,930	-
27,596,270	-	27,596,270	-
7,448,345	-	7,448,345	-
972,802	628,797	1,601,599	6,626
896,818	53,940	950,758	-
1,050,000	1,384,548	2,434,548	-
(1,925,790)	1,486,240	(439,550)	-
96,367,242	3,553,525	99,920,767	6,626
6,188,713	8,353,741	14,542,454	(807)
209,237,294	173,945,595	383,182,889	735,076
980,321	10,807,959	11,788,280	-
$ 216,406,328	$ 193,107,295	$ 409,513,623	$ 734,269

Governmental Fund Financial Statements

Major Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Act 51, Public Acts of 1951 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.

Act 51, Public Acts of 1951 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.

Non-Major Funds

Non-major governmental funds are presented, by fund type, beginning on the pages listed below:
Special Revenue funds, page 66.
Debt Service funds, page 77.
Capital Projects funds, page 86.
Permanent funds, page 91.

City of Lansing
Balance Sheet
Governmental Funds
June 30, 2002

	General fund	Act 51, Public Acts of 1951 Major Streets	Act 51, Public Acts of 1951 Local Streets	Non-Major funds	Totals June 30, 2002
Assets					
Cash and cash equivalents	$ 2,446,105	$ -	$ -	$ 10,194,991	$ 12,641,096
Equity in pooled cash	5,379,557	4,701,722	1,463,973	23,525,075	35,070,327
Investments				118,505	118,505
Accounts receivable, net	2,535,622			2,589,464	5,125,086
Taxes receivable	3,301,255				3,301,255
Special assessments receivable				877,245	877,245
Contract retainage receivable				46,464	46,464
Loans receivable				287,365	287,365
Accrued interest receivable				5,484	5,484
Other receivables				653,939	653,939
Due from other funds				8,807,703	8,807,703
Due from other governments	5,552,774	1,167,973	306,307	2,467,786	9,494,840
Advances to other funds	557,416				557,416
Prepaid expenses	241,957				241,957
Inventories	1,195,545				1,195,545
Land				80,000	80,000
Total Assets	$ 21,210,231	$ 5,869,695	$ 1,770,280	$ 49,654,021	$ 78,504,227
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 3,825,688	$ 504,420	$ 41,867	$ 2,639,942	$ 7,011,917
Deposits payable				717,563	717,563
Accrued payroll	2,339,852	35,435	24,902	176,118	2,576,307
Contract retainage payable	2,472,184				2,472,184
Indemnity bonds		1,400	1,050		2,450
Due to other funds	3,971,802			8,618,626	12,590,428
Due to other governments	1,079,847				1,079,847
Deferred revenue				1,063,406	1,063,406
Other	589,791				589,791
Total liabilities	14,279,164	541,255	67,819	13,215,655	28,103,893
Fund balances					
Reserved for advances to other funds	557,416				557,416
Reserved for encumbrances	588,480	1,797,223	575,538		2,961,241
Reserved for programs				2,525,278	2,525,278
Unreserved					
Designated for subsequent years' expenditures	1,829,506	2,970,729	483,491	9,403,747	14,687,473
Undesignated	3,955,665	560,488	643,432	24,509,341	29,668,926
Total fund balances	6,931,067	5,328,440	1,702,461	36,438,366	50,400,334
Total Liabilities and Fund Balances	$ 21,210,231	$ 5,869,695	$ 1,770,280	$ 49,654,021	$ 78,504,227

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

City of Lansing
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets
June 30, 2002

Total fund balances for governmental funds		$ 50,400,334
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land	23,730,218	
Land improvements	6,011,903	
Buildings	76,356,704	
Equipment	20,605,218	
Infrastructure	325,074,413	
Accumulated depreciation	(225,787,695)	
Construction in progress	5,959,240	231,950,001
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.		
Prepaid interest	526,886	
Income tax penalties and interest receivables	97,797	
Property tax chargebacks	(144,369)	
Parking fine receivables	49,747	
Traffic fine receivables	283,967	
Ambulance fees	683,337	1,497,365
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		5,911,258
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Governmental loans payable	(649,843)	
General obligation bonds payable	(33,758,133)	
Accrued interest payable	(614,521)	
Capital lease obligations	(23,847,408)	
Compensated absences	(10,672,106)	
Workers' compensation	(3,410,619)	
General liability claims	(400,000)	(73,352,630)
Net assets of governmental activities		$ 216,406,328

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

City of Lansing
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2002

	General fund	Act 51, Public Acts of 1951 Major Streets	Act 51, Public Acts of 1951 Local Streets	Non-Major funds	Totals June 30, 2002
Revenues					
Taxes and special assessments	$ 57,419,862	$ -	$ -	$ 10,437,510	$ 67,857,372
Intergovernmental	21,202,213	7,074,646	1,837,710	11,040,614	41,155,183
Charges for services	8,651,949	285,332	188,235	5,932,213	15,057,729
Fines and forfeits	4,050,234			333,444	4,383,678
Investment income	598,631	78,582	20,257	398,616	1,096,086
Contributions	7,542,754			527,161	8,069,915
Donations, private sources				85,307	85,307
Miscellaneous	250,277	35,744		417,311	703,332
Total revenues	99,715,920	7,474,304	2,046,202	29,172,176	138,408,602
Expenditures					
Current operating					
General government	46,621,310			2,534,819	49,156,129
Public safety	31,425,523			7,865,039	39,290,562
Highways, streets and sanitation	2,069,940	4,051,550	2,989,027		9,110,517
Recreation and culture	6,108,158			111,615	6,219,773
Other functions	2,395,721			5,859,335	8,255,056
Capital improvements		1,112,370	228,867	12,854,532	14,195,769
Debt service					
Principal	539,736			7,346,284	7,886,020
Interest	93,488			2,856,589	2,950,077
Paying agent fees				1,275	1,275
Total expenditures	89,253,876	5,163,920	3,217,894	39,429,488	137,065,178
Excess (deficiency) of revenues over expenditures	10,462,044	2,310,384	(1,171,692)	(10,257,312)	1,343,424
Other financing sources (uses)					
Operating transfers in	708,370		1,647,778	14,433,368	16,789,516
Operating transfers out	(11,246,882)	(1,647,778)		(5,820,646)	(18,715,306)
Gain on sale of fixed assets	76,468			820,350	896,818
Bond proceeds				3,914,787	3,914,787
Total other financing sources (uses)	(10,462,044)	(1,647,778)	1,647,778	13,347,859	2,885,815
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	662,606	476,086	3,090,547	4,229,239
Fund balances, beginning of year	6,931,067	4,665,834	1,226,375	32,367,498	45,190,774
Prior period adjustment				980,321	980,321
Fund balances, end of year	$ 6,931,067	$ 5,328,440	$ 1,702,461	$ 36,438,366	$ 50,400,334

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

City of Lansing
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities
June 30, 2002

Net change in fund balance - total governmental funds		$ 4,229,239
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. This is the amount by which capital outlays exceeded depreciation in the current period.		
Land	650,360	
Land improvements	1,221,634	
Buildings	2,159,114	
Equipment	1,666,164	
Infrastructure	3,641,359	
Accumulated depreciation	(13,339,164)	
Construction in progress	3,676,011	(324,522)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(291,372)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported within governmental activities.		605,289
Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets. This is the amount proceeds exceed repayments.		
Bond proceeds	(3,914,787)	
Repayment of bond principal	5,890,000	
Repayment of capital lease	461,284	
Accrued interest	53,050	2,489,547
Certain expenditures are reported in the funds. However, the expenditures are charged to the business-type activities funds in the Statement of Activities as indirect costs.		(2,793,799)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.		
Capital lease payments	1,534,736	
Capital lease advances	250,000	
Workers' compensation	(67,000)	1,717,736
Some expenses reported in the statement of activites do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Amortization of current year bond discount	(5,213)	
Change in long-term compensated absences	561,808	556,595
Change in net assets of governmental activities		$ 6,188,713

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

Proprietary Fund Financial Statements

Major 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.

Non-Major Funds

Non-major proprietary funds are presented, by fund type, beginning on the pages listed below:
Enterprise funds, page 94.
Internal Service funds, page 99.

City of Lansing
Statement of Net Assets
Proprietary Funds
June 30, 2002

	Business-Type Activities - Enterprise Funds				
	Major Funds				Governmental Activities - Internal Service Funds
	Sewage Disposal System	Municipal Parking System	Non-Major Enterprise Funds	Totals June 30, 2002	
Assets					
Cash and cash equivalents	$ 16,439,454	$ 11,349	$ 47,099	$ 16,497,902	$ 8,588
Equity in pooled cash		6,086,613	2,967,268	9,053,881	2,679,490
Receivables, net of allowances for uncollectibles					
Accounts	1,698,591	104,873	196,669	2,000,133	
Accrued interest	14,661	64,280		78,941	
Contract retainage	20,000			20,000	
Lease receivable, current		430,614		430,614	
Due from other funds	812,452			812,452	
Inventories	298,064		147,243	445,307	270,171
Total current assets	19,283,222	6,697,729	3,358,279	29,339,230	2,958,249
Restricted assets					
Cash and cash equivalents	12,150,976	817,336		12,968,312	204,327
Accrued interest receivable	5,780	1,254		7,034	330
Due from other funds	2,596,693			2,596,693	
Lease receivable		13,975,906	7,646	13,983,552	
Bond issue costs	377,959	282,667		660,626	8,936
Fixed assets, net of accumulated depreciation	229,479,636	34,895,128	10,324,852	274,699,616	4,781,546
Total assets	$ 263,894,266	$ 56,670,020	$ 13,690,777	$ 334,255,063	$ 7,953,388
Liabilities					
Accounts payable	$ 1,211,219	$ 265,836	$ 156,091	$ 1,633,146	$ 70,155
Deposits payable		51,940		51,940	
Accrued interest payable	347,103			347,103	
Accrued payroll	93,852	44,920	114,784	253,556	23,756
Due to other funds			843,309	843,309	
Due to other governments	125,089			125,089	
Deferred revenues		526,886	121,272	648,158	
Payable from restricted assets					
Accounts payable	1,350,326	200		1,350,526	
Accrued interest payable	261,455	86,269	14,690	362,414	32,546
Capital lease payable				-	1,825,000
Due to other funds	205,142	170,224		375,366	
Due to federal government		600		600	
General obligation bonds payable, current	3,715,000	795,000	50,000	4,560,000	
Revenue bonds payable, current	3,475,000			3,475,000	
General obligation bonds payable	58,286,904	38,344,293	1,041,554	97,672,751	
Revenue bonds payable	28,426,891			28,426,891	
Accrued compensated absences	522,722	147,185	352,012	1,021,919	90,673
Total liabilities	98,020,703	40,433,353	2,693,712	141,147,768	2,042,130
Net Assets					
Invested in capital assets, net of related debt	135,345,242	(4,047,767)	9,218,608	140,516,083	2,932,936
Restricted for					
Reserved for debt retirement	1,544,465	561,297		2,105,762	172,111
Reserved for capital contingency	3,795,000			3,795,000	
Unrestricted	25,188,856	19,723,137	1,778,457	46,690,450	2,806,211
Total net assets	165,873,563	16,236,667	10,997,065	193,107,295	5,911,258
Total Liabilities and Net Assets	$ 263,894,266	$ 56,670,020	$ 13,690,777	$ 334,255,063	$ 7,953,388

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

City of Lansing
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2002

	Business-Type Activities - Enterprise Funds				
	Major Funds				Governmental Activities - Internal Service Funds
	Sewage Disposal System	Municipal Parking System	Non-Major Enterprise Funds	Totals June 30, 2002	
Operating revenues					
Operating revenues	$ 25,414,112	$ 7,763,065	$ 4,402,307	$ 37,579,484	$ 3,288,486
Operating expenses					
Personal services	5,124,993	2,045,851	4,347,234	11,518,078	915,853
Purchase of goods and services	6,084,718	1,704,417	3,529,524	11,318,659	943,856
Depreciation	4,969,677	2,280,026	416,078	7,665,781	805,919
Total operating expenses	16,179,388	6,030,294	8,292,836	30,502,518	2,665,628
Operating income (loss)	9,234,724	1,732,771	(3,890,529)	7,076,966	622,858
Nonoperating revenues (expenses)					
Investment revenue	421,595	136,422	70,780	628,797	25,671
Gain on sale of fixed assets	36,532	2,093	15,315	53,940	50,342
Interest expense and paying agent fees	(2,078,184)	(2,899,504)	(60,557)	(5,038,245)	(100,155)
Amortization of bond issue costs	(32,304)			(32,304)	(654)
Miscellaneous income	1,091,536	293,012		1,384,548	
Total nonoperating revenues (expenses)	(560,825)	(2,467,977)	25,538	(3,003,264)	(24,796)
Income (loss) before operating transfers	8,673,899	(735,206)	(3,864,991)	4,073,702	598,062
Transfers and capital contributions					
Capital Contributions		158,000	207,489	365,489	
Operating transfers in			2,531,088	2,531,088	7,227
Operating transfers out	(300,000)	(1,000,000)	(110,337)	(1,410,337)	
Total	(300,000)	(842,000)	2,628,240	1,486,240	7,227
Change in net assets	8,373,899	(1,577,206)	(1,236,751)	5,559,942	605,289
Total net assets - beginning of fiscal year	157,499,664	7,005,914	12,233,816	176,739,394	5,305,969
Prior period adjustments		10,807,959		10,807,959	
Total net assets - end of fiscal year	$ 165,873,563	$ 16,236,667	$ 10,997,065	$ 193,107,295	$ 5,911,258

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

City of Lansing
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2002

	Business-Type Activities - Enterprise Funds	
	Major Funds	
	Sewage Disposal System	Municipal Parking System
Cash flows from operating activities		
Cash received from customers	$ 25,489,840	$ 7,770,834
Cash payments for goods and services	(10,384,832)	(1,778,100)
Cash payments to employees	(5,067,736)	(2,052,948)
Net cash provided by (used for) operating activities	10,037,272	3,939,786
Cash flows from noncapital financing activities		
Operating transfers in		
Operating transfers out	(300,000)	(1,000,000)
Net cash provided by (used for) noncapital financing activities	(300,000)	(1,000,000)
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	1,128,068	2,093
Acquisition and construction of capital assets	(17,744,149)	(1,920,867)
Payments of capital lease and interest		
Principal paid on revenue and general obligation bonds	(6,550,333)	(755,000)
Interest paid on revenue and general obligation bonds	(2,064,731)	(1,080,706)
Bond proceeds	10,163,765	
Payments received on capital lease		1,000,000
Net cash used for capital and related financing activities	(15,067,380)	(2,754,480)
Cash flows from investing activities		
Interest and dividends	482,136	138,821
Net increase (decrease) in cash and cash equivalents	(4,847,972)	324,127
Cash and cash equivalents, beginning of year	33,438,402	6,591,171
Cash and cash equivalents, end of year	$ 28,590,430	$ 6,915,298
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities		
Operating income (loss)	$ 9,234,724	$ 1,732,771
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation expense	$ 4,969,677	2,280,026
Decrease (increase) in accounts receivable	75,728	7,769
Decrease (increase) in accrued interest receivable	60,541	
Decrease in lease receivable		
Increase in due from other funds	(1,573,591)	
Decrease (increase) in inventory	14,047	
Increase (decrease) in accounts payable	1,383,450	(77,648)
Increase (decrease) in accrued liabilities	70,710	(7,097)
Increase (decrease) in deferred revenue		
Decrease in due to other funds	(4,178,014)	
Increase in deposit payable		3,965
Decrease in contract retainage receivable	(20,000)	
Total adjustments	802,548	2,207,015
Net cash provided by (used for) operating activities	$ 10,037,272	$ 3,939,786

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

Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
Non-Major Enterprise Funds	Totals June 30, 2002	
$ 4,793,599	$ 38,054,273	$ 3,288,486
(3,549,627)	(15,712,559)	(985,159)
(4,268,666)	(11,389,350)	(911,837)
(3,024,694)	10,952,364	1,391,490
2,531,088	2,531,088	7,227
(110,337)	(1,410,337)	
2,420,751	1,120,751	7,227
13,816	1,143,977	50,342
(207,404)	(19,872,420)	(2,494,159)
	-	(199,840)
(45,000)	(7,350,333)	
(60,073)	(3,205,510)	
	10,163,765	
	1,000,000	
(298,661)	(18,120,521)	(2,643,657)
72,839	693,796	31,426
(829,765)	(5,353,610)	(1,213,514)
3,844,132	43,873,705	4,105,919
$ 3,014,367	$ 38,520,095	$ 2,892,405
$ (3,890,529)	$ 7,076,966	$ 622,858
416,079	7,665,782	805,919
373,521	457,018	
	60,541	
7,647	7,647	
	(1,573,591)	
(15,750)	(1,703)	(9,527)
(7,591)	1,298,211	(24,549)
78,567	142,180	(3,211)
10,128	10,128	
3,234	(4,174,780)	
	3,965	
	(20,000)	
865,835	3,875,398	768,632
$ (3,024,694)	$ 10,952,364	$ 1,391,490

Fiduciary Fund Financial Statements

Component Unit Non-Major Fund

Lansing Entertainment & Public Facilities Authority Fund – This fund accounts for the defined contribution pension plan and the deferred compensation plan for the employees of the Lansing Entertainment & Public Facilities Authority.

Non-Major Funds

Non-major fiduciary funds are presented, by fund type, beginning on the pages listed below:
Pension Trust funds, page 103.

City of Lansing
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2002

	Pension Trust Funds	Component unit Lansing Entertainment & Public Facilities Authority
Assets		
Cash and cash equivalents	$ 22,788,390	$ -
Investments		
U. S. Government obligations	116,234,906	
Corporate bonds	43,100,551	
Common stocks	190,940,972	
Stock mutual funds	52,044,713	2,854,004
Contribution receivable	869,015	
Dividends and interest receivable	1,970,480	
Accrued interest receivable	6,623	
Due from other funds	1,049,842	
Total assets	$429,005,492	$ 2,854,004
Liabilities		
Accounts payable	$ 413,108	$ -
Due to other funds	15,003	
Total liabilities	$ 428,111	$ -
Net assets		
Net assets held in trust for pension benefits	$428,577,381	$ 2,854,004

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

City of Lansing
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2002

	Pension Trust Funds	Component unit Lansing Entertainment & Public Facilities Authority
Additions		
Contributions		
Employer	$ 6,484,202	$ 207,752
Plan members	2,171,566	160,474
Employer-healthcare	1,913,553	
Investment income (loss)		
Realized/unrealized loss on investments	(34,225,983)	(97,283)
Interest and dividend income	14,856,351	33,912
Less investment expense		
Investment expenses	1,717,504	
Net investment loss	(21,087,136)	(63,371)
Total additions (deletions)	(10,517,815)	304,855
Deductions		
Benefits paid to plan members & beneficiaries	26,278,768	26,444
Refunds of contributions		8,250
Administrative expense	43,853	
Total deductions	26,322,621	34,694
Net decrease	(36,840,436)	270,161
Net assets held in trust for pension benefits, beginning of year	465,417,817	2,583,843
Net assets held in trust for pension benefits, end of year	$428,577,381	$ 2,854,004

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

City of Lansing
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Notes to the Financial Statements

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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.

(1) **Blended Component Units:** 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 three blended component units, the Building Authority, the Tax Increment Finance Authority, and the Brownfield Redevelopment Authority, each with a fiscal June 30 year-end. These three component units provide services primarily to benefit the City. The blended units are as follows:

(a) **Building Authority (the "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, the 1998 Building Authority Debt Service Fund and the Building Authority Firing Range Capital Projects Fund.

(b) **Tax Increment Finance Authority ("TIFA"):** The TIFA was established by the City under the authority contained in Act 450, Michigan Public Acts of 1981. The Act 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. The Act 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 TIFA is reported as a special revenue fund.

1. Summary of Significant Accounting Policies (continued)

Reporting entity (continued)

(1) **Blended Component Units (continued)**

(c) **Brownfield Redevelopment Authority:** The Authority 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 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 Authority 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 Authority 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 Authority include collections of property tax revenues on project areas for the Rite Aid Pharmacy and the former Motor Wheel Site Plant. The Brownfield Redevelopment Authority is reported as a special revenue fund and also under the title Local Site Remediation and Revolving fund as a internal service fund.

(2) **Discretely Presented Component Unit:** 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 discretely presented unit with a June 30 year-end follows:

(a) **Lansing Entertainment and Public Facilities Authority ("LEPFA"):** 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). The LEPFA was established to oversee the management and operations of the Lansing Center, the City Market and the Oldsmobile Park stadium. It assumed the oversight responsibilities of the City Market and Oldsmobile Park commencing July 1, 1996.

The Authority 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 the Authority, all assets and rights of the Authority shall revert to the City. The Authority's Board of Commissioners consists of thirteen members appointed by the Mayor of the City of Lansing and approved by the City Council. The LEPFA is discretely presented on both the basic financial statements and the fiduciary fund statements.

1. Summary of Significant Accounting Policies (continued)

Reporting entity (continued)

(3) **Component Unit Financial Statements:** Complete financial statements for each of the individual component units may be obtained from the entity's administrative offices.

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

Tax Increment Finance Authority and the Brownfield Redevelopment Authority
316 N. Capital Ave.
Lansing, Michigan 48933

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

Basic Financial Statements – GASB Statement #34

During fiscal year 2002, the City adopted GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended by GASB Statement No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvements of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consists of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial reporting model the focus is on either the City as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

1. Summary of Significant Accounting Policies (continued)

Reporting entity (continued)

Basic Financial Statements – GASB Statement #34 (continued)

The government-wide Statement of Activities reflects both the gross and net costs per functional category (General Government, Public Safety, Recreation and Culture and Community Development), which are otherwise being supported by general government revenues (property, income tax and certain intergovernmental revenues). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function otherwise it is reported as a general revenue. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function or activity) is normally covered by the City's general revenues. Historically, the previous financial reporting model did not summarize or present net cost by function or activity.

The City does not currently employ an indirect cost allocation system. An administrative service fee is charged by the General Fund to the other operating funds, that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund), to address General Fund services (finance, personnel, purchasing, legal, technology management, etc.) provided.

This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) are summarized into a single column.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the City's actual experience conforms to the budget fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity.

When appropriate, surplus or deficits in the Internal Service Funds are allocated back to the various users within the entity-wide Statement of Activities.

The City's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

1. Summary of Significant Accounting Policies (continued)

Reporting entity (continued)

Basic Financial Statements – GASB Statement #34 (continued)

The focus of the Statement No. 34 model is on the City as a whole and the fund financial statements. The focus of the Fund Financial Statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category), and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

Fund accounting
The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Additionally the City reports the following funds:

Major Funds
The City reports the following major governmental funds:

(1) The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

(2) The Act 51, Major Streets Fund was created to account for revenue received from the State of Michigan for the City's share of State gasoline and weight taxes which is restricted for maintenance of the City's major streets.

(3) The Act 51, Local Streets Fund was created to account for revenues received from the State of Michigan for the City's share of State gasoline and weight taxes which is restricted for maintenance of the City's local streets.

The City reports the following major enterprise funds:

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

(5) The Municipal Parking System Fund accounts for the operations of the City-owned parking facilities.

1. Summary of Significant Accounting Policies (continued)

Fund accounting (continued)

Non-Major Funds
The City reports the following non-major funds:

(1) **Non-Major Governmental Funds**

(a) **Special Revenue Funds:** Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Special Revenue Funds used by the City are as follows:

- **Budget Stabilization Fund:** This fund is used to account for funds set aside under the provisions of Public Act 30 of 1978. Funds set aside are to be determined by the City Council on an annual basis in any year where actual General Fund revenues exceed actual expenditures.

- **Drug Law Enforcement Fund:** This fund accounts for revenues set aside for drug law enforcement under the provisions of State of Michigan Public Act 135 of 1985, as amended.

- **State and Federal Programs 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.

- **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.

- **Stormwater Fund:** This fund accounts for revenues received from fees charged to property owners for the storm sewer portion of costs to separate storm sewers from sanitary sewers.

- **Stadium Fund:** This fund accounts for the City's share of revenues received from events held at Oldsmobile Park, the City's baseball stadium. The revenues are used for stadium expenditures.

- **Principal Shopping District 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.

- **911 Communications Center Fund:** This fund accounts for the operations of the county-wide 911 communications center. Revenues received are from the County for actual expenditures incurred.

- **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.

1. Summary of Significant Accounting Policies (continued)

Fund accounting (continued)

(1) **Non-Major Governmental Funds (continued)**

(b) **Debt Service Funds:** Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs (see note 5). Debt Service Funds used by the City are as follows:

- **1987 Street Improvements Fund:** This fund accounts for the accumulation of resources for payment of the 1987 $22,000,000 Unlimited Tax bonds.
- **1990 Environmental I Fund:** This fund accounts for the accumulation of resources for payment of the 1990 $7,000,000 Environmental bonds.
- **1990 Environmental II Fund:** This fund accounts for the accumulation of resources for payment of the 1990 $6,300,000 Environmental bonds.
- **1990 Special Assessments Fund:** This fund accounts for the accumulation of resources for payment of the 1990 $800,000 Special Assessment Bonds.
- **1996 Refunding Bonds Fund:** This fund accounts for the accumulation of resources for payment of the 1996 $10,800,000 Refunding Bonds.
- **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 payment of the 2001 $4,000,000 Unlimited Tax General Obligation Bonds.

(c) **Capital Projects Funds:** Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Capital Projects Funds used by the City are as follows:

- **1969 Storm Sewers Fund:** This fund accounts for the proceeds of the 1969 $3,700,000 Storm Sewer and Drain bonds.
- **1984 Street Improvements Fund:** This fund accounts for the proceeds of the 1984 $2,200,000 loan from the State of Michigan Department of Transportation.
- **1986 Street Improvements Fund:** This fund accounts for the proceeds of the 1986 $2,000,000 Michigan Transportation Fund bonds.
- **1987 Street Improvements Fund:** This fund accounts for the proceeds of the 1987 $22,000,000 Unlimited Tax bonds.

1. Summary of Significant Accounting Policies (continued)

Fund accounting (continued)

(1) **Non-Major Governmental Funds (continued)**

(c) **Capital Projects Funds (continued)**

- **1988 Environmental Fund:** This fund accounts for the proceeds of the 1988 $1,700,000 Environmental Cleanup bonds.
- **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.
- **Combined Sewer Overflow Fund:** This fund accounts for the storm sewer portion of the combined sewer overflow 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.
- **1999 Fire Station Fund:** This fund accounts for the proceeds of the 1999 $3,000,000 Unlimited Tax General Obligation Bonds.
- **2001 Fire Station Fund:** This fund accounts for the proceeds of the 2001 $4,000,000 Unlimited Tax General Obligation Bonds.
- **Miscellaneous Fund:** This fund accounts for miscellaneous capital projects.

(d) **Permanent Funds:** Permanent funds are used for reporting resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry, such as cemetery and parks.

- **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 Expendable Trust Fund.

1. Summary of Significant Accounting Policies (continued)

Fund accounting (continued)

(2) **Non-Major Proprietary Funds**

(a) **Enterprise Funds:** Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Non-Major Enterprise Funds used by the City are as follows:

- **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.
- **Potter Park Zoo Fund:** This fund accounts for the operations of the Potter Park Zoo.

(3) **Internal Service Funds:** Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

- **Public Service Garage Fund:** This fund is used by the City to account for the costs of operating a maintenance facility for trucks and equipment used by the Public Service Department.
- **Local Site Remediation Revolving Fund:** This fund accounts for the activities of the Brownfield Redevelopment Authorities site remediation activities.

(4) **Fiduciary Funds**

(a) **Trust Funds:** Trust Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Pension Trust Funds. Trust Funds are accounted for in essentially the same manner as Proprietary Funds since capital maintenance is critical.

Fiduciary Funds used by the City are as follows:

- **Employees' Retirement System Fund:** This fund accounts for the accumulation of resources to be used for retirement annuity payments to eligible full-time employees of the City except for police officers and firefighters, who are members of a separate pension plan (see note 10).

1. Summary of Significant Accounting Policies (continued)

Fund accounting (continued)

(4) **Fiduciary Funds (continued)**

- **Police and Fire Retirement System Fund:** This fund accounts for the accumulation of resources to be used for retirement annuity payments to eligible police officers and firefighters who are full-time employees of the City (see note 10).

- **Employees' Money Purchase Pension Plan Fund:** This fund accounts for the accumulation of resources to be used for retirement distributions for certain City employees (see note 10).

Capital Assets
Capital assets and certain improvements of governmental fund types are recorded in the Statement of Net Assets at historical cost or, if donated, at the estimated fair market value at the date of acquisition. In some instances, capital asset historical costs were not available; therefore, the costs of these assets at the dates of acquisitions have been estimated.

Infrastructure, such as roads and bridges, is capitalized for the first time in fiscal year 2001-2002. Interest incurred during construction is only capitalized in proprietary funds. Most capital assets are depreciated over their useful lives, using the straight-line depreciation method.

Deferred Revenue
In the government-wide statements and proprietary fund financial statements deferred revenue is recognized when cash is received prior to being earned. In the governmental fund statements deferred revenue is recognized when revenue is unearned or unavailable.

Long-Term Liabilities
In the government-wide statements and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing sources. Premiums received on debt issuances are reported as an 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, are reported as debt service expenditures.

Net Assets/ Fund Balance
The difference between fund assets and liabilities is “Net Assets” on the government-wide, proprietary, and fiduciary fund statements, and “Fund Balance” on governmental fund statements.

Reservations
Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reserved fund balances reflect either: 1) funds legally segregated for a specific use or 2) assets which, by their nature, are not available for appropriation for the general purposes of the fund.

1. Summary of Significant Accounting Policies (continued)

Fixed assets and long-term liabilities
Fixed assets and long-term liabilities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities (whether current or noncurrent) associated with the operations of these funds are included on the balance sheet.

Depreciation of all exhaustible fixed assets is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

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

Basis of accounting
Expenditures are generally recognized when the related fund liability is incurred.

All proprietary funds and pension trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned, and their expenses are recorded at the time liabilities are incurred. As allowed by Governmental Accounting Standards Board ("GASB") Statement No. 20, the City's proprietary funds follow all GASB pronouncements and Financial Accounting Standards Board Statements and Interpretations, Accounting Principal Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Budgets and budgetary accounting
State law requires each local unit to pass a general appropriations act for all funds except trust and agency, internal service, enterprise, and capital projects.

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

1. 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. The operating budget includes proposed expenditures and the means of financing them.

2. A public hearing on the proposed use of funds is held by the Mayor, and a public hearing on the annual appropriations as proposed by the City Council is held no later than one week prior to adoption of the annual appropriation measure.

3. Not later than the third Monday in May, the Council adopts a budget for the ensuing fiscal year, makes an appropriation of the money needed therefore, and sets the property tax rate necessary to support the appropriations measure.

1. Summary of Significant Accounting Policies (continued)

Budgets and budgetary accounting (continued)

4. 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. The legal level of budgetary control is the mandatory expenditure accounts level. The mandatory accounts are personal services, supplies and operating expense, capital outlay, debt service, operating transfers and contingency. Transfers of appropriations between the mandatory accounts require the approval of the City Council. However, the Mayor may authorize budget transfers between mandatory accounts in a department, but the additional amount may not exceed fifteen (15%) of the Council's appropriation being added to, or five thousand dollars ($5,000), whichever is less. Budget-to-actual schedules that demonstrate compliance at the legal level of budgetary control are not included herein as it would be impractical due to the high level of detail that would be needed. Such schedules are included in the City's separately issued Budget Report. Copies of the report may be obtained from the Finance Department, 124 West Michigan Avenue, Lansing, Michigan 48933.

5. Funds for which annual operating budgets are formally adopted are **General Fund; Special Revenue Funds:** Brownfield Redevelopment Authority; Tax Increment Finance Authority; Budget Stabilization; Drug Law Enforcement; State and Federal Programs; Community Development Block Grant Program; Stormwater; Stadium; Principal Shopping District; 911 Communications Center; Building Department; **Debt Service Funds:** 1987 Street Improvements; 1990 Environmental I; 1990 Environmental II; 1990 Special Assessments; 1996 Refunding Bonds; 1998 Building Authority; 1999 Fire Station; 2001 Fire Station.

   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 / fixed asset acquisitions are not. For the year ended June 30, 2002, there were no capital lease/ fixed asset acquisitions and therefore, there is no difference between General Fund budgetary reporting and GAAP presentation.

6. Budgeted amounts are as originally adopted or as legally amended during the year. During the year, several supplementary appropriations were necessary. These amendments were mostly due to bond issues and state and federal grants.

7. Appropriations lapse at year-end for all annual budgets. Appropriations are automatically carried forward for project-type budgets.

Encumbrances
Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all funds. Encumbrances outstanding at year-end are reported as reservations of fund balances in the General Fund, and Act 51 Streets Funds. Encumbrances outstanding at year-end for unfulfilled obligations of the current year budget are re-appropriated in the succeeding year.

Investments
Investment income from the City's pooled cash account is allocated on a pro-rata basis to participating funds based on each fund's average daily equity balance within the account. All investments are recorded at fair value except those investments that have an original maturity of less than one year, in accordance with GASB Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools".

1. Summary of Significant Accounting Policies (continued)

Budgets and budgetary accounting (continued)

Inventories
Inventories are valued at cost determined by either the moving weighted average method or the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure or expense at the time individual inventory items are used.

Compensated absences
In governmental funds, compensated absences are recorded as expenditures in the year paid. The unpaid liability at June 30, 2002 requiring expendable available financial resources is immaterial.

Unpaid compensated absences applicable to proprietary funds are recorded as a liability in those funds as the vested benefits to the employees accrue.

Capitalized interest
The City capitalizes net interest costs in its Sewage Disposal System Fund on bonds issued for capital construction in accordance with Statements of Financial Accounting Standards ("SFAS") Nos. 34 and 62. Total interest expenses for the year ended June 30, 2002, was $2,966,582 of which $888,398 was capitalized.

Statement of cash flows
For purposes of the statement of cash flows, cash and cash equivalents consist of cash and all highly liquid investments (including restricted assets) with an original maturity when purchased of three months or less.

Reclassifications
Certain prior year balances have been reclassified to conform with the current year presentation.

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Joint ventures
In 1998, the City entered into an agreement with Ingham County to form the City of Lansing and County of Ingham Joint Building Authority for the purpose of constructing and managing a building in downtown Lansing that will house the courts, prosecuting attorney and other related departments. The Authority is governed by a three-member board composed of one member each appointed by the City and County and one appointed jointly by the two units. Both the County and City will contribute cash and/or property to the Authority. Bonds were issued in 1999 by the Authority to provide the additional 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 Authority's assets, it is deemed to be a "joint venture with no equity interest." Accordingly, no amounts are reported in the accompanying financial statements for the City's equity in the Authority.

2. Accounting Changes and Restatements

Municipal Parking System
The following are adjustments to beginning net assets in the Municipal Parking System Fund's proprietary statement of net assets for the fiscal year ended June 30, 2002.

In years' past, the City has reported a parcel of land as an asset of the Parking System in the amount of $2,749,990. This parcel of land was sold to the Capital Area Transit Authority on July 18, 1996. This resulted in a reduction of beginning net assets of $2,749,990.

In previous reporting capitalized interest was included as a component of land improvement cost. The interest capitalized was from FY1990 through FY1995. This included $2,974,941 as a component of land. This resulted in a reduction of beginning net assets of $1,090,811 from depreciation that should have been taken.

Also, a capital lease receivable has been recorded for amounts due from the Tax Increment Finance Authority. This was previously reported as an operating lease. This resulted in an increase of beginning net assets of $14,648,761.

Municipal Parking System and Golf
In years' past, the Municipal Parking System fund and the Golf fund presented debt obligations as revenue bonds. For these bonds the debt service payments are budgeted and expended within the Municipal Parking System fund the Golf fund and carry a limited tax general obligation pledge. This resulted in a reclassification of these bonds within the statements as general obligation bonds.

Capital Projects Fund and Long-Term Debt
In FY2000, the City entered into a loan agreement to purchase computer software. At that time, an interest bearing bank account was established, in the name of the City, to which the loan proceeds were deposited. Neither the debt nor the proceeds were recorded within the City's books. The result is an increase to Capital Projects Miscellaneous beginning fund balance of $1,029,695 representing $999,987 in loan proceeds and $29,708 in prior interest earnings.

In relation to the loan above, in prior years reporting, the City had failed to record the long-term debt in its General long-term debt account group for the year 2000 computer system upgrade. With the adoption of GASB 34, this liability has been added to the government-wide statement of net assets for governmental activities in the amount of $574,771.

The Brownfield Redevelopment Authority restated the beginning of the year fund balance in the amount of $49,374 for the adoption of GASB33.

3. 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 $19.48460 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, 2002 was $14.40 per $1,000 of taxable value which means the City has a tax margin of $5.0846 per $1,000 which amounts to approximately $10,045,000 of additional revenues per year if levied based on the 2001 taxable valuation of approximately $1,975,597,098.

4. Deposits and Investments

The City Treasurer maintains a pooled cash account for use by the City's various funds. Equity in pooled cash consists of the following at June 30, 2002:

Cash	$ 288,373
Cash equivalents	46,515,325
Total equity in pooled cash	$ 46,803,698

In addition to equity in the Treasurer's pooled cash account, a number of funds maintain their own deposit and investment balances. A reconciliation of deposits and investments to the balance sheet for the primary government is as follows:

	Cash and cash equivalents	Investments	Total
Equity in pooled cash	$ 46,803,698		$ 46,803,698
Cash and cash equivalents, nonrestricted	29,147,586		29,147,586
Cash and cash equivalents, restricted	13,172,639		13,172,639
Investments, nonrestricted		$ 118,505	118,505
	$ 89,123,923	$ 118,505	$ 89,242,428

Deposits
At year-end, the carrying amount of the City's cash and cash equivalents were $89,123,923 and the bank deposit balance was $90,530,151. Of the bank balance, $514,202 was covered by federal depository insurance. The remainder was uncollateralized and uninsured.

4. Deposits and Investments (continued)

Investments
State statutes authorize the City to invest its surplus funds in securities of the U. S. government and U. S. government agencies and instrumentalities in which principal and interest is fully guaranteed by the United States, commercial paper rated within the two highest classifications by two standard rating services, U. S. government or federal agency obligation repurchase agreements, bankers' acceptances of United States banks, and in mutual funds composed of vehicles legal for direct investment. During fiscal year 2002, the City maintained all its commercial paper within the highest classification of the two rating services.

The investments of the pension funds, the Sewage Disposal System, Municipal Parking System and the Treasurer's pooled cash account are held by custodial banks.

The Sewage Disposal System's investments and portions of the Municipal Parking System's and Golf Fund's investments are authorized by statutes governing revenue bonds. Investments are authorized in securities of the U. S. government and U. S. government agencies and instrumentalities. The pension systems are authorized to invest in corporate bonds rated at least BAA or better by Moody's or Standard and Poor's, common stock, securities of the U. S. government and U. S. government agencies and instrumentalities, and cash equivalents as authorized by Act 314 of the Michigan Public Acts of 1965, as amended.

The City's investments are categorized to give an indication of the level of credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

	Category (1)
U. S. government and agency securities	$ 116,234,906
Corporate bonds	43,110,556
Common stock	190,940,971
Subtotal	350,286,433
Investment in mutual funds (non-categorized)	52,044,713
Total investments at fair value	$ 402,331,146
As Reported on the Statements of Net Assets and Statement of Fiduciary Net Assets	
Governmental activities	$ 10,005
Business-type activities	-
Fiduciary funds	402,321,141
Total	$ 402,331,146

Component Units
At year-end, the component units, including the Tax Increment Finance Authority - Convention/Exhibition Hall, Brownfield Redevelopment Authority, and Lansing Entertainment and Public Facilities Authority, had a total deposit and investment balance of $1,844,380. Of the total deposits and investments balance, $426,104 is for non-restricted cash and cash equivalents, $333,509 in restricted cash and cash equivalents, and $1,084,767 in non-restricted investments. The carrying amount of deposits was $759,613 and the bank deposit balance was $833,570. Of the bank balance, $183,912 was covered by federal depository insurance. The investments for the component units in the amount of $1,084,767 are in pooled government funds and not categorized. The fair value of the investments approximates cost.

5. Fixed Assets

A summary of changes in Governmental fixed assets follows:

	Balance July 1, 2001	Additions	Deletions	Adjustments and Reclassifications	Balance June 30, 2002
Governmental activities					
Capital assets, not being depreciated:					
Land	$ 21,658,307	$ 650,360	$ -	$ 1,421,551	$ 23,730,218
Construction in progress	5,663,977	3,676,011	3,380,748		5,959,240
Total capital assets, not being depreciated	27,322,284	4,326,371	3,380,748	1,421,551	29,689,458
Capital assets, being depreciated:					
Land improvements		1,221,634		4,790,269	6,011,903
Equipment and vehicles	20,862,747	1,666,164	1,923,693		20,605,218
Buildings	77,992,920	2,159,114		(3,795,330)	76,356,704
Infrastructure		3,641,359	1,982,819	323,415,873	325,074,413
Total capital assets, being depreciated	98,855,667	8,688,271	3,906,512	324,410,812	428,048,238
Less accumulated depreciation for:					
Land improvements		253,446		2,561,170	2,814,616
Equipment and vehicles	16,388,502	1,887,259	1,408,208		16,867,553
Buildings	30,066,341	1,994,556			32,060,897
Infrastructure		9,203,902	1,125,863	165,966,590	174,044,629
Total accumulated depreciation	46,454,843	13,339,163	2,534,071	168,527,760	225,787,695
Total capital assets, being depreciated, net	52,400,824	(4,650,892)	1,372,441	155,883,052	202,260,543
Governmental activity capital assets, net	$ 79,723,108	$ (324,521)	$ 4,753,189	$ 157,304,603	$ 231,950,001

5. Fixed Assets (continued)

A summary of proprietary fund-type property and equipment at June 30, 2002, follows:

	Enterprise			
	Sewage disposal system fund	Municipal parking system fund	Cemetery fund	Golf fund
Land	$ 202,339	$ 20,913,766	$ 21,102	$ 446,501
Buildings	123,787,351	31,454,323	281,438	579,631
Improvements other than buildings	13,487,042	7,310,993	-	1,599,251
Machinery and equipment	1,539,738	2,505,899	311,795	801,779
Sewers	100,318,528	-	-	-
Construction in progress	62,642,096	5,998	-	35,842
Total	301,977,094	62,190,979	614,335	3,463,004
Less accumulated depreciation	(72,497,458)	(27,295,851)	(392,641)	(897,716)
Net fixed assets	$229,479,636	$34,895,128	$ 221,694	$ 2,565,288

	Enterprise			Internal service	Component Unit
	Recycling fund	Potter park zoo	Total enterprise	Public service garage fund	Lansing entertainment and public facilities authority
Land	$ 19,412	$ 150,568	$ 21,753,688	$ 55,297	$ -
Buildings	1,127,425	4,869,090	162,099,258	759,177	
Improvements other than buildings	-	-	22,397,286	-	
Machinery and equipment	18,796	418,341	5,596,348	11,542,921	1,388,087
Sewers	-	-	100,318,528	-	
Construction in progress	-	3,574,992	66,258,928	1,924,236	
Total	1,165,633	9,012,991	378,424,036	14,281,631	1,388,087
Less accumulated depreciation	(231,762)	(2,408,992)	(103,724,420)	(9,500,085)	(1,055,333)
Net fixed assets	$ 933,871	$ 6,603,999	$ 274,699,616	$ 4,781,546	$ 332,754

Construction in progress of proprietary fund types is comprised of the following:

	Project authorization*	Expended to June 30, 2001
Sewage Disposal System, sewer and plant improvements	$ 123,966,914	$ 62,642,096
Potter Park Zoo, miscellaneous	3,920,160	3,574,992
Golf, land improvements	66,557	35,842
Municipal Parking System, land	22,974	5,998
	$ 127,976,605	$ 66,258,928

**Does not include capitalized interest.*

For the Municipal Parking System Fund, the City changed the estimated useful lives of parking lot improvements from 15 to 20 years. This was based on historical experience. This resulted in a depreciation expense savings of $156,767.

6. Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2002 (in thousands of dollars):

	General obligations bonds	Special assessment debt with government commitment	Loans	Lease purchases	Accrued compensated absences	Accrued workers' compen-sation	Accrued general liability claims	Total general long-term debt primary government
Payable at July 1, 2001	$ 35,533	$ 115	$ 650	$ 10,210	$ 11,234	$ 3,344	$ 400	$ 61,486
Prior period adjustment				765				765
Increase in accrued workers compensation						67		67
2002 debt issues	4,000							4,000
Debt retired	(5,865)	(25)		(1,534)				(7,424)
Increase (decrease in accrued compensated absences					(562)			(562)
Payable at June 30, 2002	$ 33,668	$ 90	$ 650	$ 9,441	$ 10,672	$ 3,411	$ 400	$ 58,332

	Proprietary fund types enterprise			Internal service		Component Unit	
	General obligations bonds	Revenue bonds	Accrued compensated absences	Accrued compensated absences	Capital leases	Lansing entertainment and public Facilities Authority	Total memorandum only
Payable at July 1, 2001	$ 116,889	$ 36,025	$ 899	$ 93	$ 1,925	$ 127	$ 155,958
2002 debt issues	10,163					119	10,282
Debt retired	(4,030)	(3,320)			(100)	(38)	(7,488)
Increase (decrease) in accrued compensated absences			123	(2)			121
	123,022	32,705	1,022	91	1,825	208	158,873
Less unamortized discount	(18,702)	(215)					(18,917)
Less deferred loss on extinguishment of debt	(2,087)	(588)					(2,675)
Payable at June 30, 2002	$ 102,233	$ 31,902	$ 1,022	$ 91	$ 1,825	$ 208	$ 137,281

6. Long-Term Debt (continued)

Long-term debt payable for the Primary Government at June 30, 2002 is comprised of the following:

	Principal amount (in thousands) of dollars)
General obligation bonds	
$4,000,000 - 2001 Unlimited Tax bonds, due in annual installments of $125,000 to $300,000 through May 1, 2019; interest rates ranging from 4.0% to 5.0% (this issue is being serviced - principal and interest - by the 2001 Fire Station Debt Service Fund)	$ 4,000
$7,225,000-1992 Limited Tax bond, due in annual installments of $345,000 to $425,000 through October 1, 2013; interest at the rate of 2% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund)	4,600
$9,370,000-1993 Limited Tax bond, due in annual installments of $370,000 to $470,000 through October 1, 2014; interest at the rate of 2% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund)	5,455
$3,725,000-1994 Limited Tax bond, due in annual installments of $145,000 to $185,000 through October 1, 2015; interest at the rate of 2% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund)	2,300
$4,170,000-1994 Limited Tax bond, due in annual installments of $116,930 to $230,000 through October 1, 2015; interest at the rate of 2% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund)	2,647
$575,000-1994 Limited Tax bond, due in annual installments of $25,000 to $35,000 through April 1, 2013; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund)	340
$8,430,000-1995 Limited Tax bond, due in annual installments of $315,000 to $465,000 through April 1, 2015; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund)	5,445
$3,475,000-1996 Limited Tax bond, due in annual installments of $105,073 to $205,000 through April 1, 2017; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	2,635
$3,995,000-1996 Limited Tax bond, due in annual installments of $175,000 to $240,000 through October 1, 2017; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	3,335

6. Long-Term Debt (continued)

	Principal amount (in thousands) of dollars)
General obligation bonds (continued)	
$10,800,000-1996 Unlimited Tax Refunding bonds, due in annual installments of $1,105,000 to $1,470,000; interest at rates ranging from 4.45% to 6.0% (this issue is being serviced - principal and interest - by the 1996 Refunding Bonds Debt Service Fund)	$ 8,950
$5,090,000-1998 Limited Tax bond, due in annual installments of $71,985 to $305,000 through October 1, 2017; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	3,932
$11,255,000-1998 Limited Tax bond, due in annual installments of $273,019 to $660,000 through October 1, 2018; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	9,253
$2,175,000-1998 Limited Tax bond - Building Authority, due in annual installments of $85,000 to $160,000; through June 1, 2018; interest at rates ranging from 4.5% to 5.0% (this issue is being serviced - principal and interest - by the Building Authority Debt Service Fund)	1,950
$3,000,000-1999 Unlimited Tax Bond, due in annual installments of $125,000 to $200,000 through May 1, 2019; interest at rates ranging from 5.0% to 5.7% (this issue is being serviced - principal and interest - by the 1999 Fire Station Debt Service Fund)	2,950
$10,120,000-1999 Limited Tax bond, due in annual installments of $399,831 to $560,000 through April 1, 2018; interest at the rate of 2.5% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	7,860
$9,805,000-2000 Limited Tax bond, due in annual installments of $3,069 to $555,000 through April 1, 2008; interest at the rate of 2.5% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	7,053
$10,860,000 - 2001 Limited Tax Bond, due in annual installments of $366,031 to $560,000 through April 1, 2015; interest at the rate of 2.5% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	6,236
$13,645,000 - 2002 Limited Tax bond, due in annual installments of $380,758 to $530,000 through April 1, 2006; interest at the rate of 2.5% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)	911
$800,000 - 1986 Limited Tax Bond, due in annual installments of $60,000 to $70,000 through June 1, 2006; interest at rates ranging from 6.70% to 6.75% per annum (this issue is being serviced - principal and interest - by the Municipal Parking System Fund)	255

6. Long-Term Debt (continued)

	Principal amount (in thousands) of dollars)
General obligation bonds (continued)	
$64,635,000-1990 Limited Tax bonds, due in annual installments of $4,140,000 to $4,145,000 beginning June 1, 2006 through June 1, 2015; interest at rates ranging from 7.30% to 7.45% (this issue is being serviced - principal and interest - by the Municipal Parking System Fund)	$ 41,410
$25,100,000-1995 Limited Tax bonds, due in annual installments of $735,000 to $1,595,000 through June 1, 2019; interest at rates ranging from 4.90% to 5.60% (this issue is being serviced - principal and interest - by the Municipal Parking System Fund)	18,255
$1,300,000-1996 Limited Tax bonds, due in annual installments of $50,000 to $105,000 through October 1, 2016; interest at rates ranging from 4.60% to 5.70% (this issue is being serviced - principal and interest - by the Golf Fund)	1,100
$25,108,133 - 1994 Limited Tax increment bonds, due in annual installments of $42,828 to $3,260,000 through May 1, 2020; interest at the average rate of 6.55% per annum (this issue is being serviced - principal and interest - by the Tax Increment Finance Authority)	15,818
Subtotal	156,690
Less	
Unamortized discount	(18,702)
Deferred loss on extinguishment of debt	(2,087)
Total general obligation bonds	$ 135,901
Revenue bonds	
$20,845,000-1994 Sewage Disposal System bonds, due in annual installments of $900,000 to $2,225,000 through May 1, 2014; interest at rates ranging from 4.90% to 5.85% (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund and is secured by the revenues of the system)	14,245
$26,415,000-1998 Sewage Disposal System bonds, due in annual installments of $875,000 to $3,240,000 through May 1, 2014; interest at rates ranging from 3.90% to 5.0% (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund)	18,460
Subtotal	32,705
Less	
Unamortized discount	(215)
Deferred loss on extinguishment of debt	(588)
Total long-term revenue bonds	$ 31,902

6. Long-Term Debt (continued)

	Principal amount (in thousands) of dollars)
Special assessment debt with government commitment	
$800,000-1990 Limited Tax Special Assessment bonds, due in annual installments of $10,000 to $25,000 through October 1, 2007; interest at rates ranging from 5.0% to 6.8% (this issue is being serviced - principal and interest - by the Special Assessments Debt Service Fund)	$ 90
Lease purchase agreements	
$609,084-1998 Lease Purchase Agreement for Radios in annual installments of $104,272 through June 2005; interest at 4.81% (this issue is being serviced-principal and interest - by the General Fund)	$ 284
$11,000,000-1999 Lease Agreement for Baseball Stadium, due in annual installments of $860,000 to $1,170,000 through June 1, 2010; interest at the rate of 5.969% per annum (this issue is being serviced - principal and interest - by the Stadium Fund)	8,160
$1,238,278-1999 Lease Purchase Agreement for Computer System and software in monthly installments of $24,520 through June 2004; the terms of the agreement provide for an option to purchase the equipment at any time during the five-year lease term; interest at 5.545% (this issue is being serviced - principal and interest - by the General Fund)	422
$1,925,000 - 2001 Lease Purchase for O&M Facility, due in annual installments of $100,000 to $155,000 through March 1, 2016; interest at the rate of 5.350% (this issue is being serviced - principal and interest - by the Public Service Garage Fund)	1,825
$999,987-1999 Lease Purchase Agreement for Computer Software applications in monthly installments of $19,560 through February 2005; interest at 6.59% (this issue is being serviced - principal and interest - by the General Fund)	575
Total lease purchase agreements	$ 11,266
Loans	
$649,843 - 2001 Michigan Department of Transportation Loan, due in minimum annual installments of $147,419 through July 1, 2006; interest at 4.00% (this issue is being serviced - principal and interest - by the Act 51 Major Streets Fund)	$ 650

6. Long-Term Debt (continued)

	Principal amount (in thousands) of dollars)
Accrued compensated absences	$ 11,785
Accrued workers' compensation liability	$ 3,411
Accrued general liability claims	$ 400
Component unit lease purchase agreements at June 30, 2002 is comprised of the following:	
$51,354-2000 Lease Agreement for a security system in quarterly installments of $5,135 plus interest through January 2010; interest at 5.907% (this issue is being serviced - principal and interest - by the Lansing Entertainment and Public Facility Authority)	40
$110,000-2000 Lease Agreement for computer equipment in quarterly installments of $5,500 plus interest through January 2005; interest at 5.66% (this issue is being serviced - principal and interest - by the Lansing Entertainment and Public Facility Authority)	61
$119,012 - 2002 Lease Agreement for computer equipment and other property in quarterly installments ranging from $1,922 to $6,679 plus interest through October 2011; interest ranging from 4.55% to 5.62% (this issue is being serviced - principal and interest - by the Lansing Entertainment and Public Facility Authority)	107
Total component unit lease purchase agreements	$ 208

6. Long-Term Debt (continued)

The annual requirements to service all long-term debt outstanding as of June 30, 2002, including interest of $43,626,365, component unit general obligation bonds including interest of $26,197,917, and component unit capital leases including interest of $35,827, are as follows:

	Primary Government					Component Unit	
Year ending June 30,	General obligation bonds	Special assessment debt with government commitment	General Revenue bonds	Lease purchases	Loans	Lansing Entertainment and Public Facilities Authority Capital Leases	Total
2003	$ 12,661,190	$ 29,100	$ 5,043,727	$ 2,358,577	$ 147,419	$ 59,046	$ 20,299,059
2004	12,816,623	22,750	5,045,002	2,207,308	147,419	57,498	20,296,600
2005	13,470,310	12,000	5,043,303	1,977,226	147,419	43,020	20,693,278
2006	13,856,598	11,500	5,041,227	1,390,245	147,419	18,320	20,465,309
2007	13,507,188	15,875	5,043,635	1,386,125	146,498	15,932	20,115,253
2008-12	64,768,606	10,250	12,168,800	4,269,566		49,967	81,267,189
2013-17	58,738,204		4,507,753	691,321			63,937,278
2018-20	22,444,868						22,444,868
	$ 212,263,587	$ 101,475	$ 41,893,447	$ 14,280,368	$ 736,174	$ 243,783	$ 269,518,834

At June 30, 2002, $28,496 is available in the Debt Service Funds to service the general obligation bonds.

The following is a schedule of the present value of the net minimum lease payments as of June 30, 2002, for all lease purchase agreements outstanding (in thousands of dollars):

Total minimum lease payments	$ 14,280
Less amount representing interest	(3,014)
Present value of net minimum lease payments	$ 11,266

The special assessment debt with government commitment is backed by the limited full faith and credit of the City. Current debt service requirements are funded through special assessments levied against properties deemed to be benefited by these public improvements.

There are a number of limitations and restrictions contained in the various revenue bond indentures. The City is in substantial compliance with all significant limitations and restrictions.

6. Long-Term Debt (continued)

In prior years, the City defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on such bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2002, $14,455,000 of bonds outstanding are considered defeased. Defeased bonds outstanding for the component unit Tax Increment Finance Authority Convention/ Exhibition Hall at June 30, 2002 were $9,245,000.

7. 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-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 Assets. The City has excess liability insurance coverage up to a maximum amount of $2,000,000 per claim with a $750,000 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,	
	2002	**2001**
Estimated liability, beginning of year	$ 3,343,744	$ 3,278,180
Estimated claims incurred, including changes in estimates	1,065,299	1,033,326
Claims payments	(998,424)	(967,762)
Estimated liability, end of year	$ 3,410,619	$ 3,343,744

8. Reconciliation of Interfund Advances and Due To/From

Interfund advances and due to/from balances at June 30, 2002 were:

Fund	Interfund advances and due to	Interfund advances and due from
General Fund	$ 3,971,802	$ 557,416
Special Revenue Funds		
911 Communications Center	1,521,680	
Community Development Block Grant Program	845,831	
State and Federal Programs	1,341,317	
Budget Stabilization		8,807,703
Debt Service Funds:		
1987 Street Improvements	2,654,499	
1990 Special Assessments	24,754	
1996 Refunding bonds	1,171,429	
1999 Fire Station	167,201	
2001 Fire Station	237,683	
Capital Projects Funds		
Special Assessment	557,416	
Fire Stations II	96,816	
Enterprise Funds		
Sewage Disposal System	205,142	3,409,145
Municipal Parking System	170,224	
Golf	843,309	
Pension Trust Funds		
Employees' Retirement System	15,003	
Police and Fire Retirement System		1,049,842
Lansing Entertainment and Public Facilities Authority	85,327	85,327
	$13,909,433	$ 13,909,433

9. Interfund Balances

Interfund transfers between the funds within the Primary Government recorded in the accompanying financial statements as operating transfers for the year ended June 30, 2002 were:

Fund	Operating transfers in	Operating transfers out
General Fund	$ 708,370	$ 10,712,070
Special Revenue		
Act 51 Major Streets		1,647,778
Act 51 Local Streets	1,647,778	
Brownfield Redevelopment Authority		7,227
Tax Increment Finance Authority		4,649,810
911 Communications Center	203,700	
Drug Law Enforcement		299,794
Building Inspection	460,925	
Budget Stabilization	141,404	214,470
State & Federal Programs	618,076	161,927
Stadium	1,000,000	
Principal Shopping District	42,500	
Parks Department	11,048	
Total special revenue	4,125,431	6,981,006
Debt Service	4,580,004	185,467
Capital Projects	7,359,274	
Enterprise Funds		
Sewage Disposal		300,000
Municipal Parking Systems		1,000,000
Cemetery	515,904	16,437
Golf	521,999	
Recycling		93,900
Potter Park Zoo	1,493,185	
Total enterprise funds	2,531,088	1,410,337
Internal Service Funds		
Local Site Remediation Revolving	7,227	
Total internal service funds	7,227	-
Permanent Funds		
Cemetery Perpetual Care	16,437	27,904
Parks Trust		11,047
Total permanent funds	16,437	38,951
Total operating transfers	$ 19,327,831	$ 19,327,831

9. Interfund Balances (continued)

Interfund transfers between the funds within the Primary Government and the Component Units recorded in the accompanying financial statements as operating transfers to/from the component units and operating transfers from/to the primary government for the year ended June 30, 2002 were:

Fund	Operating transfers in	Operating transfers out
Primary Government		
General Fund		534,812
Stadium	-	263,000
Total primary government	-	797,812
Components Units		
LEPFA	797,812	
Total operating transfers	$ 797,812	$ 797,812

10. Retirement Commitments

Employees' Retirement System

The City sponsors and administers the Employees' Retirement System (the Plan), a single-employer, defined-benefit pension plan. It is accounted for as a separate pension trust fund. No stand-alone financial reports are issued. It covers general full-time employees of the City of Lansing and employees of the 54-A District Court. It does not include approximately half of general employees hired subsequent to September 30, 1990, 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 pension plan. The payroll for employees covered by the plan for the year ended December 31, 2001, was $20,281,819; the City's total payroll was $57,238,379. Administration of the plan is funded through the General Fund.

As of December 31, 2001, employee membership data, adjusted for members transferring to the Employees' Money Purchase Pension Plan, were as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	695
Active members	
Active members vested	362
Active members nonvested	112
Total active members	474

10. Retirement Commitments (continued)

Employees' retirement system (continued)
Approximately 50% of the membership may retire with a combination of age plus service equal to 65. All other 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. For all members, annual regular retirement allowances are determined by multiplying total credited service times 2.25% to 2.75% times final average compensation. Final average compensation is the member's highest wages for two consecutive years during the last 10 years. 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 have the option of deferring retirement benefits until age 58 or withdrawing their contribution, thereby forfeiting any future benefits.

Active members contribute between 1.7% and 6.75% of wages as determined by individual labor agreements. Chapter 292 of the City of Lansing's Code of Ordinances establishes benefit provisions and requires that 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 funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2001, was determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over an open period of 30 years.

Plan valuation assets are equal to the reported market value of assets except that only 20% of the difference between the mark-to-market rate of return and the 8% actuarial rate of return is recognized each year. This five year smoothing method reduces the fluctuation in the City's computed contribution rate which might otherwise be caused by market value fluctuations. The entry-age actuarial cost method is used to determine plan liabilities. Significant actuarial assumptions used in determining the entry-age actuarial accrued liability include (a) a rate of return on investments of 8% per year compounded annually (b) projected salary increases of 4% attributable to inflation and 0% to 4% per year depending on age attributable to seniority/merit (c) assumption that benefits generally will increase $200 annually after age 60.

During the year ended June 30, 2002, contributions of $3,713,309 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2001. The contribution consisted of (a) $2,055,566 normal cost (12.81% of projected valuation payroll) and (b) $1,049,171 amortization of the unfunded actuarial accrued liability (5.05% of projected valuation payroll). The City contributed $3,104,737 (14.95% of projected valuation payroll), excluding contributions for health insurance; employees contributed $608,572 (2.93% of projected valuation payroll).

10. Retirement Commitments (continued)

Employees' retirement system (continued)
At December 31, 2001, the unfunded actuarial accrued liability was $22,337,074, determined as follows:

Actuarial accrued liability	
Active participants (362 vested and 112 non-vested)	$ 87,690,664
Retired participants and beneficiaries currently receiving benefits (646 recipients)	108,106,632
Vested terminated participants not yet receiving benefits (49)	2,039,499
Member benefit reserve	15,811,105
Total actuarial accrued liability	213,647,900
Actuarial value of assets (smoothed market value)#	(191,310,826)
Unfunded Actuarial accrued liability	$ 22,337,074

#Excluding reserve for health insurance in the amount of $4,890,748

Investments are reported at fair value and are managed by third-party money managers.

The City had initially contributed the annual required contributions ("ARC"), and thus, has never actually had, or had need to report, a net pension obligation ("NPO"), as required under GASB Statement No. 27.

Schedule of Employer Contributions

Fiscal year ending June 30	Valuation date December 31	Annual required contributions*	Percentage contributed
		($ in thousands)	
1995	1993	3,907	99.9%
1996	1994	4,094	99.9%
1997	1995	4,329	98.9%
1998	1996	4,086	99.2%
1999	1997	3,334	99.8%
2000	1998	3,138	100.0%
2001	1999	3,215	100.0%
2002	2000	3,105	100.0%

**Due on September 1st.*

10. Retirement Commitments (continued)

Employees' Retirement System (continued)

Schedule of Funding Progress

Actuarial valuation date December 31		Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age# (b)	Unfunded (Overfunded) AAL (b)-(a)	Funded ratio (a)/(b)	Active member covered payroll (c)	Unfunded (Overfunded) AAL as a percentage of active member covered payroll ((b-a)/c)
			($ amounts in thousands)				
1995		105,074	153,337	48,263	68.5%	18,209	265.1%
1996		114,420	157,082	42,662	72.8%	18,169	234.8%
1997		127,444	163,238	35,794	78.1%	18,332	195.3%
1997	@	127,444	161,792	34,348	78.8%	18,332	187.4%
1998		143,268	170,775	27,507	83.9%	17,820	154.4%
1999	*	161,958	187,150	25,192	86.5%	19,312	130.4%
2000	*	177,855	198,396	20,541	89.6%	19,521	105.2%
2001		191,311	213,648	22,337	89.5%	20,282	110.1%

Excluding the contingency reserves in the Reserve for Retired Benefit Payments.

@ After changes in actuarial assumptions establishment of Member Benefit Reserve, elimination of the contingency reserve and adoption of minimum benefit for retirees.

* After changes in benefit provisions.

Analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, and unfunded liabilities in isolation can be misleading. Expressing the assets available for benefits as a percentage of the actuarial accrued liability provides one indication of the plan's funded status on a going-concern basis. Analysis of the percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded liabilities and annual covered payroll are both affected by inflation. Expressing the unfunded liabilities as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

10. Retirement Commitments (continued)

Police and Fire Retirement System

The City sponsors and administers the Police and Fire Retirement System (the plan), a single-employer defined-benefit pension plan. It is accounted for as a separate pension trust fund. No stand-alone financial reports are issued. It covers all police officers and firefighters who are full-time employees of the City. The City's payroll for employees covered by the plan for the year ended December 31, 2001, was $25,750,669, the City's total payroll was $57,238,379. Administration of the plan is funded through the General Fund.

As of December 31, 2001, employee membership data related to the plan were as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	572
Active members:	
Active members vested	245
Active members nonvested	241
Total active members	486

Members may retire at any age with 25 or more years of credited service, or age 55 with 10 or more years of credited service. Members are vested after completing 10 years of credited service. Members are required to retire at age 70. Annual retirement allowances are determined by multiplying final average compensation times 2.95% for fire and 3.20% for police employees times the first 25 years of credited service. The maximum allowance is 73.75% for fire and 80.00% for police employees of final average compensation. Final average compensation is the member's highest wages for 2 consecutive years. 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. 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.

Fire members are required to contribute 4.48% of their annual wages to the plan. Police supervisors are required to contribute 9.52% and police non-supervisors, 7.15%. 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.

In addition to the payments under this plan, the City made payments from the General Fund to provide benefits for the beneficiaries of a prior pension plan. This prior plan was superseded by the present plan as of January 1, 1944. There were no payments made to beneficiaries under that plan.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2002, was determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over an open period of 30 years.

10. Retirement Commitments (continued)

Police and Fire Retirement System (continued)

Plan valuation assets are equal to the reported market value of assets except that only 20% of the difference between the mark-to-market rate of return and the 8% actuarial rate of return is recognized each year. This five year smoothing method reduces the fluctuation in the City's computed contribution rate which might otherwise be caused by market value fluctuations. The entry-age actuarial cost method is used to determine plan liabilities. Significant actuarial assumptions used in determining the entry-age actuarial accrued liability include (a) a rate of return on investments of 8% per year compounded annually (b) projected salary increases of 4% attributable to inflation and .1 to 5.5% per year depending on age attributable to seniority/merit (c) assumption that benefits generally will increase $525 annually after age 60.

During the year ended June 30, 2002 total, contributions of $4,022,457 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2001. The contribution consisted of (a) $7,080,635 normal cost (26.81% of projected valuation payroll) and (b) $(3,058,178) amortization of the unfunded actuarial accrued liability (11.58% of projected valuation payroll).

The City contributed $2,664,643 (10.09% of projected valuation payroll), excluding contributions for health insurance; employees contributed $1,357,814 (5.14% of projected valuation payroll).

At December 31, 2001, the assets in excess of actuarial accrued liability were $31,314,201, determined as follows:

Actuarial accrued liability	
Active participants (245 vested and 241 non-vested)	$ 83,537,919
Retired participants and beneficiaries currently receiving benefits (562 recipients)	164,723,676
Vested terminated participants no yet receiving benefits (10 vested)	942,240
Total actuarial accrued liability	249,203,835
Actuarial value of assets (smoothed market value)#	280,518,036
Assets in excess of actuarial accrued liability	$ (31,314,201)

#Excluding reserve for health insurance in the amount of $8,513,670

Investments are reported at fair value managed by third-party managers.

The City had initially contributed the annual required contributions ("ARC"), and thus, has never actually had, or had need to report, a net pension obligation ("NPO"), as required under GASB Statement No. 27.

Significant actuarial assumptions used to computed contribution requirements were the same as those used to compute the standardized measure of the actuarial accrual liability.

10. Retirement Commitments (continued)

Police and Fire Retirement System (continued)

Schedule of Employer Contributions

Fiscal year ending June 30	Valuation date December 31	Annual required contributions*	Percentage contributed
		($ in thousands)	
1995	1993	$ 4,385	98.9%
1996	1994	4,335	100.1%
1997	1995	4,669	98.7%
1998	1996	4,252	99.0%
1999	1997	4,380	99.4%
2000	1998	4,063	100.0%
2001	1999	3,561	100.0%
2002	2000	2,665	100.0%

**Due on September 1st.*

Schedule of Funding Progress

Actuarial valuation date December 31	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded (Overfunded) AAL (b)-(a)	Funded ratio (a)/(b)	Active member covered payroll (c)	Unfunded (Overfunded) AAL as a percentage of active member covered payroll ((b-a)/c)
		($ amounts in thousands)				
1995	$ 157,485	$ 182,127	$ 24,642	86.5%	20,899	117.9%
1996	172,830	191,074	18,244	90.5%	20,392	89.5%
1997	193,162	206,191	13,029	93.7%	22,419	58.1%
1998	217,011	218,533	1,522	99.3%	22,792	6.7%
1999 *	245,197	233,332	(11,865)	105.1%	24,352	(48.7%)
2000 *	267,020	239,615	(27,405)	111.4%	24,830	(110.40%)
2001	280,518	249,204	(31,314)	112.6%	25,751	(121.60%)

* After changes in benefit provisions.

Analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability and unfunded liability in isolation can be misleading. Expressing the assets available for benefits as a percentage of the actuarial accrued liability provides one indication of the Plan's funded status on a going-concern basis. Analysis of the percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded liability and annual covered payroll are both affected by inflation. Expressing the unfunded liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

10. Retirement Commitments (continued)

Employees' Money Purchase Pension Plan
The City of Lansing sponsors and contributes to the Employees' Money Purchase Pension Plan, which is a single-employer defined - contribution pension plan. Administration of the plan is funded by the General Fund.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. As established by Chapter 292.30 of the City of Lansing's Code of Ordinances, this plan includes all full time exempt employees, District Court exempt employees and elected officials hired subsequent to September 30, 1990, and Teamster and District Court Teamster employees hired subsequent to October 28, 1990. As of June 30, 2002, there were 288 active members in this plan. Contributions made by employees vest immediately, and contributions made by the City vest after three years of full-time employment. When employees terminate employment, they are entitled to their contributions and the City's contributions if vesting requirements are satisfied. Employees may contribute up to 8% of their wages in 1% increments. The City contributes an amount equal to 6.0% of the employees' wages for retirement benefits.

During the year, the City's required and actual contributions amounted to $714,722, which was approximately 6% of covered payroll for members of this plan. The total payroll for the City for fiscal year ended June 30, 2002, was $58,232,631. Employees' contributions totaled $37,094. The payroll for employees in the money purchase pension plan for fiscal year ended June 30, 2002 was $11,392,833.

No pension provision changes occurred during the year that affected the required contributions to be made by the City. In addition, the plan does not issue stand-alone financial statements.

Employees' Retirement System – Postretirement Health Care Benefits
In addition to the pension benefits described above, the City provides postretirement health care benefits in accordance with labor agreements, to full-time employees of the City and employees of the 54-A District Court. It also does not include police officers and firefighters who are members of the Police and Fire Retirement System. Depending on date hired, members are eligible to receive health care benefits with a minimum of 8 to 15 years of service and an age requirement ranging from none to age 58. Currently, 652 retirees meet these eligibility requirements. 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 $50.00 per month for each covered retiree and dependent(s). The payments are charged to the General Fund of the City and are recognized as expenditures as payments are made. During the year, payments for health care benefits totaled $3,896,290.

There were no significant changes in health benefits over the previous year.

10. Retirement Commitments (continued)

Police and Fire Retirement System - Postretirement Health Care Benefits
In addition to the pension benefits described above, the City provides postretirement health care benefits, in accordance with labor agreements, to full-time police officers and firefighters with a minimum of 15 years of service and an age requirement of 55 years. If service is 25 years or more, there is no age requirement. Currently, 529 retirees meet these eligibility requirements. 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 $50.00 per month for each covered retiree and dependent(s). The payments are charged to the General Fund of the City and are recognized as expenditures as payments are made. During the year, payments for health care benefits totaled $3,885,163.

There were no significant changes in health benefits over the previous year.

11. Deferred Compensation Plan

The City offers certain employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits these employees to defer a portion of their salary until future years. The plan is administered by unrelated financial institutions. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, the City has not included the total assets of the plan in the financial statements.

12. Contingent Liabilities

The City participates in a number of federally assisted grant programs funded by various departments of the U. S. government. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which many be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in several other lawsuits incidental to its operations and is aware of certain unasserted claims. In the opinion of management and the City's legal counsel, the outcome of these matters will not have a material adverse effect on the City's financial statements.

13. Accumulated Deficits

Special Assessments Capital Project Deficit
The accumulated deficit of $398,391 at June 30, 2002, in the Special Assessment Fund is expected to be eliminated as special assessment payments are received.

14. Subsequent Events

On August 13, 2002, the City of Lansing entered into a $1,500,000 lease purchase agreement for a Fiscal Management Software System. This includes all necessary software, licenses, hardware, and training.

II Financial Section

Required Supplementary Information

City of Lansing
Required Supplementary Information
Budgetary Comparison Schedule
Major Governmental Funds
June 30, 2002

	General Fund			
	Original budget	Final budget	Actual	Variance with final budget
Revenues				
Property taxes	$ 28,763,300	$ 28,763,300	$ 28,865,727	$ (102,427)
Income taxes	27,100,000	27,100,000	27,577,803	(477,803)
Licenses and permits	738,572	738,571	976,332	(237,761)
Intergovernmental				
State	24,172,267	24,186,892	21,169,931	3,016,961
Federal	35,000	35,000	32,282	2,718
Charges for services	7,890,356	7,867,730	8,651,949	(784,219)
Fines and forfeits	3,937,200	3,943,604	4,050,234	(106,630)
Interest and rents	1,688,100	1,688,100	598,631	1,089,469
Contributions	7,424,652	7,472,779	7,542,754	(69,975)
Miscellaneous	84,500	86,500	250,277	(163,777)
Total revenues	101,833,947	101,882,476	99,715,920	2,166,556
Expenditures				
Current operating				
City clerk	574,568	585,208	490,998	94,210
Council	738,438	799,244	686,625	112,619
Courts	3,845,306	3,846,710	3,842,986	3,724
Finance	3,545,110	3,445,564	3,319,976	125,588
Fire	14,570,828	14,545,292	14,070,019	475,273
General administration	29,794,973	31,013,811	28,268,408	2,745,403
Highways, streets and sanitation				
Human relations and community services	701,265	638,364	620,539	17,825
Human services and community support	1,967,322	2,280,552	1,775,182	505,370
Law	785,100	766,816	746,945	19,871
Management services	6,321,860	6,404,683	5,724,242	680,441
Mayor	637,175	646,535	577,376	69,159
Parks and recreation	6,621,438	6,706,265	6,108,158	598,107
Personnel services	919,858	881,533	865,319	16,214
Planning and neighborhood development	2,219,972	2,264,149	2,098,435	165,714
Police	17,886,200	17,668,154	17,355,504	312,650
Public service	2,418,502	2,315,108	2,069,940	245,168
Total current operating expenditures	93,547,915	94,807,988	88,620,652	6,187,336
Capital improvements, construction				
Debt sevice	855,687	633,837	633,224	613
Total expenditures	94,403,602	95,441,825	89,253,876	6,187,949
Excess of revenues over expenditures	7,430,345	6,440,651	10,462,044	(4,021,393)
Other financing sources (uses)				
Operating transfers in	712,370	708,370	708,370	-
Operating transfers out	(8,116,459)	(11,343,593)	(11,246,882)	(96,711)
Gain on sale of fixed assets	104,000	104,000	76,468	27,532
Total other financing sources (uses)	(7,300,089)	(10,531,223)	(10,462,044)	(69,179)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	130,256	(4,090,572)	-	(4,090,572)
Fund balance, beginning of year	6,931,067	6,931,067	6,931,067	-
Fund balance, end of year	$ 7,061,323	$ 2,840,495	$ 6,931,067	$ (4,090,572)

Act 51, Public Acts of 1951 Major Streets				Act 51, Public Acts of 1951 Local Streets			
Original budget	Final budget	Actual	Variance with final budget	Original budget	Final budget	Actual	Variance with final budget
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
			-				-
			-				-
7,203,012	7,408,511	7,074,646	333,865	1,913,516	1,913,516	1,837,710	75,806
			-				-
275,000	275,000	285,332	(10,332)	190,000	190,000	188,235	1,765
			-				-
150,000	150,000	78,582	71,418	45,000	45,000	20,257	24,743
			-				-
10,000	98,200	35,744	62,456	1,000	1,000		1,000
7,638,012	7,931,711	7,474,304	457,407	2,149,516	2,149,516	2,046,202	103,314
			-				-
			-				-
			-				-
			-				-
			-				-
			-				-
5,152,513	6,047,677	4,051,550	1,996,127	3,628,976	3,654,053	2,989,027	665,026
			-				-
			-				-
			-				-
			-				-
			-				-
			-				-
			-				-
			-				-
			-				-
			-				-
5,152,513	6,047,677	4,051,550	1,996,127	3,628,976	3,654,053	2,989,027	665,026
2,213,331	3,838,670	1,112,370	2,726,300	563,838	1,012,093	228,867	783,226
			-				-
7,365,844	9,886,347	5,163,920	4,722,427	4,192,814	4,666,146	3,217,894	1,448,252
272,168	(1,954,636)	2,310,384	(4,265,020)	(2,043,298)	(2,516,630)	(1,171,692)	(1,344,938)
			-	1,647,778	1,647,778	1,647,778	-
(1,647,778)	(1,647,778)	(1,647,778)	-				-
			-				-
(1,647,778)	(1,647,778)	(1,647,778)	-	1,647,778	1,647,778	1,647,778	-
(1,375,610)	(3,602,414)	662,606	(4,265,020)	(395,520)	(868,852)	476,086	(1,344,938)
4,665,834	4,665,834	4,665,834	-	1,226,375	1,226,375	1,226,375	-
$ 3,290,224	$ 1,063,420	$ 5,328,440	$ (4,265,020)	$ 830,855	$ 357,523	$ 1,702,461	$ (1,344,938)

Budgetary Presentation

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 / fixed asset acquisitions are not. For the year ended June 30, 2002, there were no capital lease/ fixed asset acquisitions and therefore, there is no difference between General Fund budgetary reporting and GAAP presentation.

II Financial Section

Combining and Individual Fund Statements and Schedules – Non-Major Funds

City of Lansing
Balance Sheet
Non-Major Governmental Funds – By Fund Type
June 30, 2002

	Special revenue	Debt service	Capital projects	Permanent funds	Totals June 30, 2002
Assets					
Cash and cash equivalents	$ 1,595,962	$ 4,284,062	$ 4,314,967	$ -	$ 10,194,991
Equity in pooled cash	5,539,310		16,591,861	1,393,904	23,525,075
Investments				118,505	118,505
Accounts receivable net	2,583,721		5,743		2,589,464
Special assessments receivable		26,773	850,472		877,245
Contract retainage receivable			46,464		46,464
Loans receivable	287,365				287,365
Accrued interest receivable			5,253	231	5,484
Other receivables	653,939				653,939
Due from other funds	8,807,703				8,807,703
Due from other governments	2,466,717		1,069		2,467,786
Land				80,000	80,000
Total Assets	$ 21,934,717	$ 4,310,835	$ 21,815,829	$ 1,592,640	$ 49,654,021
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 1,551,993	$ -	$ 1,087,949	$ -	$ 2,639,942
Deposits payable	717,563				717,563
Accrued payroll	175,802		316		176,118
Due to other funds	3,708,828	4,255,566	654,232		8,618,626
Deferred revenue	410,792	26,773	625,841		1,063,406
Total liabilities	6,564,978	4,282,339	2,368,338	-	13,215,655
Fund balances					
Reserved for restricted purposes	904,142	28,496		1,592,640	2,525,278
Unreserved					
Designated for subsequent years' expenditures	646,508		8,757,239		9,403,747
Undesignated	13,819,089		10,690,252		24,509,341
Total fund balances	15,369,739	28,496	19,447,491	1,592,640	36,438,366
Total Liabilities and Fund Balances	$ 21,934,717	$ 4,310,835	$ 21,815,829	$ 1,592,640	$ 49,654,021

City of Lansing
Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds – By Fund Type
For the Year Ended June 30, 2002

	Special revenue	Debt service	Capital projects	Permanent funds	Totals June 30, 2002
Revenues					
Taxes and special assessments	$ 6,235,088	$ 3,999,364	$ 203,058	$ -	$ 10,437,510
Intergovernmental	11,040,614				11,040,614
Charges for services	5,871,620		49,633	10,960	5,932,213
Fines and forfeits	333,444				333,444
Investment income	158,663	44,559	167,403	27,991	398,616
Contributions	527,161				527,161
Donations, private sources			85,307		85,307
Miscellaneous	417,311				417,311
Total revenues	24,583,901	4,043,923	505,401	38,951	29,172,176
Expenditures					
Current operating					
General government	2,534,819				2,534,819
Public safety	7,865,039				7,865,039
Recreation and culture	111,615				111,615
Other functions	5,859,335				5,859,335
Capital improvements	4,316,516		8,538,016		12,854,532
Debt service					
Principal	995,000	6,351,284			7,346,284
Interest	532,790	2,323,799			2,856,589
Paying agent fees		1,275			1,275
Total expenditures	22,215,114	8,676,358	8,538,016	-	39,429,488
Excess (deficiency) of revenues over expenditures	2,368,787	(4,632,435)	(8,032,615)	38,951	(10,257,312)
Other financing sources (uses)					
Operating transfers in	2,477,653	4,580,004	7,359,274	16,437	14,433,368
Operating transfers out	(5,596,228)	(185,467)		(38,951)	(5,820,646)
Gain on sale of fixed assets			820,350		820,350
Bond proceeds			3,914,787		3,914,787
Total other financing sources (uses)	(3,118,575)	4,394,537	12,094,411	(22,514)	13,347,859
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(749,788)	(237,898)	4,061,796	16,437	3,090,547
Fund balances, beginning of year	16,168,901	266,394	14,356,000	1,576,203	32,367,498
Prior period adjustment	(49,374)		1,029,695		980,321
Fund balances, end of year	$ 15,369,739	$ 28,496	$ 19,447,491	$ 1,592,640	$ 36,438,366

Brownfield Redevelopment Authority Fund – This fund is used to account for the Authority that was established by the City of Lansing (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 a Brownfield Redevelopment Authority and to designate the boundaries of a Brownfield redevelopment zone. The Authority is appointed 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 Authority 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 Finance Authority Fund – This fund is used to account for the Authority that was established by the City under the authority contained in Act 450, Michigan Public Acts of 1981. The Act 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. The Act 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.

Budget Stabilization Fund – This fund is used to account for funds set aside under the provisions of Public Act 30 of 1978. Funds set aside are to be determined by the City Council on an annual basis in any year where actual General Fund revenues exceed actual expenditures.

Drug Law Enforcement Fund – This fund accounts for revenues set aside for drug law enforcement under the provisions of State of Michigan Public Act 135 of 1985, as amended.

State and Federal Programs 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.

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.

Stormwater Fund – This fund accounts for the City’s share of revenues received from events held at Oldsmobile Park, the City’s baseball stadium. The revenues are used for stadium expenditures.

Stadium Fund – This fund accounts for the City's share of revenues received from events held at Oldsmobile Park, the City's baseball stadium. The revenues are used for stadium expenditures.

Principal Shopping District 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.

911 Communications Center Fund – This fund accounts for the operations of the county-wide 911 communications center. Revenues received are from the County for actual expenditures incurred.

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.

City of Lansing
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2002

	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Budget Stabilization	Drug Law Enforcement	State and Federal Programs
Assets					
Cash and cash equivalents	$ 118,404	$ 1,156,814	$ -	$ 66,351	$ -
Equity in pooled cash			1,376,718	1,000,953	
Accounts receivable				3,513	5,356
Loans receivable					
Other receivables					
Due from other funds			8,807,703		
Due from other governments					2,466,717
Total Assets	$ 118,404	$ 1,156,814	$ 10,184,421	$ 1,070,817	$ 2,472,073
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 117,332	$ 84,907	$ -	$ 37,732	$ 453,801
Deposits payable				710,513	
Accrued payroll					27,999
Due to other funds					1,341,317
Deferred revenue	1,072				322,355
Total liabilities	118,404	84,907	-	748,245	2,145,472
Fund balances					
Reserved for restricted purposes					326,601
Unreserved					
Designated for subsequent years' expenditures				322,572	
Undesignated		1,071,907	10,184,421		
Total fund balances	-	1,071,907	10,184,421	322,572	326,601
Total Liabilities and Fund Balances	$ 118,404	$ 1,156,814	$ 10,184,421	$ 1,070,817	$ 2,472,073

Community Development Block Grant Program	Stormwater	Stadium	Principal Shopping District	911 Communications Center	Building Department	Parks Department	Totals June 30, 2002
$ 250,561	$ -	$ -	$ -	$ -	$ 3,832	$ -	$ 1,595,962
	1,172,880	1,117,932	51,100		20,697	799,030	5,539,310
		162,230		2,412,154	468		2,583,721
287,365							287,365
653,939							653,939
							8,807,703
							2,466,717
$ 1,191,865	$ 1,172,880	$ 1,280,162	$ 51,100	$ 2,412,154	$ 24,997	$ 799,030	$ 21,934,717
$ 235,241	$ 38	$ -	$ 30,057	$ 371,323	$ 73	$ 221,489	$ 1,551,993
					7,050		717,563
23,428			2,485	104,016	17,874		175,802
845,831				1,521,680			3,708,828
87,365							410,792
1,191,865	38	-	32,542	1,997,019	24,997	221,489	6,564,978
						577,541	904,142
		323,936					646,508
	1,172,842	956,226	18,558	415,135			13,819,089
-	1,172,842	1,280,162	18,558	415,135	-	577,541	15,369,739
$ 1,191,865	$ 1,172,880	$ 1,280,162	$ 51,100	$ 2,412,154	$ 24,997	$ 799,030	$ 21,934,717

City of Lansing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2002

	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Budget Stabilization	Drug Law Enforcement	State and Federal Programs
Revenues					
Taxes and special assessments	$ 187,807	$ 5,630,301	$ -	$ -	$ -
Intergovernmental	90,785			379,344	7,558,024
Charges for services					
Fines and forfeits				333,444	
Interest	2,467	59,129		14,984	12,503
Contributions					
Miscellaneous		22,109		7,000	
Total revenues	281,059	5,711,539	-	734,772	7,570,527
Expenditures					
Current operating					
General government	10,363	285,741			1,041
Public safety				419,339	3,125,517
Recreation and culture					53,872
Other functions				369,264	5,138,785
Capital improvements	268,261	673,281			
Debt service					
Principal					
Interest					
Total expenditures	278,624	959,022	-	788,603	8,319,215
Excess (deficiency) of revenues over expenditures	2,435	4,752,517	-	(53,831)	(748,688)
Other financing sources (uses)					
Operating transfers in			141,404		618,076
Operating transfers out	(7,227)	(4,649,810)	(214,470)	(299,794)	(161,927)
Operating transfers from/to component units					
Total other financing sources (uses)	(7,227)	(4,649,810)	(73,066)	(299,794)	456,149
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(4,792)	102,707	(73,066)	(353,625)	(292,539)
Fund balances, beginning of year	54,166	969,200	10,257,487	676,197	619,140
Prior period adjustment	(49,374)				
Fund balances, end of year	$ -	$ 1,071,907	$ 10,184,421	$ 322,572	$ 326,601

Community Development Block Grant Program	Stormwater	Stadium	Principal Shopping District	911 Communications Center	Building Department	Parks Department	Totals June 30, 2002
$ -	$ -	$ -	$ 416,980	$ -	$ -	$ -	$ 6,235,088
3,012,461							11,040,614
		812,809		3,783,911	1,274,900		5,871,620
							333,444
9,356	22,765	18,538	1,794			17,127	158,663
			13,800	513,361			527,161
352,833			2,383	32,986			417,311
3,374,650	22,765	831,347	434,957	4,330,258	1,274,900	17,127	24,583,901
			485,239		1,752,435		2,534,819
				4,320,183			7,865,039
		57,743					111,615
						351,286	5,859,335
3,374,650	324						4,316,516
		995,000					995,000
		532,790					532,790
3,374,650	324	1,585,533	485,239	4,320,183	1,752,435	351,286	22,215,114
-	22,441	(754,186)	(50,282)	10,075	(477,535)	(334,159)	2,368,787
		1,000,000	42,500	203,700	460,925	11,048	2,477,653
		(263,000)					(5,596,228)
-	-	737,000	42,500	203,700	460,925	11,048	(3,118,575)
-	22,441	(17,186)	(7,782)	213,775	(16,610)	(323,111)	(749,788)
	1,150,401	1,297,348	26,340	201,360	16,610	900,652	16,168,901
							(49,374)
$ -	$ 1,172,842	$ 1,280,162	$ 18,558	$ 415,135	$ -	$ 577,541	$ 15,369,739

City of Lansing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Non-Major Special Revenue Funds
For the Year Ended June 30, 2002

	Brownfield Redevelopment Authority			Tax Increment Finance Authority		
	Budget	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**
Revenues						
Taxes and special assessments	$ 594,611	$ 187,807	$ 406,804	$ 5,670,973	$ 5,630,301	$ 40,672
Intergovernmental		90,785	(90,785)			-
Charges for services			-			-
Fines and forfeits			-			-
Interest	3,100	2,467	633	135,000	59,129	75,871
Contributions			-			-
Miscellaneous			-	21,288	22,109	(821)
Total revenues	597,711	281,059	316,652	5,827,261	5,711,539	115,722
Expenditures						
Current operating						
General government, administrative	25,548	10,363	15,185	285,741	285,741	-
Public safety			-			-
Recreation and culture			-			-
Other functions			-			-
Capital improvements	569,688	268,261	301,427	683,228	673,281	9,947
Debt service						
Principal			-			-
Interest			-			-
Total expenditures	595,236	278,624	316,612	968,969	959,022	9,947
Excess (deficiency) of revenues over expenditures	2,475	2,435	40	4,858,292	4,752,517	105,775
Other financing sources (uses)						
Operating transfers in			-			-
Operating transfers out	(7,267)	(7,227)	(40)	(4,649,810)	(4,649,810)	-
Total other financing sources (uses)	(7,267)	(7,227)	(40)	(4,649,810)	(4,649,810)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses		(4,792)	4,792	208,482	102,707	105,775
Fund balances, beginning of year	4,792	54,166	(49,374)	969,200	969,200	-
Prior period adjustment		(49,374)	49,374			-
Fund balances, end of year	$ 4,792	$ -	$ 4,792	$ 1,177,682	$ 1,071,907	$ 105,775

Budget Stabilization			Drug Law Enforcement			State and Federal Programs		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
		-	379,500	379,344	156	22,830,140	7,558,024	15,272,116
		-			-			-
		-	600,000	333,444	266,556			-
		-	50,000	14,984	35,016	12,503	12,503	-
		-			-			-
		-	7,000	7,000	-			-
-	-	-	1,036,500	734,772	301,728	22,842,643	7,570,527	15,272,116
		-			-	6,818	1,041	5,777
		-	485,000	419,339	65,661	4,502,760	3,125,517	1,377,243
		-			-	544,786	53,872	490,914
		-	369,264	369,264	-	18,536,967	5,138,785	13,398,182
		-			-			-
		-			-			-
		-			-			-
-	-	-	854,264	788,603	65,661	23,591,331	8,319,215	15,272,116
-	-	-	182,236	(53,831)	236,067	(748,688)	(748,688)	-
141,404	141,404	-			-	618,076	618,076	-
(214,470)	(214,470)	-	(384,000)	(299,794)	(84,206)	(161,927)	(161,927)	-
(73,066)	(73,066)	-	(384,000)	(299,794)	(84,206)	456,149	456,149	-
(73,066)	(73,066)	-	(201,764)	(353,625)	151,861	(292,539)	(292,539)	-
10,257,487	10,257,487	-	676,197	676,197	-	619,140	619,140	-
		-			-			-
$ 10,184,421	$ 10,184,421	$ -	$ 474,433	$ 322,572	$ 151,861	$ 326,601	$ 326,601	$ -

City of Lansing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Non-Major Special Revenue Funds (Continued)
For the Year Ended June 30, 2002

	Community Development Block Grant Program			Stormwater		
	Budget	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**
Revenues						
Taxes and special assessments	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	3,552,572	3,012,461	540,111			-
Charges for services			-			-
Fines and forfeits			-			-
Interest	1,400,309	9,356	1,390,953	60,000	22,765	37,235
Contributions			-			-
Miscellaneous	-	352,833	(352,833)			-
Total revenues	4,952,881	3,374,650	1,578,231	60,000	22,765	37,235
Expenditures						
Current operating						
General government, administrative			-			-
Public safety			-			-
Recreation and culture			-			-
Other functions			-			-
Capital improvements	4,952,881	3,374,650	1,578,231	41,515	324	41,191
Debt service						
Principal			-			-
Interest			-			-
Total expenditures	4,952,881	3,374,650	1,578,231	41,515	324	41,191
Excess (deficiency) of revenues over expenditures	-	-	-	18,485	22,441	(3,956)
Other financing sources (uses)						
Operating transfers in			-			-
Operating transfers out			-			-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	-	-	18,485	22,441	(3,956)
Fund balances, beginning of year (as restated)			-	1,150,401	1,150,401	-
Prior period adjustment			-			-
Fund balances, end of year	$ -	$ -	$ -	$ 1,168,886	$ 1,172,842	$ (3,956)

Stadium			Principal Shopping District			911 Communications Center		
Budget	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**
$ -	$ -	$ -	$ 420,908	$ 416,980	$ 3,928	$ -	$ -	$ -
		-			-			-
1,015,000	812,809	202,191			-	3,976,700	3,783,911	192,789
		-			-			-
85,000	18,538	66,462	3,200	1,794	1,406			-
		-	20,000	13,800	6,200	893,917	513,361	380,556
		-	2,000	2,383	(383)	32,985	32,986	(1)
1,100,000	831,347	268,653	446,108	434,957	11,151	4,903,602	4,330,258	573,344
		-	491,135	485,239	5,896			-
		-			-	5,072,732	4,320,183	752,549
58,000	57,743	257			-			-
		-			-			-
1,890		1,890			-			-
995,000	995,000	-			-			-
532,790	532,790	-			-			-
1,587,680	1,585,533	2,147	491,135	485,239	5,896	5,072,732	4,320,183	752,549
(487,680)	(754,186)	266,506	(45,027)	(50,282)	5,255	(169,130)	10,075	(179,205)
750,000	1,000,000	(250,000)	42,500	42,500	-	209,300	203,700	5,600
(263,000)	(263,000)	-			-			-
487,000	737,000	(250,000)	42,500	42,500	-	209,300	203,700	5,600
(680)	(17,186)	16,506	(2,527)	(7,782)	5,255	40,170	213,775	(173,605)
1,297,348	1,297,348	-	26,340	26,340	-		201,360	(201,360)
		-			-			-
$ 1,296,668	$ 1,280,162	$ 16,506	$ 23,813	$ 18,558	$ 5,255	$ 40,170	$ 415,135	$ (374,965)

City of Lansing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Non-Major Special Revenue Funds (Continued)
For the Year Ended June 30, 2002

	Building Department		
	Budget	**Actual**	**Variance**
Revenues			
Taxes and special assessments	$ -	$ -	$ -
Intergovernmental			-
Charges for services	1,712,610	1,274,900	437,710
Fines and forfeits			-
Interest			-
Contributions			-
Miscellaneous			-
Total revenues	1,712,610	1,274,900	437,710
Expenditures			
Current operating			
General government, administrative	1,772,635	1,752,435	20,200
Public safety			-
Recreation and culture			-
Other functions			-
Capital improvements			-
Debt service			
Principal			-
Interest			-
Total expenditures	1,772,635	1,752,435	20,200
Excess (deficiency) of revenues over expenditures	(60,025)	(477,535)	417,510
Other financing sources (uses)			
Operating transfers in		460,925	(460,925)
Operating transfers out			-
Total other financing sources (uses)	-	460,925	(460,925)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(60,025)	(16,610)	(43,415)
Fund balances, beginning of year (as restated)	16,610	16,610	-
Prior period adjustment			-
Fund balances, end of year	$ (43,415)	$ -	$ (43,415)

Budgeted Funds Totals			Fund Not Annually Budgeted Parks Department	Totals
Budget	**Actual**	**Variance**	**Actual**	**Actual**
$ 6,686,492	$ 6,235,088	$ 451,404	$ -	$ 6,235,088
26,762,212	11,040,614	15,721,598		11,040,614
6,704,310	5,871,620	832,690		5,871,620
600,000	333,444	266,556		333,444
1,749,112	141,536	1,607,576	17,127	158,663
913,917	527,161	386,756		527,161
63,273	417,311	(354,038)		417,311
43,479,316	24,566,774	18,912,542	17,127	24,583,901
2,581,877	2,534,819	47,058		2,534,819
10,060,492	7,865,039	2,195,453		7,865,039
602,786	111,615	491,171		111,615
18,906,231	5,508,049	13,398,182	351,286	5,859,335
6,249,202	4,316,516	1,932,686		4,316,516
995,000	995,000	-		995,000
532,790	532,790	-		532,790
39,928,378	21,863,828	18,064,550	351,286	22,215,114
3,550,938	2,702,946	847,992	(334,159)	2,368,787
1,761,280	2,466,605	(705,325)	11,048	2,477,653
(5,680,474)	(5,596,228)	(84,246)		(5,596,228)
(3,919,194)	(3,129,623)	(789,571)	11,048	(3,118,575)
(363,464)	(426,677)	63,213	(323,111)	(749,788)
15,017,515	15,268,249	(250,734)	900,652	16,168,901
-	(49,374)	49,374		(49,374)
$ 14,654,051	$ 14,792,198	$ (138,147)	$ 577,541	$ 15,369,739

1987 Street Improvements Fund – This fund accounts for the accumulation of resources for payment of the 1987 $22,000,000 Unlimited Tax bonds.

1990 Environmental I Fund – This fund accounts for the accumulation of resources for payment of the 1990 $7,000,000 Environmental bonds.

1990 Environmental II Fund – This fund accounts for the accumulation of resources for payment of the 1990 $6,300,000 Environmental bonds.

1990 Special Assessments Fund – This fund accounts for the accumulation of resources for payment of the 1990 $800,000 Special Assessment Bonds.

1996 Refunding Bonds Fund – This fund accounts for the accumulation of resources for payment of the 1996 $10,800,000 Refunding Bonds.

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.

Tax Increment Finance Authority Fund – This fund includes the activities of the City of Lansing Parking Structure Lease and 1994 Tax Increment Finance Authority, General Obligation Tax Increment Bonds.

City of Lansing
Combining Balance Sheet
Non-Major Debt Service Funds
June 30, 2002

	1987 Street Improve-ments	1990 Environmental I	1990 Environmental II	1990 Special Assessments
Assets				
Cash and cash equivalents	$ 2,654,499	$ -	$ -	$ 53,248
Special assessments receivable				26,773
Total assets	$ 2,654,499	$ -	$ -	$ 80,021
Liabilities and Fund Balances				
Liabilities				
Due to other funds	$ 2,654,499	$ -	$ -	$ 24,754
Deferred revenues				26,773
Total liabilities	2,654,499	-	-	51,527
Fund balances				
reserved for Debt Service				28,494
Total fund balances	-	-	-	28,494
Total liabilities and fund balances	$ 2,654,499	$ -	$ -	$ 80,021

1996 Refunding Bonds	1998 Building Authority	1999 Fire Station	2001 Fire Station	Tax Increment Finance Authority	Totals June 30, 2002
$ 1,171,430	$ -	$ 167,202	$ 237,683	$ -	$ 4,284,062
					26,773
$ 1,171,430	$ -	$ 167,202	$ 237,683	$ -	$ 4,310,835
$ 1,171,429	$ -	$ 167,201	$ 237,683	$ -	$ 4,255,566
					26,773
1,171,429	-	167,201	237,683	-	4,282,339
1		1			28,496
1	-	1	-	-	28,496
$ 1,171,430	$ -	$ 167,202	$ 237,683	$ -	$ 4,310,835

City of Lansing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Debt Service Funds
For the Year Ended June 30, 2002

	1987 Street Improve-ments	1990 Environmental I	1990 Environmental II	1990 Special Assessments
Revenues				
Taxes and special assessments	$ 2,554,424	$ 1,209	$ -	$ 6,185
Interest	25,218			2,267
Total revenues	2,579,642	1,209	-	8,452
Expenditures				
Principal payments	2,550,000			25,000
Interest	122,991			6,544
Paying agent fees		1,275		
Total expenditures	2,672,991	1,275	-	31,544
Excess (deficiency) of revenues over expenditures	(93,349)	(66)	-	(23,092)
Other financing sources				
Operating transfers in	227,864		14,562	
Operating transfers out		(110,162)		
Total other financing sources	227,864	(110,162)	14,562	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	134,515	(110,228)	14,562	(23,092)
Fund balances, beginning of year	(134,515)	110,228	(14,562)	51,586
Fund balances, end of year	$ -	$ -	$ -	$ 28,494

1996 Refunding Bonds	1998 Building Authority	1999 Fire Station	2001 Fire Station	Tax Increment Finance Authority	Totals June 30, 2002
$ 1,207,664	$ -	$ 39,616	$ 190,266	$ -	$ 3,999,364
6,621		2,483	7,970		44,559
1,214,285	-	42,099	198,236	-	4,043,923
780,000	80,000	50,000		2,866,284	6,351,284
473,760	96,100	159,250	181,628	1,283,526	2,323,799
					1,275
1,253,760	176,100	209,250	181,628	4,149,810	8,676,358
(39,475)	(176,100)	(167,151)	16,608	(4,149,810)	(4,632,435)
	176,037	11,731		4,149,810	4,580,004
(28,953)			(46,352)		(185,467)
(28,953)	176,037	11,731	(46,352)	4,149,810	4,394,537
(68,428)	(63)	(155,420)	(29,744)	-	(237,898)
68,429	63	155,421	29,744		266,394
$ 1	$ -	$ 1	$ -	$ -	$ 28,496

City of Lansing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Non-Major Debt Service Funds
For the Year Ended June 30, 2002

	1987 Street Improvements			1990 Environmental I		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues						
Taxes and special assessments	$ 2,557,500	$ 2,554,424	$ 3,076	$ 1,275	$ 1,209	$ 66
Interest	85,000	25,218	59,782			-
Total revenues	2,642,500	2,579,642	62,858	1,275	1,209	66
Expenditures						
Principal payments	2,550,000	2,550,000	-			-
Interest	123,000	122,991	9			-
Paying agent fees			-	1,275	1,275	-
Total expenditures	2,673,000	2,672,991	9	1,275	1,275	-
Excess (deficiency) of revenues over expenditures	(30,500)	(93,349)	62,849	-	(66)	66
Other financing sources						
Operating transfers in		227,864	(227,864)			-
Operating transfers out			-	(110,228)	(110,162)	(66)
Total other financing sources	-	227,864	(227,864)	(110,228)	(110,162)	(66)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(30,500)	134,515	(165,015)	(110,228)	(110,228)	-
Fund balances, beginning of year	(134,515)	(134,515)	-	110,228	110,228	-
Fund balances, end of year	$ (165,015)	$ -	$ (165,015)	$ -	$ -	$ -

1990 Environmental II			1990 Special Assessments			1996 Refunding Bonds		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
$ -	$ -	$ -	$ 12,000	$ 6,185	$ 5,815	$ 1,209,149	$ 1,207,664	$ 1,485
		-	4,000	2,267	1,733	23,000	6,621	16,379
-	-	-	16,000	8,452	7,548	1,232,149	1,214,285	17,864
		-	25,000	25,000	-	780,000	780,000	-
		-	6,600	6,544	56	474,000	473,760	240
		-			-			-
-	-	-	31,600	31,544	56	1,254,000	1,253,760	240
-	-	-	(15,600)	(23,092)	7,492	(21,851)	(39,475)	17,624
	14,562	(14,562)			-			-
		-			-	(28,953)	(28,953)	-
-	14,562	(14,562)	-	-	-	(28,953)	(28,953)	-
-	14,562	(14,562)	(15,600)	(23,092)	7,492	(50,804)	(68,428)	17,624
(14,562)	(14,562)	-	51,586	51,586	-	68,429	68,429	-
$ (14,562)	$ -	$ (14,562)	$ 35,986	$ 28,494	$ 7,492	$ 17,625	$ 1	$ 17,624

City of Lansing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Non-Major Debt Service Funds (Continued)
For the Year Ended June 30, 2002

	1998 Building Authority			1999 Fire Station		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues						
Taxes and special assessments	$ -	$ -	$ -	$ 39,665	$ 39,616	$ 49
Interest			-	17,000	2,483	14,517
Total revenues	-	-	-	56,665	42,099	14,566
Expenditures						
Principal payments	80,000	80,000	-	50,000	50,000	-
Interest	96,100	96,100	-	159,500	159,250	250
Paying agent fees			-			-
Total expenditures	176,100	176,100	-	209,500	209,250	250
Excess (deficiency) of revenues over expenditures	(176,100)	(176,100)	-	(152,835)	(167,151)	14,316
Other financing sources						
Operating transfers in	176,037	176,037	-		11,731	(11,731)
Operating transfers out			-	(38,849)		(38,849)
Total other financing sources	176,037	176,037	-	(38,849)	11,731	(50,580)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(63)	(63)	-	(191,684)	(155,420)	(36,264)
Fund balances, beginning of year	63	63	-	155,421	155,421	-
Fund balances, end of year	$ -	$ -	$ -	$ (36,263)	$ 1	$ (36,264)

2001 Fire Station			Budgeted Funds Totals			Fund Not Annually Budgeted	Totals
						Tax Increment Finance Authority	
Budget	Actual	Variance	Budget	Actual	Variance	Actual	Actual
$ 190,500	$ 190,266	$ 234	$ 4,010,089	$ 3,999,364	$ 10,725	$ -	$ 3,999,364
9,500	7,970	1,530	138,500	44,559	93,941		44,559
200,000	198,236	1,764	4,148,589	4,043,923	104,666	-	4,043,923
		-	3,485,000	3,485,000	-	2,866,284	6,351,284
200,000	181,628	18,372	1,059,200	1,040,273	18,927	1,283,526	2,323,799
		-	1,275	1,275	-		1,275
200,000	181,628	18,372	4,545,475	4,526,548	18,927	4,149,810	8,676,358
-	16,608	(16,608)	(396,886)	(482,625)	85,739	(4,149,810)	(4,632,435)
		-	176,037	430,194	(254,157)	4,149,810	4,580,004
(46,352)	(46,352)	-	(224,382)	(185,467)	(38,915)		(185,467)
(46,352)	(46,352)	-	(48,345)	244,727	(293,072)	4,149,810	4,394,537
(46,352)	(29,744)	(16,608)	(445,231)	(237,898)	(207,333)	-	(237,898)
29,744	29,744	-	266,394	266,394	-		266,394
$ (16,608)	$ -	$ (16,608)	$ (178,837)	$ 28,496	$ (207,333)	$ -	$ 28,496

1969 Storm Sewers Fund – This fund accounts for the proceeds of the 1969 $3,700,000 Storm Sewer and Drain bonds.

1984 Street Improvements Fund – This fund accounts for the proceeds of the 1984 $2,200,000 loan from the State of Michigan Department of Transportation.

1986 Street Improvements Fund – This fund accounts for the proceeds of the 1986 $2,000,000 Michigan Transportation Fund bonds.

1987 Street Improvements Fund – This fund accounts for the proceeds of the 1987 $22,000,000 Unlimited Tax bonds.

1988 Environmental Fund – This fund accounts for the proceeds of the 1988 $1,700,000 Environmental Cleanup bonds.

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.

Combined Sewer Overflow Fund – This fund accounts for the storm sewer portion of the combined sewer overflow 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.

1999 Fire Station Fund – This fund accounts for the proceeds of the 1999 $3,000,000 Unlimited Tax General Obligation Bonds.

2001 Fire Station Fund – This fund accounts for the proceeds of the 2001 $4,000,000 Unlimited Tax General Obligation Bonds.

Miscellaneous Fund – This fund accounts for miscellaneous capital projects.

City of Lansing
Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2002

	1969 Storm Sewers	1984 Street Improve-ments	1986 Street Improve-ments	1987 Street Improve-ments	1988 Environ-mental
Assets					
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -
Equity in pooled cash	137,750	853	120,261	94,544	14,135
Accounts receivable					
Accrued interest receivable					
Special assessments receivable:					
Current					
Deferred					
Contract retainage receivable					
Due from other governments					
Total assets	$ 137,750	$ 853	$ 120,261	$ 94,544	$ 14,135
Liabilities and Fund Balances					
Liabilities and fund balances					
Accounts payable	$ -	$ -	$ 4,019	$ -	$ -
Accrued payroll					
Due to other funds					
Deferred revenue					
Total liabilities	-	-	4,019	-	-
Fund balances (deficit)					
Unreserved					
Designated for subsequent years' expenditures	91,612		30,331	94,544	7,561
Undesignated (deficit)	46,138	853	85,911		6,574
Total fund balances (deficit)	137,750	853	116,242	94,544	14,135
Total liabilities and fund balances	$ 137,750	$ 853	$ 120,261	$ 94,544	$ 14,135

1990 Environ-mental I	1990 Environ-mental II	Combined Sewer Overflow	Special Assess-ments	1999 Fire Station	2001 Fire Station	Miscellaneous	Totals June 30, 2002
$ -	$ -	$ -	$ -	$ -	$ 4,073,022	$ 241,945	$ 4,314,967
72,540	345,229	1,772,708		744,047		13,289,794	16,591,861
						5,743	5,743
					5,253		5,253
			224,631				224,631
			625,841				625,841
						46,464	46,464
			1,069				1,069
$ 72,540	$ 345,229	$ 1,772,708	$ 851,541	$ 744,047	$ 4,078,275	$ 13,583,946	$ 21,815,829
$ -	$ -	$ -	$ 66,675	$ 3,135	$ -	$ 1,014,120	$ 1,087,949
						316	316
			557,416		96,816		654,232
			625,841				625,841
-	-	-	1,249,932	3,135	96,816	1,014,436	2,368,338
	227,356				67,369	8,238,466	8,757,239
72,540	117,873	1,772,708	(398,391)	740,912	3,914,090	4,331,044	10,690,252
72,540	345,229	1,772,708	(398,391)	740,912	3,981,459	12,569,510	19,447,491
$ 72,540	$ 345,229	$ 1,772,708	$ 851,541	$ 744,047	$ 4,078,275	$ 13,583,946	$ 21,815,829

City of Lansing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Capital Projects Funds
For the Year Ended June 30, 2002

	1969 Storm Sewers	1984 Street Improve-ments	1986 Street Improve-ments	1987 Street Improve-ments	1988 Environ-mental
Revenues					
Special assessments	$ -	$ -	$ -	$ -	$ -
Charges for services					
Interest	2,648	17	3,018	3,522	283
Donations, private sources					
Total revenues	2,648	17	3,018	3,522	283
Expenditures					
Capital improvements			46,325	3,643	1,314
Excess (deficiency) of revenues over expenditures	2,648	17	(43,307)	(121)	(1,031)
Other financing sources (uses)					
Operating transfers in					
Sale of property					
Bond proceeds					
Total other financing sources	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2,648	17	(43,307)	(121)	(1,031)
Fund balance (deficit) beginning of year	135,102	836	159,549	94,665	15,166
Prior period adjustment					
Fund balance (deficit), end of year	$ 137,750	$ 853	$ 116,242	$ 94,544	$ 14,135

1990 Environ-mental I	1990 Environ-mental II	Combined Sewer Overflow	Special Assess-ments	1999 Fire Station	2001 Fire Station	Miscellaneous	Totals June 30, 2002
$ -	$ -	$ -	$ 203,058	$ -	$ -	$ -	$ 203,058
						49,633	49,633
1,546	6,857			20,061	83,411	46,040	167,403
						85,307	85,307
1,546	6,857	-	203,058	20,061	83,411	180,980	505,401
11,694	15,607	659,089	303,534	494,292	84,108	6,918,410	8,538,016
(10,148)	(8,750)	(659,089)	(100,476)	(474,231)	(697)	(6,737,430)	(8,032,615)
						7,359,274	7,359,274
						820,350	820,350
					3,914,787		3,914,787
-	-	-	-	-	3,914,787	8,179,624	12,094,411
(10,148)	(8,750)	(659,089)	(100,476)	(474,231)	3,914,090	1,442,194	4,061,796
82,688	353,979	2,431,797	(297,915)	1,215,143	67,369	10,097,621	14,356,000
						1,029,695	1,029,695
$ 72,540	$ 345,229	$ 1,772,708	$ (398,391)	$ 740,912	$ 3,981,459	$ 12,569,510	$ 19,447,491

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 Expendable Trust Fund.

City of Lansing
Combining Balance Sheet
Permanent Funds
June 30, 2002

	Cemetery Perpetual Care	Parks Trust	Totals June 30, 2002
Assets			
Equity in pooled cash	$ 1,392,654	$ 1,250	$ 1,393,904
Investments	118,505		118,505
Interest receivable	231		231
Land		80,000	80,000
Total assets	1,511,390	81,250	1,592,640
Fund balances			
Reserved for restricted purposes	$ 1,511,390	$ 81,250	$ 1,592,640

City of Lansing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Permanent Funds
For the Year Ended June 30, 2002

	Cemetery Perpetual Care	Parks Trust	Totals June 30, 2002
Operating revenues			
Rents	$ -	$ 10,960	$ 10,960
Operating income	-	10,960	10,960
Nonoperating revenues			
Income from investments			
Interest and dividends	27,904	87	27,991
Other financing sources (uses)			
Operating transfers in	16,437		16,437
Operating transfers out	(27,904)	(11,047)	(38,951)
Total other financing sources (uses)	(11,467)	(11,047)	(22,514)
Excess of revenues and other sources over other uses	16,437	-	16,437
Fund balances, beginning of year	1,494,953	81,250	1,576,203
Fund balances, end of year	$ 1,511,390	$ 81,250	$ 1,592,640

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.

Potter Park Zoo Fund – This fund accounts for the operations of the Potter Park Zoo.

City of Lansing
Combining Statement of Net Assets
Non-Major Enterprise Funds
June 30, 2002

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Potter Park Zoo	Totals June 30, 2002
Assets						
Cash and cash equivalents	$ -	$ 30,920	$ 4,540	$ -	$ 11,639	$ 47,099
Equity in pooled cash	282,888		46,934	2,289,431	348,015	2,967,268
Receivables, net of allowances for uncollectibles						
Accounts	500		170,654	25,515		196,669
Inventories	60,157	58,674	28,412			147,243
Total current assets	343,545	89,594	250,540	2,314,946	359,654	3,358,279
Lease receivable				7,646		7,646
Fixed assets, net of accumulated depreciation	221,694	2,565,288		933,871	6,603,999	10,324,852
Total assets	$ 565,239	$ 2,654,882	$ 250,540	$ 3,256,463	$ 6,963,653	$ 13,690,777
Liabilities						
Accounts payable	$ 1,882	$ 47,501	$ 22,083	$ 39,330	$ 45,295	$ 156,091
Accrued payroll	10,596	31,981	11,501	28,665	32,041	114,784
Due to other funds		843,309				843,309
Deferred revenues		19,696	101,576			121,272
Accrued interest payable		14,690				14,690
General obligation bonds payable, current		50,000				50,000
General obligation bonds payable, long-term		1,041,554				1,041,554
Accrued compensated absences	35,804	51,396	86,635	47,243	130,934	352,012
Total liabilities	48,282	2,100,127	221,795	115,238	208,270	2,693,712
Net Assets						
Invested in capital assets, net of related debt	221,694	1,459,044		933,871	6,603,999	9,218,608
Unrestricted	295,263	(904,289)	28,745	2,207,354	151,384	1,778,457
Total net assets	516,957	554,755	28,745	3,141,225	6,755,383	10,997,065
Total Liabilities and Net Assets	$ 565,239	$ 2,654,882	$ 250,540	$ 3,256,463	$ 6,963,653	$ 13,690,777

City of Lansing
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Non-Major Enterprise Funds
For the Year Ended June 30, 2002

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Potter Park Zoo	Totals June 30, 2002
Operating revenues						
Operating revenues	$ 231,304	$ 1,014,675	$ 801,418	$ 1,928,476	$ 426,434	$ 4,402,307
Operating expenses						
Personal services	457,974	749,903	603,347	1,336,702	1,199,308	4,347,234
Purchase of goods and services	232,401	612,963	705,523	1,270,176	708,461	3,529,524
Depreciation	48,241	121,460		23,827	222,550	416,078
Total operating expenses	738,616	1,484,326	1,308,870	2,630,705	2,130,319	8,292,836
Operating loss	(507,312)	(469,651)	(507,452)	(702,229)	(1,703,885)	(3,890,529)
Nonoperating revenues (expenses)						
Investment revenue		18	3,651	67,111		70,780
Gain on sale of fixed assets	8,250	3,602		1,499	1,964	15,315
Interest expense and paying agent fees		(60,557)				(60,557)
Total nonoperating revenues (expenses)	8,250	(56,937)	3,651	68,610	1,964	25,538
Loss before operating transfers	(499,062)	(526,588)	(503,801)	(633,619)	(1,701,921)	(3,864,991)
Transfers and capital contributions						
Capital Contributions		94,783			112,706	207,489
Operating transfers in	515,904	521,999			1,493,185	2,531,088
Operating transfers out	(16,437)			(93,900)		(110,337)
Total	499,467	616,782	-	(93,900)	1,605,891	2,628,240
Change in net assets	405	90,194	(503,801)	(727,519)	(96,030)	(1,236,751)
Total net assets - beginning of fiscal year	516,552	464,561	532,546	3,868,744	6,851,413	12,233,816
Total net assets - end of fiscal year	$ 516,957	$ 554,755	$ 28,745	$ 3,141,225	$ 6,755,383	$ 10,997,065

City of Lansing
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Year Ended June 30, 2002

	Cemetery
Cash flows from operating activities	
Cash received from customers	$ 230,803
Cash payments for goods and services	(230,400)
Cash payments to employees	(462,687)
Net cash used for operating activities	(462,284)
Cash flows from noncapital financing activities	
Operating transfers in	515,904
Operating transfers out	(16,437)
Net cash provided by (used for) noncapital financing activities	499,467
Cash flows from capital and related financing activities	
Proceeds from sale of capital assets	8,250
Acquisition and construction of capital assets	(46,200)
Principal paid on revenue and general obligation bonds	
Interest paid on revenue and general obligation bonds	
Net cash used for capital and related financing activities	(37,950)
Cash flows from investing activities	
Interest and dividends	-
Net increase (decrease) in cash and cash equivalents	(767)
Cash and cash equivalents, beginning of year	283,655
Cash and cash equivalents, end of year	$ 282,888
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	$ (507,312)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation expense	48,241
Decrease (increase) in accounts receivable	(500)
Decrease in lease receivable	
Decrease (increase) in inventory	1,892
Increase (decrease) in accounts payable	107
Increase (decrease) in accrued liabilities	(4,712)
Increase (decrease) in deferred revenue	
Decrease in due to other funds	
Total adjustments	45,028
Net cash provided by (used for) operating activities	$ (462,284)

Golf	Garbage and Rubbish Collection	Recycling	Potter Park Zoo	Totals June 30, 2002
$ 1,015,300	$ 1,091,920	$ 2,029,142	$ 426,434	$ 4,793,599
(590,543)	(741,077)	(1,266,214)	(721,393)	(3,549,627)
(745,313)	(552,748)	(1,328,908)	(1,179,010)	(4,268,666)
(320,556)	(201,905)	(565,980)	(1,473,969)	(3,024,694)
521,999			1,493,185	2,531,088
		(93,900)		(110,337)
521,999	-	(93,900)	1,493,185	2,420,751
3,602			1,964	13,816
(94,189)			(67,015)	(207,404)
(45,000)				(45,000)
(60,073)				(60,073)
(195,660)	-	-	(65,051)	(298,661)
578	3,651	68,610	-	72,839
6,361	(198,254)	(591,270)	(45,835)	(829,765)
24,559	249,728	2,880,701	405,489	3,844,132
$ 30,920	$ 51,474	$ 2,289,431	$ 359,654	$ 3,014,367
$ (469,651)	$ (507,452)	$ (702,229)	$ (1,703,885)	$ (3,890,529)
121,460		23,827	222,551	416,079
	280,999	93,022		373,521
		7,647		7,647
(2,572)	(15,070)			(15,750)
21,758	(20,484)	3,960	(12,932)	(7,591)
4,590	50,599	7,793	20,297	78,567
625	9,503			10,128
3,234				3,234
149,095	305,547	136,249	229,916	865,835
$ (320,556)	$ (201,905)	$ (565,980)	$ (1,473,969)	$ (3,024,694)

Public Service Garage Fund – This fund accounts for the costs of operating a maintenance facility for trucks and equipment used by the Public Service Department.

Local Site Remediation Revolving Fund – This fund accounts for the activities of the Local Site Remediation Revolving Fund for the Brownfield Redevelopment Authority of the City of Lansing.

City of Lansing
Combining Statement of Net Assets
Internal Service Funds
June 30, 2002

	Governmental Activities Internal Service Funds		
	Public Service Garage	Local Site Remediation Revolving	Total Internal Service Funds
Assets			
Current assets			
Cash and cash equivalents	$ -	$ 8,588	$ 8,588
Equity in pooled cash	2,679,490		2,679,490
Inventories	270,171		270,171
Total current assets	2,949,661	8,588	2,958,249
Restricted assets			
Cash and cash equivalents	204,327		204,327
Accrued interest receivable	330		330
Bond issue costs	8,936		8,936
Property, plant and equipment, net of accumulated depreciation	4,781,546		4,781,546
Total assets	$ 7,944,800	$ 8,588	$ 7,953,388
Liabilities			
Current liabilities			
Accounts payable	$ 62,928	$ 7,227	$ 70,155
Accrued payroll	23,756		23,756
Total current liabilities	86,684	7,227	93,911
Payable from restricted assets			
Accrued interest payable	32,546		32,546
Capital lease payable	1,825,000		1,825,000
Accrued compensated absences	90,673		90,673
Total liabilities	2,034,903	7,227	2,042,130
Net assets			
Invested in capital assets, net of related debt	2,932,936		2,932,936
Restricted for debt retirement	172,111		172,111
Unrestricted	2,804,850	1,361	2,806,211
Total net assets	$ 5,909,897	$ 1,361	$ 5,911,258

City of Lansing
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2002

	Governmental Activities Internal Service Funds		
	Public Service Garage	Local Site Remediation Revolving	Total Internal Service Funds
Operating revenues			
User charges	$ 3,287,125	$ -	$ 3,287,125
Property taxes		1,361	1,361
Total operating revenues	3,287,125	1,361	3,288,486
Operating expenses			
Personal services	908,626	7,227	915,853
Purchase of goods and services	943,856		943,856
Depreciation	805,919		805,919
Total operating expenses	2,658,401	7,227	2,665,628
Operating income (loss)	628,724	(5,866)	622,858
Nonoperating revenues (expenses)			
Interest income	25,671		25,671
Gain on sale of fixed assets	50,342		50,342
Interest expense and paying agent fees	(100,155)		(100,155)
Amortization of bond issue costs	(654)		(654)
Total nonoperating expenses	(24,796)	-	(24,796)
Net income (loss) before transfers	603,928	(5,866)	598,062
Transfers			
Transfers from other funds		7,227	7,227
Change in net assets	603,928	1,361	605,289
Net assets, beginning of year	5,305,969	-	5,305,969
Net assets, end of year	$ 5,909,897	$ 1,361	$ 5,911,258

City of Lansing
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2002

	Public Service Garage	Local Site Remediation Revolving	Total Internal Service Funds
Cash flows from operating activities			
Cash received from customers	$ 3,287,125	$ 1,361	$ 3,288,486
Cash payments for goods and services	(985,159)		(985,159)
Cash payments to employees	(911,837)		(911,837)
Net cash provided by operating activities	1,390,129	1,361	1,391,490
Cash flows from noncapital financing activities			
Transfers from other funds		7,227	7,227
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	50,342		50,342
Payments of capital lease and interest	(199,840)		(199,840)
Acquisition of capital assets	(2,494,159)		(2,494,159)
Net cash used for capital and related financing activities	(2,643,657)	-	(2,643,657)
Cash flows from investing activities			
Interest income	31,426		31,426
Net increase (decrease) in cash and cash equivalents	(1,222,102)	8,588	(1,213,514)
Cash and cash equivalents, beginning of year	4,105,919		4,105,919
Cash and cash equivalents, end of year	$ 2,883,817	$ 8,588	$ 2,892,405
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income	$ 628,724	$ (5,866)	$ 622,858
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	805,919		805,919
Increase in inventory	(9,527)		(9,527)
Increase (decrease) in accounts payable	(31,776)	7,227	(24,549)
Decrease in accrued payroll	(671)		(671)
Decrease in accrued compensated absences	(2,540)		(2,540)
Total adjustments	761,405	7,227	768,632
Net cash provided by operating activities	$ 1,390,129	$ 1,361	$ 1,391,490

Employees' Retirement System Fund – This fund accounts for the accumulation of resources to be used for retirement annuity payments to eligible full-time employees of the City except for police officers and firefighters, who are members of a separate pension plan.

Police and Fire Retirement System Fund – This fund accounts for the accumulation of resources to be used for retirement annuity payments to eligible police officers and firefighters who are full-time employees of the City.

Employees' Money Purchase Pension Plan Fund – This fund accounts for the accumulation of resources to be used for retirement distributions for certain City employees.

City of Lansing
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2002

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Totals June 30, 2002
Assets				
Cash and cash equivalents	$ 8,680,115	$ 14,108,275	$ -	$ 22,788,390
Investments				
U. S. Government obligations	47,058,231	64,217,902	4,958,773	116,234,906
Corporate bonds	18,077,898	25,022,653		43,100,551
Common stocks	74,435,817	116,505,155		190,940,972
Stock mutual funds	24,732,599	27,312,114		52,044,713
Contribution receivable	218,645	590,984	59,386	869,015
Dividends and interest receivable	840,094	1,130,386		1,970,480
Accrued interest receivable			6,623	6,623
Due from other funds		1,049,842		1,049,842
Total assets	$174,043,399	$249,937,311	$ 5,024,782	$429,005,492
Liabilities				
Accounts payable	$ 178,621	$ 234,487	$ -	$ 413,108
Due to other funds	15,003			15,003
Total liabilities	$ 193,624	$ 234,487	$ -	$ 428,111
Net assets				
Held in trust for pension benefits	$173,849,775	$249,702,824	$ 5,024,782	$428,577,381

City of Lansing
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2002

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Totals June 30, 2002
Additions				
Contributions				
Employer	$ 3,104,837	$ 2,664,643	$ 714,722	$ 6,484,202
Plan members	552,646	1,581,826	37,094	2,171,566
Employer-healthcare	849,897	1,063,656		1,913,553
Investment income (loss)				
Realized/unrealized loss on investments	(11,870,301)	(21,903,590)	(452,092)	(34,225,983)
Interest income	5,257,983	7,477,135	70,150	12,805,268
Dividend income	1,076,965	974,118		2,051,083
Less investment expense				
Investment expenses	728,055	989,449		1,717,504
Net investment loss	(6,263,408)	(14,441,786)	(381,942)	(21,087,136)
Total additions (deletions)	(1,756,028)	(9,131,661)	369,874	(10,517,815)
Deductions				
Benefits paid to plan members & beneficiaries	10,642,629	15,604,589	31,550	26,278,768
Administrative expense	12,731	16,320	14,802	43,853
Total deductions	10,655,360	15,620,909	46,352	26,322,621
Net increase (decrease)	(12,411,388)	(24,752,570)	323,522	(36,840,436)
Net assets held in trust for pension benefits, beginning of year	186,261,163	274,455,394	4,701,260	465,417,817
Net assets held in trust for pension benefits, end of year	$ 173,849,775	$ 249,702,824	$ 5,024,782	$ 428,577,381

III Statistical Section - Unaudited

City of Lansing
Table 1
General Government Expenditures by Function - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	General Government	Public Safety	Highways Streets & Sanitation	Recreation & Forestry	Other Current Operating Functions	Capital Improvements	Debt Service	Total
1993	$ 37,937,665	$ 25,936,493	$ 1,510,058	$ 4,676,599	$ 1,810,463	$ 330,433	$ 10,119,326	$ 82,321,037
1994	37,564,730	25,938,755	1,457,033	4,745,401	1,588,062	-	6,500,270	77,794,251
1995	38,181,035	26,109,356	1,580,006	4,905,500	1,809,503	-	6,519,698	79,105,098
1996	38,433,505	27,466,390	1,644,852	5,301,870	2,175,199	949,790	5,522,414	81,494,020
1997	41,324,182	29,020,008	1,912,124	5,357,320	2,149,177	-	4,682,986	84,445,797
1998	42,830,367	30,717,779	1,891,131	5,631,947	2,152,265	-	4,414,774	87,638,263
1999	45,468,182	30,969,168	1,963,583	5,731,151	2,103,340	-	4,605,066	90,840,490
2000	46,560,643	32,540,064	1,941,559	5,970,697	2,189,257	-	4,888,861	94,091,081
2001	45,820,100	30,320,012	2,088,520	5,855,827	2,354,102	-	5,526,209	91,964,770
2002	46,621,310	31,425,523	2,069,940	6,108,158	2,395,721	-	5,159,772	93,780,424

NOTE: This statement includes expenditures reported in the General Fund, and Debt Service Funds.

City of Lansing
Table 2
General Government Revenues by Source - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Taxes and Special Assessments	Licenses and Permits	Inter-Governmental	Charges for Services	Fines and Forfeits	Interest	Contributions	Miscellaneous	Total
1993	$ 46,723,598	$ 1,123,415	$ 15,671,210	$ 5,894,892	$ 2,736,800	$ 914,984	$ 5,381,439	$ 323,492	$ 78,769,830
1994	48,879,134	1,145,823	16,234,644	6,300,240	2,626,079	711,359	5,769,295	192,842	81,859,416
1995	50,323,603	1,339,812	17,698,116	7,589,851	2,636,608	1,465,703	5,946,271	227,874	87,227,838
1996	51,870,546	1,469,071	18,429,686	7,573,660	2,812,087	1,688,707	6,340,387	331,939	90,516,083
1997	53,170,786	1,302,672	21,220,828	7,946,618	3,103,904	1,902,485	6,187,762	114,743	94,949,798
1998	53,295,737	1,655,243	19,986,784	8,791,357	3,306,649	2,042,915	6,253,764	99,073	95,431,522
1999	55,600,921	2,261,113	20,093,935	9,696,473	3,606,791	1,825,471	6,447,022	118,091	99,649,817
2000	57,080,136	2,777,274	21,594,707	10,145,040	3,910,984	1,628,910	6,548,556	468,551	104,154,158
2001	57,319,659	645,087	22,180,479	7,475,021	3,578,632	1,267,015	6,716,768	357,476	99,540,137
2002	60,442,894	976,332	21,202,213	8,651,949	4,050,234	643,190	7,542,754	250,277	103,759,843

NOTE: This statement includes revenues reported in the General Fund and Debt Service Funds.

City of Lansing
Table 3
Property Tax Levies and Collections – Unaudited
Last Ten Fiscal Years

30-Jun	Property Tax Levy	Current Tax Collection	Percent of Levy Collected	(1) Delinquent Tax Collection	Total Tax Collection	Collections as a Percent of Levy
1993	$ 29,985,438	$ 29,919,160	99.78%	$ 41,539	$ 29,960,699	99.92%
1994	30,597,959	30,469,213	99.58%	(42,785)	30,426,428	99.44%
1995	31,052,100	30,916,625	99.56%	(24,493)	30,892,132	99.48%
1996	31,549,341	31,495,388	99.83%	19,546	31,514,934	99.89%
1997	33,626,394	33,561,067	99.81%	11,500	33,572,567	99.84%
1998	33,360,681	33,269,198	99.73%	(402)	33,268,796	99.72%
1999	34,984,481	34,887,287	99.72%	70,749	34,958,036	99.92%
2000	35,027,907	34,886,808	99.60%	48,074	34,934,882	99.73%
2001	35,547,497	35,330,288	99.39%	18,522	35,348,810	99.45%
2002	36,357,748	36,208,985	99.59%	59,625	36,268,610	99.75%

(1) Net of chargebacks from the County Tax Revolving Funds for taxes still delinquent after three years.

City of Lansing
Table 4
Assessed and Market Value of Taxable Property – Unaudited
Last Ten Fiscal Years

Fiscal Year Ending June 30	Real Property Valuation	Personal Property Valuation	Total Assessed Valuation	Market Value
1993	$ 1,282,585,950	$ 262,904,150	$ 1,545,490,100	$ 3,090,980,200
1994	1,350,136,870	241,081,900	1,591,218,770	3,182,437,540
1995	1,375,760,015	245,568,950	1,621,328,965	3,242,657,930
1996	1,397,575,065	256,327,150	1,653,902,215	3,419,995,740
1997	1,467,989,483	286,476,195	1,754,465,678	3,508,931,356
1998	1,514,616,050	313,545,380	1,828,161,430	3,656,322,860
1999	1,593,000,290	330,098,200	1,923,098,490	3,846,196,980
2000	1,697,114,303	354,475,087	2,051,589,390	4,103,178,780
2001	1,814,591,830	305,623,290	2,120,215,120	4,240,430,240
2002	2,079,145,930	289,408,415	2,368,554,345	4,737,108,690

NOTE: Includes equivalent value of tax abated properties.

Source: City Assessor's Office.

City of Lansing
Table 5
Property Tax Rates - Direct and Overlapping Governments (1) (2) – Unaudited
(Per $1,000 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year Ended June 30	Operating Millage	Debt Service Millage	Total City Millage	County Millage	School Millage	State Education	Community College Millage	(3) Other Millage	Total
1993	15.04	2.36	17.40	7.80	44.06	-	3.00	6.24	78.50
1994	15.04	2.36	17.40	7.54	43.12	-	2.89	6.09	77.04
1995	15.04	2.36	17.40	7.67	20.07	6.00	2.98	6.09	60.21
1996	15.04	2.36	17.40	7.67	19.72	6.00	2.94	6.07	59.80
1997	15.04	2.36	17.40	7.55	19.90	6.00	2.94	6.06	59.85
1998	15.04	2.06	17.10	7.61	18.88	6.00	2.94	7.43	59.96
1999	15.04	2.06	17.10	7.61	18.94	6.00	2.94	7.41	60.00
2000	14.90	2.06	16.96	7.61	19.52	6.00	2.92	7.36	60.37
2001	14.90	2.06	16.96	7.61	19.04	6.00	2.92	7.62	60.15
2002	14.40	2.06	16.46	7.61	19.10	6.00	3.89	7.59	60.65

Notes: (1) Rates for Ingham County and Lansing School District only.
(2) Since 1995 this is the Non-homestead rate.
(3) Includes Intermediate School, Airport Authority, Capital Area Transit Authority and Capital Area District Library (began in FY 98).

City of Lansing
Table 6
Special Assessment Billings and Collections - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Special Assessment Billings	Special Assessments Collected
1993	$ 54,798	$ 327,370
1994	255,103	397,904
1995	93,834	215,037
1996	182,457	217,693
1997	16,411	181,325
1998	438,683	169,916
1999	96,655	132,948
2000	665,430	244,182
2001	271,452	327,471
2002	(103,940)	92,036

Note: Capital project assessments only. Does not include annual maintenance assessments.

City of Lansing
Table 7
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Population(1)	Assessed Value(3)	Gross Bonded Debt(2)	Debt Service Monies Available	Debt Payable From Enterprise Revenues & Special Assessments	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1993	127,400	$ 1,545,490,100	$ 104,673,422	$ 681,709	$ 44,938,252	$ 59,053,461	0.0382	$ 464
1994	127,400	1,591,218,770	110,391,122	857,013	48,860,709	60,673,400	0.0381	476
1995	127,400	1,621,328,965	111,089,608	1,124,021	47,109,686	62,855,901	0.0388	493
1996	127,400	1,653,902,215	115,803,602	1,375,679	50,880,306	63,547,617	0.0384	499
1997	127,400	1,754,465,678	118,363,721	1,517,293	53,404,646	63,441,782	0.0362	498
1998	127,400	1,828,161,430	123,443,265	1,206,355	56,970,391	65,266,519	0.0357	512
1999	127,400	1,923,098,490	121,478,788	992,002	77,835,655	42,651,131	0.0218	335
2000	127,400	2,051,589,390	128,099,643	865,317	86,471,510	40,762,816	0.0199	320
2001	119,128	2,120,215,120	128,819,227	266,393	93,171,094	35,381,740	0.0167	297
2002	119,128	2,368,554,345	135,999,133	28,496	102,232,751	33,737,886	0.0142	283

NOTE: (1) Population per decennial 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.

City of Lansing
Table 8
Computation of Legal Debt Margin - Unaudited
June 30, 2002

Assessed value, real and personal property (1)		$ 2,428,969,170
Assessed value equivalents (2)		134,177,500
Total valuation		$ 2,563,146,670
Legal debt margin:		
Debt limitation - 10 percent of total valuation		$ 256,314,667
Debt applicable to limitations:		
Total bonded debt	$ 167,895,000	
Less:		
Special assessment bonds	90,000	
Sewage Disposal revenue bonds	31,901,891	
CSO bonds	62,001,904	
Amounts available for repayment of debt	28,496	
Total debt applicable to limitation		73,872,709
Legal debt margin		$ 182,441,958

(1) At 12/31/00, for taxes to be levied 7/1/01.

(2) Per state statute, calculated by dividing the sum of the following amounts by the city's millage rate:

a. The amount levied by the city for its own use during the city's fiscal year from the specific tax levied under Act No. 198 of the Public Acts of 1974.

b. The amount levied by the city for its own use during the city's fiscal year from the specific tax levied under Act No. 255 of the Public Acts of 1978.

City of Lansing
Table 9
Computation of Direct and Overlapping Bonded Debt – Unaudited
General Obligation Bonds
June 30, 2002

Name of Governmental Unit	Net General Obligation Bonded Debt Outstanding		% Applicable to City	Amount Applicable to City
Direct - City	$29,639,637	(1)	100.00%	$ 29,639,637
Overlapping				
Eaton Intermediate School District	2,240,000		0.64%	$ 14,336
Waverly School District	48,175,000		0.26%	125,255
Lansing School District	12,515,000		88.17%	11,034,476
East Lansing School District	84,812,000		4.93%	4,181,232
Holt School District	111,834,984		3.24%	3,623,453
Ingham Intermediate School District	1,255,000		28.99%	363,825
Ingham County	41,408,699		33.09%	13,702,138
Eaton County	10,313,765		2.07%	213,495
Lansing Community College	48,325,000		24.64%	11,907,280
Okemos School District	52,679,000		3.95%	2,080,821
Grand Ledge	59,255,000		1.29%	764,390
Total Overlapping Debt				48,010,701
Total Direct and Overlapping Debt				$ 77,650,338

(1) Excluding general obligation bonds reported in the enterprise funds, special assessment debt with government commitment and amount available for repayment in the debt service fund.

City of Lansing
Table 10
Ratio of Annual Debt Service for General Obligation Bonded Debt (1) to Total General Governmental Expenditures - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Principal	Interest(2)	Total Debt Service	Total General(3) Governmental Expenditures	Ratio Debt Service To General Governmental Expenditures (Percent)
1993	$ 6,419,888	$ 2,801,765	$ 9,221,653	$ 82,321,037	11.20%
1994	2,400,000	3,223,732	5,623,732	77,794,251	7.23%
1995	2,683,836	2,938,208	5,622,044	79,105,098	7.11%
1996	2,125,000	2,769,749	4,894,749	81,494,020	6.01%
1997	2,275,000	1,261,735	3,536,735	84,445,797	4.19%
1998	2,665,000	1,345,248	4,010,248	87,638,263	4.58%
1999	2,850,000	1,259,893	4,109,893	90,840,490	4.52%
2000	3,195,000	1,165,861	4,360,861	94,091,081	4.63%
2001	3,780,000	1,056,686	4,836,686	91,964,770	5.26%
2002	3,460,000	1,030,825	4,490,825	93,780,424	4.79%

(1) General obligation bonds reported in the enterprise and special revenue funds and special assessment debt with government commitment have been excluded.

(2) Excludes bond issuance and other costs.

(3) Includes general and debt service funds.

City of Lansing
Table 11A
Schedule of Bond Coverage – Unaudited
Municipal Parking System Fund Bonds (4)
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun		Gross Revenue	(2) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage (1)
1993		$ 4,894,869	$ 3,214,892	$ 1,679,977	$ 405,000	$ 2,127,810	$ 2,532,810	0.66
1994		4,853,145	3,034,607	1,818,538	885,000	2,098,315	2,983,315	0.61
1995	(3)	5,242,568	3,178,488	2,064,080	35,000	977,177	1,012,177	2.04
1996		6,574,366	3,396,481	3,177,885	465,000	1,600,543	2,065,543	1.54
1997		7,031,243	3,329,415	3,701,828	595,000	1,402,952	1,997,952	1.85
1998		6,848,019	3,257,757	3,590,262	625,000	1,373,545	1,998,545	1.80
1999		7,085,473	3,597,530	3,487,943	655,000	1,258,195	1,913,195	1.83
2000		7,490,165	3,993,315	3,496,850	690,000	1,143,550	1,833,550	1.91
2001		8,029,967	3,773,187	4,256,780	720,000	1,109,988	1,829,988	2.32
2002		7,763,065	3,750,268	4,012,797	755,000	1,073,858	1,828,858	2.18

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

(2) Operating expenses less depreciation.

(3) Advanced refunding of debt resulted in lower than usual principal and interest payments for 1995.

(4) Debt service payments are budgeted and expended within the Parking System. These bonds also carry a limited tax general obligation pledge.

City of Lansing
Table 11B
Schedule of Revenue Bond Coverage – Unaudited
Sewage Disposal System Fund Revenue Bond
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Gross Revenue	(B) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage(A)
1993	$ 15,078,862	$ 9,115,944	$ 5,962,918	$ 1,290,000	$ 2,343,185	$ 3,633,185	1.64
1994	15,773,628	9,418,745	6,354,883	1,380,000	2,243,923	3,623,923	1.75
1995	17,743,349	9,925,650	7,817,699	2,075,000	2,733,660	4,808,660	1.63
1996	20,137,924	10,113,705	10,024,219	2,100,000	2,750,865	4,850,865	2.07
1997	20,867,394	10,004,525	10,862,869	2,235,000	2,624,340	4,859,340	2.24
1998	21,107,381	9,996,022	11,111,359	2,370,000	2,492,280	4,862,280	2.28
1999	21,623,804	10,528,286	11,095,518	2,180,000	1,656,475	3,836,475	2.90
2000	24,193,795	10,574,104	13,619,691	3,065,000	1,976,600	5,041,600	2.70
2001	25,841,763	10,592,681	15,249,082	3,190,000	1,854,090	5,044,090	3.02
2002	26,963,775	11,209,711	15,754,064	3,320,000	1,723,253	5,043,253	3.12

(A) Coverage is defined as net revenue available for debt service divided by debt service requirements exclusive of general obligation debt.
(B) Operating expenses less depreciation.

City of Lansing
Table 12
Demographic Statistics - Unaudited
Last Ten Fiscal Years

Year	Population(1)	Median Age(2)	School Enrollment(3)	Unemployment % Rate(4)	Labor Force(4)
1993	127,400	30.44	24,771	6.6	65,325
1994	127,400	30.68	20,886	5.7	65,100
1995	127,400	30.92	19,376	4.9	63,725
1996	127,400	31.16	19,267	4.9	64,325
1997	127,400	31.40	20,013	2.9	66,275
1998	127,400	31.64	19,049	4.1	66,425
1999	127,400	31.88	18,443	4.2	66,550
2000	119,100	31.40	17,836	4.7	68,300
2001	119,100	31.56	17,586	4.5	67,725
2002	119,100	31.72	17,490	5.6	67,700

(1) Population per decennial census by the U.S. Census Bureau.
(2) 2000 data from U.S. Census of Population and New Housing. Data for other years estimated by City of Lansing Finance Department.
(3) Annual school census from the Lansing School District.
Figures included private school enrollment thru 1993; information no longer available.
(4) Michigan Department of Career Development: Employment Service Agency - Labor Market Information.

City of Lansing
Table 13
Property Value and Construction - Unaudited
Last Ten Fiscal Years

	Commercial Construction(1)		Residential Construction(1)		Non-Taxable Construction(1)		PropertyValue*(2)	
Fiscal Year	Number of Units	Value	Number of Units	Value	Number of Units	Value	Commercial	Residential
1993	27	$ 17,386,005	39	$ 5,208,650	4	$1,005,355	$ 1,500,758,000	$ 1,590,222,200
1994	24	16,772,583	122	6,619,184	4	1,694,000	1,490,226,040	1,692,211,500
1995	47	40,333,592	78	13,955,957	4	2,862,793	1,620,992,330	1,722,143,600
1996	155	26,662,518	60	6,790,675	2	31,700,800	1,667,979,400	1,752,016,340
1997	**	**	**	**	**	**	1,706,111,856	1,802,819,500
1998	284	71,145,105	43	11,040,108	2	972,473	1,773,967,600	1,882,355,200
1999	280	128,740,243	74	21,090,617	10	8,937,703	1,848,569,600	2,003,271,800
2000	246	247,879,211	67	19,928,424	7	3,305,000	1,990,006,580	2,113,172,200
2001	247	70,161,126	40	8,525,127	8	5,802,000	2,001,607,380	2,238,822,860
2002	235	30,765,104	85	16,498,209	16	8,778,098	2,360,109,190	2,376,999,500

SOURCE:
(1) City of Lansing Building Office.
(2) City of Lansing Assessor.

*Estimated actual value (non-taxable property values unavailable; not required by State of Michigan).
**Not available.

NOTE: Construction value includes additions and alterations to existing structures.

City of Lansing
Table 14
Principal Taxpayers - Unaudited
June 30, 2002

Taxpayer		Total Assessed Valuation	Percentage of Total Assessed Valuation
General Motors	$	216,957,400	8.46%
Jackson National Life Insurance Company		33,398,500	1.30%
Consumers Energy		28,554,300	1.11%
525 Redevco Inc		24,586,400	0.96%
Capitol Outlook LLC		20,900,100	0.82%
Lansing Retail Center LLC		14,584,800	0.57%
Accident Fund Company		12,815,200	0.50%
Trappers Cove LTD Partners		12,364,300	0.48%
Heart of the City Associate		11,593,000	0.45%
Victor II Partnership		9,408,300	0.37%

Includes equivalent value (tax divided by tax rate) of property granted tax relief.

City of Lansing
Table 15
Miscellaneous Statistics - Unaudited
June 30, 2002

Date of Incorporation	1859
Form of government	Council-Mayor
Number of employees (excluding Police & Fire):	
Union	731
Non-union	77
Area in square miles	34.68
Facilities and Services:	
Miles of streets	410.39
Culture and Recreation:	
Parks	120
Parks acreage	1781.41
Golf Courses	4
Golf Course acreage	318
Fire Protection:	
Number of stations	9
Number of firefighters (sworn)	230
Police Protection:	
Number of stations	3
Number of officers	261
Sewage System:	
Miles of sanitary sewers	325
Miles of storm sewers	207
Miles of combined sewers	214

City of Lansing
Table 16
Water Consumption by User Classification – Unaudited
Fiscal Years Ended June 30, 1994 through 2002

Fiscal Year	Residential	Commercial	Industrial	Total Water Consumption CCF	Percentage Change(1)
1994	3,155,261	2,805,110	832,254	6,792,625	0.43
1995	3,032,308	2,630,336	853,518	6,516,162	-4.07
1996	3,065,508	2,771,980	776,037	6,613,525	1.49
1997	3,019,529	2,715,153	958,093	6,692,775	1.20
1998	3,012,012	2,661,809	754,084	6,427,905	-3.96
1999	2,864,687	2,605,759	575,362	6,045,808	-5.95
2000	2,764,510	2,543,847	546,830	5,855,187	-3.15
2001	2,675,050	2,463,041	592,603	5,730,694	-2.13
2002	2,674,901	2,453,988	709,225	5,838,114	1.87

(1) Water consumption declined in certain years because:
a. Rainfall was higher than normal thereby reducing water use for lawn sprinkling by residential and commercial customers.
b. Industrial customers are increasingly recycling their water in an effort to reduce the cost of complying with pretreatment requirements.

City of Lansing
Table 17
Percentage of Water Consumption by User Classification - Unaudited
Fiscal Years Ended June 30, 1994 through 2002

Fiscal Year	Residential	Commercial	Industrial	Total
1994	46.10%	40.70%	13.20%	100.00%
1995	46.50%	41.30%	12.30%	100.00%
1996	46.50%	40.40%	13.10%	100.00%
1997	46.40%	41.90%	11.70%	100.00%
1998	45.10%	40.60%	14.30%	100.00%
1999	47.40%	43.10%	9.50%	100.00%
2000	47.20%	43.40%	9.40%	100.00%
2001	46.70%	43.00%	10.30%	100.00%
2002	45.80%	42.00%	12.20%	100.00%

City of Lansing
Table 18
Ten Largest System Customers by Water Consumption - Unaudited
Fiscal Year Ended June 30, 2002

Customer	Principal Product or Service	Water Consumption (CCF)
GM-NOA-LAD	Automotive	$ 617,497
City of Lansing	Government Offices	170,888
State of Michigan	Government Offices	128,859
Ingham Regional Medical Center	Hospital	90,716
Sparrow Hospital	Hospital	88,564
Bioport	Pharmaceuticals	75,200
Lansing School District	Education	61,889
DTN Management	Property Management	55,348
Frandorson Properties	Property Management	56,656
Lansing Housing Commission	Housing	50,839