

**L A N S I N G  
ENTERTAINMENT &  
PUBLIC FACILITIES  
A U T H O R I T Y**

**(A Component Unit of the  
City of Lansing, Michigan)**

**Lansing, Michigan**

**FINANCIAL STATEMENTS**

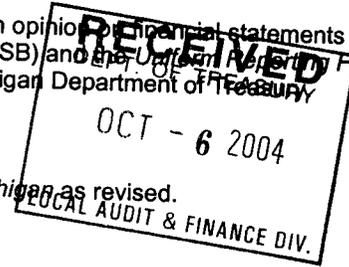
**For the Year Ended  
June 30, 2004**

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Lansing Entertainment & Public Facilities Authority	County Ingham
Audit Date 6/30/04	Opinion Date 7/29/04	Date Accountant Report Submitted to State: 9/30/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |                              |  |   |
|------------------------------|--|---|
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA				
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI	Zip 48605
Accountant Signature 				

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY  
(A Component Unit of the City of Lansing, Michigan)**

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

July 29, 2004

The Honorable Mayor,  
Members of the City Council, and  
Members of the Board of Commissioners of the  
Lansing Entertainment and Public Facilities Authority  
Lansing, Michigan

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the **LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY (the "Authority")**, a **Component Unit of the City of Lansing, Michigan**, as of and for the year ended June 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Lansing Entertainment and Public Facilities Authority, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2004, on our consideration of the Authority's internal control over financial reporting and 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 Authority has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the GASB has determined is necessary to supplement, although not required to be, part of the basic financial statements.

*Rehmann Johnson*

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Statement of Net Assets**  
**Enterprise Funds**  
**June 30, 2004**

	<u>Lansing Center</u>	<u>Oldsmobile Park</u>	<u>City Market</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 58,331	\$ 16,012	\$ 31,131	\$ 105,474
Accounts receivable, net	468,125	141,361	51,064	660,550
Due from other funds	19,714	-	94,483	114,197
Prepaid expenses	70,877	9,666	936	81,479
Inventory	58,928	-	-	58,928
Total current assets	<u>675,975</u>	<u>167,039</u>	<u>177,614</u>	<u>1,020,628</u>
Noncurrent assets:				
Restricted cash and cash equivalents	327,118	70,155	-	397,273
Restricted accounts receivable	19,334	-	-	19,334
Capital assets, net	185,775	7,981	3,581	197,337
Total noncurrent assets	<u>532,227</u>	<u>78,136</u>	<u>3,581</u>	<u>613,944</u>
<b>Total assets</b>	<u>1,208,202</u>	<u>245,175</u>	<u>181,195</u>	<u>1,634,572</u>
<b>Liabilities</b>				
Accounts payable	148,057	132,032	7,080	287,169
Accrued liabilities	162,540	1,007	2,226	165,773
Due to other funds	94,483	14,450	5,264	114,197
Unearned revenue	407,041	11,500	340	418,881
Installment purchases payable, current portion	49,739	-	-	49,739
Total current liabilities	<u>861,860</u>	<u>158,989</u>	<u>14,910</u>	<u>1,035,759</u>
Noncurrent liabilities - installment purchases payable, net of current portion	<u>112,557</u>	<u>-</u>	<u>-</u>	<u>112,557</u>
<b>Total liabilities</b>	<u>974,417</u>	<u>158,989</u>	<u>14,910</u>	<u>1,148,316</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	23,479	7,981	3,581	35,041
Unrestricted	210,306	78,205	162,704	451,215
<b>Total net assets</b>	<u>\$ 233,785</u>	<u>\$ 86,186</u>	<u>\$ 166,285</u>	<u>\$ 486,256</u>

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

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Statement of Revenues, Expenses**  
**and Changes in Net Assets**  
**Enterprise Funds**  
**For the Year Ended June 30, 2004**

	<u>Lansing Center</u>	<u>Oldsmobile Park</u>	<u>City Market</u>	<u>Total</u>
<b>Operating revenues</b>				
Building rental	\$ 1,020,861	\$ 7,795	\$ 51,400	\$ 1,080,056
Security	90,156	1,165	-	91,321
Food services	2,680,961	18,832	-	2,699,793
Equipment rental	717,945	599	420	718,964
Box office	16,516	147,591	-	164,107
Labor/service	200,617	5,078	-	205,695
Trade show utilities	188,487	-	-	188,487
Other	43,804	43,690	21,638	109,132
Total operating revenues	<u>4,959,347</u>	<u>224,750</u>	<u>73,458</u>	<u>5,257,555</u>
<b>Operating expenses</b>				
Personnel services	2,351,022	116,006	62,352	2,529,380
Food and beverage	1,695,265	-	-	1,695,265
Communications	26,597	1,526	1,066	29,189
Rents and leases	20,446	6,345	-	26,791
Professional services	191,144	16,224	2,795	210,163
Utilities	583,729	61,173	42,459	687,361
Marketing	30,730	61,683	12,003	104,416
Repairs and maintenance	97,974	27,559	12,858	138,391
Supplies and materials	93,294	4,983	3,119	101,396
Insurance	142,921	66,856	4,123	213,900
Events	186,642	119,561	-	306,203
Security	83,228	7,302	44	90,574
Depreciation	110,203	1,846	3,435	115,484
Bad debt expense	2,932	-	-	2,932
Other	67,603	21,822	5,034	94,459
Total operating expenses	<u>5,683,730</u>	<u>512,886</u>	<u>149,288</u>	<u>6,345,904</u>
Operating loss	<u>(724,383)</u>	<u>(288,136)</u>	<u>(75,830)</u>	<u>(1,088,349)</u>
<b>Nonoperating revenue (expense)</b>				
Interest income	687	377	48	1,112
Annual operating subsidy - City of Lansing	530,477	255,600	69,523	855,600
Interest expense	(8,987)	-	-	(8,987)
Total nonoperating revenue	<u>522,177</u>	<u>255,977</u>	<u>69,571</u>	<u>847,725</u>
Change in net assets	<u>(202,206)</u>	<u>(32,159)</u>	<u>(6,259)</u>	<u>(240,624)</u>
Net assets, beginning of year	<u>435,991</u>	<u>118,345</u>	<u>172,544</u>	<u>726,880</u>
Net assets, end of year	<u>\$ 233,785</u>	<u>\$ 86,186</u>	<u>\$ 166,285</u>	<u>\$ 486,256</u>

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

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended June 30, 2004**

	Lansing Center	Oldsmobile Park	City Market	Total
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 5,132,232	\$ 152,967	\$ 74,389	\$ 5,359,588
Cash received from interfund services	7,908	19,790	853	28,551
Cash payments for goods and services	(3,317,950)	(384,655)	(88,583)	(3,791,188)
Cash payments to employees	(2,378,552)	(116,321)	(63,538)	(2,558,411)
Cash payments for interfund services	(6,395)	-	(22,156)	(28,551)
Net cash used for operating activities	<u>(562,757)</u>	<u>(328,219)</u>	<u>(99,035)</u>	<u>(990,011)</u>
<b>Cash flows from noncapital financing activities</b>				
Cash transfers from City of Lansing	<u>530,477</u>	<u>255,600</u>	<u>69,523</u>	<u>855,600</u>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from installment purchase agreements	50,488	-	-	50,488
Payments for acquisition of capital assets	(50,305)	(5,374)	(2,203)	(57,882)
Payments on installment purchase agreements	(57,366)	-	-	(57,366)
Interest on installment purchase agreements	(8,987)	-	-	(8,987)
Net cash used for capital and related financing activities	<u>(66,170)</u>	<u>(5,374)</u>	<u>(2,203)</u>	<u>(73,747)</u>
<b>Cash flows from investing activities</b>				
Interest on cash and cash equivalents	<u>687</u>	<u>377</u>	<u>48</u>	<u>1,112</u>
Net (decrease) in cash and cash equivalents	<u>(97,763)</u>	<u>(77,616)</u>	<u>(31,667)</u>	<u>(207,046)</u>
Cash and cash equivalents, beginning of year	<u>483,212</u>	<u>163,783</u>	<u>62,798</u>	<u>709,793</u>
Cash and cash equivalents, end of year	<u><u>\$ 385,449</u></u>	<u><u>\$ 86,167</u></u>	<u><u>\$ 31,131</u></u>	<u><u>\$ 502,747</u></u>
<b>Reconciliation of operating loss to net cash used for operating activities</b>				
Operating loss	<u>\$ (724,383)</u>	<u>\$ (288,136)</u>	<u>\$ (75,830)</u>	<u>\$ (1,088,349)</u>
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation expense	110,203	1,846	3,435	115,484
(Increase) decrease in accounts receivable	180,895	(48,033)	896	133,758
(Increase) decrease in due from other funds	(6,395)	14,248	(22,156)	(14,303)
(Increase) decrease in prepaid expenses	(39,270)	(391)	(556)	(40,217)
(Increase) decrease in inventory	(6,160)	-	-	(6,160)
Increase (decrease) in accounts payable	(50,015)	10,770	(4,526)	(43,771)
Increase (decrease) in accrued liabilities	(27,530)	(315)	(1,186)	(29,031)
Increase in due to other funds	7,908	5,542	853	14,303
Increase (decrease) in unearned revenue	(8,010)	(23,750)	35	(31,725)
Total adjustments	<u>161,626</u>	<u>(40,083)</u>	<u>(23,205)</u>	<u>98,338</u>
Net cash used for operating activities	<u><u>\$ (562,757)</u></u>	<u><u>\$ (328,219)</u></u>	<u><u>\$ (99,035)</u></u>	<u><u>\$ (990,011)</u></u>

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

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Statement of Fiduciary Net Assets**  
**June 30, 2004**

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	<u>Deferred Compensation Trust Fund</u>	<u>Pension Trust Fund</u>	<u>Total</u>
<b>Assets</b>			
Investments - mutual funds	<u>\$ 1,776,736</u>	<u>\$ 2,432,072</u>	<u>\$ 4,208,808</u>
<b>Net Assets</b>			
Held in trust for pension and other employee benefits	<u>\$ 1,776,736</u>	<u>\$ 2,432,072</u>	<u>\$ 4,208,808</u>

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

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30, 2004**

	<b>Deferred Compensation Trust Fund</b>	<b>Pension Trust Fund</b>	<b>Total</b>
<b>Additions</b>			
Contributions			
Employer	\$ -	\$ 231,213	\$ 231,213
Employees	2,645	202,830	205,475
Total contributions	<u>2,645</u>	<u>434,043</u>	<u>436,688</u>
Investment income:			
Interest and dividends	47,806	49,479	97,285
Increase in fair value of investments	186,036	223,724	409,760
Fees	(2,526)	(3,019)	(5,545)
Net investment income	<u>231,316</u>	<u>270,184</u>	<u>501,500</u>
Total additions	<u>233,961</u>	<u>704,227</u>	<u>938,188</u>
<b>Deductions</b>			
Participant benefits	45,162	66,989	112,151
Increase in net assets	188,799	637,238	826,037
Net assets held in trust for benefits, beginning of year	<u>1,587,937</u>	<u>1,794,834</u>	<u>3,382,771</u>
<b>Net assets held in trust for benefits, end of year</b>	<b><u>\$ 1,776,736</u></b>	<b><u>\$ 2,432,072</u></b>	<b><u>\$ 4,208,808</u></b>

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

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The Lansing Entertainment and Public Facilities Authority (the "Authority" or "LEPFA") was established under the charter of the City of Lansing in February, 1996, replacing the former Greater Lansing Convention/Exhibition Authority. LEPFA was established to oversee the management and operations of the Lansing Center, the City Market and Oldsmobile Park under an agreement with the City of Lansing.

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 of Lansing. The Authority's Board of Commissioners consists of nine members appointed by the Mayor of the City of Lansing and approved by the City Council, and three ex-officio members.

The Authority is a component unit of the City of Lansing.

**B. Measurement focus, basis of accounting, and financial statement presentation**

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority reports the Lansing Center, Oldsmobile Park and City Market Enterprise Funds as major funds in accordance with GASB Statement No. 34. Each fund accounts for the activities of its respective facility.

Additionally, the Authority reports the following fiduciary funds:

The *deferred compensation trust fund* accounts for the activities of the Authority's deferred compensation plan.

The *pension trust fund* accounts for the activities of the Authority's defined contribution pension plan.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

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Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

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

**C. Assets, liabilities and equity**

**1. Deposits and investments**

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

State statutes authorize governments to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

The Deferred Compensation and Pension Trust Funds are authorized by the State's Pension Investment Act, as amended, to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are reported at fair value.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

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**2. *Receivables and payables***

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

**3. *Inventories and prepaid items***

Inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Restricted assets***

Under the terms of the Authority's operating agreement with the City of Lansing, the Authority is required to restrict \$50,000 annually for capital improvements and/or replacements. Any such monies unexpended shall be carried forward to future years. For the year ended June 30, 2004, all such restricted monies were expended on capital improvements, leaving a zero balance in restricted assets for capital improvements at year end.

Under an amendment to the operating agreement with the City of Lansing, the Authority is also required to maintain an Event Development cash reserve fund to provide a source of monies from which to finance events at Oldsmobile Park. The fund was established by an initial contribution from the City and may be increased up to certain limits by the amount of any profits earned from such events. Restricted assets (i.e., cash) for event development amounted to \$70,155 at June 30, 2004.

The Authority's Board of Commissioners has also established a reserve fund for Lansing Center operations. The balance in this reserve at June 30, 2004 was \$346,452 (including cash of \$327,118 and receivables of \$19,334).

**5. *Deferred compensation and defined contribution pension plan assets***

Deferred compensation and defined contribution pension plan assets are stated at fair value. In accordance with the provisions of GASB Statement No. 32, the deferred compensation plan assets (see Note III.A.) are presented in the accompanying financial statements.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

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**6. Capital assets**

Capital assets, which is limited to equipment, are stated at cost and are depreciated using the straight line method over the estimated useful lives of the assets ranging from 3 to 10 years. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life of 3 years. Facilities managed by the Authority are owned by the City of Lansing and, as such, the carrying values of these properties are reflected in the City's financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**II. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

**Statement of Net Assets:**

Cash and cash equivalents	\$ 105,474
Restricted cash and cash equivalents	<u>397,273</u>
	<b>502,747</b>

**Statement of Fiduciary Net Assets:**

Investments	<u>4,208,808</u>
	<b><u>\$4,711,555</u></b>

Deposits	\$ 151,832
Investments	4,545,808
Cash on hand	<u>13,915</u>
	<b><u>\$4,711,555</u></b>

At year end, the carrying amount of the Authority's deposits was \$151,832. The bank balance of these deposits was \$199,149 of which \$100,000 was insured by the Federal Depository Insurance Corporation (FDIC), and the balance of \$99,149 was uninsured and uncollateralized.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

The government believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the government evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name.

As of June 30, 2004, the fair value of the Authority's investments was as follows:

**Investment Type**

**Uncategorized:**

Cash management funds –	
Governmental money market funds	\$ 277,000
Repurchase agreements	60,000
Mutual funds –	
Deferred compensation plan	1,776,736
Defined contribution pension plan	<u>2,432,072</u>
	<b><u>\$4,545,808</u></b>

**C. Transactions with City of Lansing**

The City of Lansing provided annual operating subsidies to the Authority amounting to \$855,600 for the Lansing Center, Lansing City Market and Oldsmobile Park, for the year ended June 30, 2004.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

**D. Receivables**

Receivables are composed entirely of amounts due from customers.

Accounts receivable as of June 30, 2004, net of the applicable allowances for uncollectible accounts, were as follows:

Accounts receivable	\$ 682,816	
Less allowance for uncollectible accounts	<u>2,932</u>	
<b>Net accounts receivable</b>	<b><u>\$ 679,884</u></b>	

The provision for uncollectible accounts is applicable to Lansing Center accounts receivable.

**E. Capital assets**

Capital assets activity for the year ended June 30, 2004 was as follows:

	<b>Beginning of <u>Year</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>End of <u>Year</u></b>
Equipment	\$1,442,711	\$ 57,882	\$ 16,864	\$1,483,729
Less accumulated depreciation	<u>1,187,772</u>	<u>115,484</u>	<u>16,864</u>	<u>1,286,392</u>
<b>Net capital assets</b>	<b><u>\$ 254,939</u></b>	<b><u>\$ (57,602)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 197,337</u></b>

**F. Payables**

Payables are composed entirely of amounts due to vendors.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

**G. Interfund receivables and payables**

<u>Due to/from other funds</u>	<u>Receivable</u>	<u>Payable</u>
Lansing Center	\$ 19,714	\$ 94,483
Oldsmobile Park	-	14,450
City Market	<u>94,483</u>	<u>5,264</u>
	<b><u>\$ 114,197</u></b>	<b><u>\$ 114,197</u></b>

**H. Long-term debt**

The Authority has entered into various long-term installment purchase agreements. The original amount of installment obligations issued in prior years for the items listed below was \$341,354. Installment purchase agreements outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2000 equipment purchases	5.66%	\$ 16,500
2000 equipment purchases	5.91%	29,529
2002 equipment purchases	4.55%	7,301
2002 equipment purchases	5.01%	9,730
2002 equipment purchases	5.62%	46,649
2003 equipment purchases	5.50%	8,977
2004 equipment purchases	4.00%	21,351
2004 equipment purchases	4.90%	<u>22,259</u>
		<b><u>\$ 162,296</u></b>

Changes in installment purchase agreements payable for the year ended June 30, 2004, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment purchase agreements	<u>\$ 169,174</u>	<u>\$ 50,488</u>	<u>\$ 57,366</u>	<u>\$ 162,296</u>	<u>\$ 49,739</u>

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

Annual debt service requirements to maturity for installment purchase agreements were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 49,739	\$ 7,451
2006	26,950	5,540
2007	18,329	4,283
2008	14,312	3,416
2009	14,832	2,591
2010-2014	<u>38,134</u>	<u>3,580</u>
<b>Total</b>	<b><u>\$162,296</u></b>	<b><u>\$ 26,861</u></b>

**III. OTHER INFORMATION**

**A. Deferred compensation**

The Authority has established for its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. Under the plan, through December 31, 2002 and in lieu of participation in the federal social security system, employees were required to contribute a minimum of 7% of their annual includable compensation as defined in the plan agreement. Effective January 1, 2003, any employee contributions to the plan became voluntary as the required employee contributions in lieu of social security participation were shifted to the defined contribution pension plan described below.

During the year ended June 30, 1999, the assets of the Authority's deferred compensation plan were transferred to a trust for the exclusive benefit of the participants and their beneficiaries. As management exercises significant control over the investment of plan assets, the Authority has followed the provisions of Statement No. 32 of the Governmental Accounting Standards Board and, accordingly, reports the assets on its financial statements. The value of the plan assets at June 30, 2004 was \$1,776,736 and employee contributions for the year then ended were \$2,645.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

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**B. Defined contribution pension plan**

The Authority has a defined contribution pension plan covering substantially all full-time employees who have completed 120 days of employment. The Authority contributes 12% of participating employees' annual compensation to the plan. Effective January 1, 2003, employees are required to contribute 7.5% of covered wages as defined in the plan; prior to that date, no employee contributions to this plan were required. Such current employee contributions are in lieu of federal social security participation. Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Commissioners. Employee contributions for the year ended June 30, 2004 were \$202,830. Employer contributions for the year ended June 30, 2004 were \$231,213.

Both the deferred compensation and defined contribution pension plans are administered by the Authority.

\* \* \* \* \*



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

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

July 29, 2004

Honorable Mayor,  
Members of the City Council, and  
Members of the Board of Commissioners of  
the Lansing Entertainment and Public Facilities Authority  
Lansing, Michigan

We have audited the basic financial statements of the *LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY, a Component Unit of the City of Lansing, Michigan*, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Lansing Entertainment and Public Facilities Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

*Rehmann Johnson*



# REHMANN ROBSON

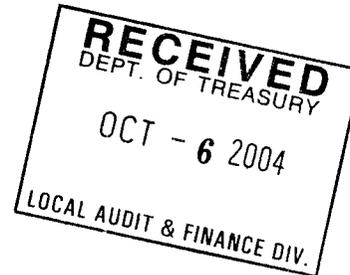
*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

July 29, 2004

Board of Commissioners  
Lansing Entertainment and Public  
Facilities Authority  
Lansing, Michigan



We have audited the basic financial statements of *Lansing Entertainment and Public Facilities Authority* as of and for the year ended June 30, 2004, and have issued our report thereon dated July 29, 2004. Professional standards require that we provide you with the following information related to our audit.

## **Our Responsibility Under Generally Accepted Auditing Standards**

As stated in our engagement letter dated June 19, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the Lansing Entertainment and Public Facilities Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether Lansing Entertainment and Public Facilities Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

## **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Lansing Entertainment and Public Facilities Authority are described in Note I to the financial statements.

We noted no transactions entered into by Lansing Entertainment and Public Facilities Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for doubtful accounts is based on historical loss levels and an analysis of the collectibility of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining it is reasonable in relation to the financial statements taken as a whole. (*See comment in attached Accounting Memorandum.*)

### **Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Lansing Entertainment and Public Facilities Authority, either individually or in the aggregate, indicate matters that could have a significant effect on the Authority's financial reporting process. In addition, the attached schedule summarizes an uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

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

### **Consultations with Other Independent Accountants**

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

**Issues Discussed Prior to Retention of Independent Auditors**

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

**Difficulties Encountered in Performing the Audit**

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

This letter and the accompanying memorandum is intended solely for the information and use of the Board of Commissioners, management of Lansing Entertainment and Public Facilities Authority, the City of Lansing, and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Lehmann Lohman".

# **Lansing Entertainment and Public Facilities Authority**

## **Accounting Memorandum**

**For the Year Ended June 30, 2004**

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During our audit, we became aware of certain issues regarding financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. A separate report dated July 29, 2004 contains our report on reportable conditions in the Authority's internal control. This memorandum does not affect our report dated July 29, 2004, on the basic financial statements of the Lansing Entertainment and Public Facilities Authority.

We have already discussed these matters with the Authority's management and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist the Authority in implementing the recommendation.

### **Records for Pension Trust Funds**

Because management exercises significant control over the investment of plan assets of its deferred compensation and defined contribution pension plans, the Authority is required to report the assets of the plans as pension trust funds under the provisions of Statement No. 32 of the Governmental Accounting Standards Board. While the activities of these funds have been summarized and reported in the annual financial statements, the Authority should establish additional general ledger accounts for these funds and record the activities in those accounts throughout the year.

### **Collectibility of Accounts Receivable**

The Authority has an individual receivable due from a customer in the amount of \$59,836 that was 430 days past due as of June 30, 2004 for which no allowance for doubtful accounts has been established. This account is significantly larger than any other doubtful account the Authority has ever had and, while management is vigorously pursuing collection, the ultimate collectibility of the total outstanding amount is uncertain. Therefore, we feel it would have been prudent to record an allowance at some reasonable level for this item.

Although the Authority regularly evaluates its receivables for collectibility, we recommend that management review these evaluation procedures including the methods and assumptions used in estimating any allowances for doubtful accounts. This would also be a good time to re-examine the Authority's current policies regarding deposits and/or payment terms on significant bookings based on experience and industry standards.

\* \* \* \* \*

Lansing Entertainment and Public Facilities Authority  
 Schedule of Adjustments Passed (SOAP)  
 For the June 30, 2004 Audit

In accordance with the provisions of SAS 89, *Audit Adjustments*, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. Also in accordance with SAS 89, we are providing this schedule to both management and the audit committee to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

Effect of Passed Adjustment - Over(Under)Statement					
Assets	Liabilities	Beginning Net Assets	Revenue	Expenses	W/P Ref
59,836		-	-	(59,836)	ALF C-1/1.4

**Lansing Center**  
 Inadequate allowance for  
 doubtful accounts related to  
 receivable with uncertain  
 collectibility