

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name City of Lansing Building Authority	County Ingham
Fiscal Year End June 30, 2007	Opinion Date December 14, 2007	Date Audit Report Submitted to State December 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

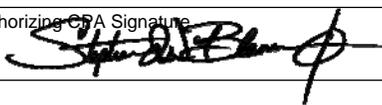
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517.787.6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49204
Authorizing CPA Signature 		Printed Name Stephen W. Blann, CPA, CGFM		License Number 24801

**CITY OF LANSING
BUILDING AUTHORITY**

Basic Financial Statements

**For The Year Ended
June 30, 2007**



REHMANN ROBSON

Certified Public Accountants

CITY OF LANSING BUILDING AUTHORITY

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

December 14, 2007

To the Commissioners of the
City of Lansing Building Authority Board
Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the ***City of Lansing Building Authority, a component unit of the City of Lansing***, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Lansing, Building Authority. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Lansing Building Authority as of June 30, 2007, 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 December 14, 2007, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Rehmann Johnson

Basic Financial Statements

Government-wide Financial Statements

City of Lansing Building Authority
Statement of Net Assets
June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
Assets			
Cash and investments	\$ -	\$ 270,883	\$ 270,883
Receivables	3,745	332,764	336,509
Prepays	-	4,241	4,241
Bond issue costs	16,873	471,799	488,672
Leases receivable	1,490,000	63,450,845	64,940,845
Total assets	1,510,618	64,530,532	66,041,150
Liabilities			
Accounts payable and accrued liabilities	5,411	180,462	185,873
Long-term liabilities:			
Due within one year	110,000	5,624,472	5,734,472
Due in more than one year	1,395,207	54,975,334	56,370,541
Total liabilities	1,510,618	60,780,268	62,290,886
Net assets			
Unrestricted	\$ -	\$ 3,750,264	\$ 3,750,264

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

City of Lansing Building Authority
Statement of Activities
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for Services</u>	<u>Net (Expense) Revenue</u>
Primary government			
Governmental activities:			
Interest on long-term debt	\$ 67,796	\$ 67,796	\$ -
Business-type activities:			
Municipal parking system	3,882,839	3,602,102	(280,737)
Golf	47,848	42,999	(4,849)
Total business-type activities	3,930,687	3,645,101	(285,586)
Total primary government	<u>\$ 3,998,483</u>	<u>\$ 3,712,897</u>	<u>\$ (285,586)</u>

Continued...

City of Lansing Building Authority
Statement of Activities (concluded)
For the Year Ended June 30, 2007

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
Changes in net assets			
Net (expense) revenue	\$ -	\$ (285,586)	\$ (285,586)
General revenues			
Unrestricted investment earnings	-	12,328	12,328
Change in net assets	-	(273,258)	(273,258)
Net assets, beginning of year	-	4,023,522	4,023,522
Net assets, end of year	\$ -	\$ 3,750,264	\$ 3,750,264

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

Fund Financial Statements

City of Lansing Building Authority
 Balance Sheet - Governmental Funds
 June 30, 2007

	2005 Refunding Debt Service
<u>Assets</u>	
Assets	
Due from the City of Lansing	\$ 3
Leases receivable	1,490,000
	1,490,000
Total assets	\$ 1,490,003
<u>Liabilities and Fund Balances</u>	
Liabilities	
Deferred revenues	\$ 1,490,000
Fund balances	
Unreserved, undesignated	3
	3
Total liabilities and fund balances	\$ 1,490,003

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

City of Lansing Building Authority
 Reconciliation of Fund Balances on the Balance Sheet
 for Governmental Funds to Net Assets of
 Governmental Activities on the Statement of Net Assets
 June 30, 2007

Fund balances - total governmental funds \$ 3

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

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred revenues in the governmental funds and, therefore, not included in fund balance.

Add - deferred leases receivable	1,490,000
Add - long-term accounts receivable	3,742

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

Deduct - bonds payable	(1,505,207)
Deduct - accrued interest on bonds payable	(5,411)
Add - deferred bond issue costs	16,873
	16,873

Net assets of governmental activities \$ -

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

City of Lansing Building Authority
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	<u>2005 Refunding Debt Service</u>
Revenues	
Contributions from City of Lansing	<u>\$ 169,840</u>
Expenditures	
Debt service:	
Principal payments	100,000
Interest	<u>69,837</u>
Total expenditures	<u>169,837</u>
Revenues over (under) expenditures	3
Fund balances, beginning of year	<u>-</u>
Fund balances, end of year	<u><u>\$ 3</u></u>

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

City of Lansing Building Authority
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2007

Net change in fund balances - total governmental funds	\$	3
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.		
Deduct - change in long-term receivables		(102,044)
Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Add - principal payments on long-term liabilities		100,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Deduct - increase in accrued interest payable on long-term liabilities		2,041
Change in net assets of governmental activities	<u>\$</u>	<u>-</u>

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

City of Lansing Building Authority
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-type Activities - Enterprise Funds		
	Municipal Parking System	Golf	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 270,883	\$ -	\$ 270,883
Receivables:			
Accrued interest	319,155	10,469	329,624
Due from City	3,140	-	3,140
Prepays	4,241	-	4,241
Leases receivable, current	3,627,145	69,109	3,696,254
Total current assets	<u>4,224,564</u>	<u>79,578</u>	<u>4,304,142</u>
Noncurrent assets:			
Leases receivable	58,959,594	794,997	59,754,591
Bond issue costs	471,799	-	471,799
Total non-current assets	<u>59,431,393</u>	<u>794,997</u>	<u>60,226,390</u>
 Total assets	 <u>63,655,957</u>	 <u>874,575</u>	 <u>64,530,532</u>
Liabilities			
Current liabilities:			
Accrued interest payable	168,309	11,504	179,813
Due to City	649	-	649
Current portion of long-term debt	5,559,472	65,000	5,624,472
Total current liabilities	<u>5,728,430</u>	<u>76,504</u>	<u>5,804,934</u>
Noncurrent liabilities:			
Long-term debt	54,209,417	765,917	54,975,334
 Total liabilities	 <u>59,937,847</u>	 <u>842,421</u>	 <u>60,780,268</u>
Net assets			
Unrestricted	<u>\$ 3,718,110</u>	<u>\$ 32,154</u>	<u>\$ 3,750,264</u>

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

City of Lansing Building Authority
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds		
	Municipal Parking System	Golf	Totals
Operating revenues			
Lease revenue	\$ 3,598,962	\$ 42,999	\$ 3,641,961
Charges for services	3,140	-	3,140
Total operating revenues	3,602,102	42,999	3,645,101
Operating expenses			
Interest expense and fees	3,882,839	47,848	3,930,687
Operating income (loss)	(280,737)	(4,849)	(285,586)
Nonoperating revenues (expenses)			
Interest revenue	12,328	-	12,328
Change in net assets	(268,409)	(4,849)	(273,258)
Net assets, beginning of year	3,986,519	37,003	4,023,522
Net assets, end of year	\$ 3,718,110	\$ 32,154	\$ 3,750,264

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

City of Lansing Building Authority
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds		
	Municipal Parking System	Golf	Totals
Cash flows from operating activities			
Cash received from City	\$ 3,586,544	\$ 43,774	\$ 3,630,318
Cash received from customers	6,265	-	6,265
Interest and fees paid	(1,577,180)	(47,815)	(1,624,995)
Net cash provided by (used for) operating activities	<u>2,015,629</u>	<u>(4,041)</u>	<u>2,011,588</u>
Cash flows from capital and related financing activities			
Loan proceeds	7,415,257	-	7,415,257
Principal paid on general obligation bonds	(12,725,000)	(60,000)	(12,785,000)
Payments received on capital lease	<u>3,297,312</u>	<u>64,041</u>	<u>3,361,353</u>
Net cash provided by (used for) capital and related financing activities	<u>(2,012,431)</u>	<u>4,041</u>	<u>(2,008,390)</u>
Cash flows from investing activities			
Interest received	<u>12,328</u>	<u>-</u>	<u>12,328</u>
Net increase in cash and cash equivalents	15,526	-	15,526
Cash and cash equivalents, beginning of year	<u>255,357</u>	<u>-</u>	<u>255,357</u>
Cash and cash equivalents, end of year	<u><u>\$ 270,883</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 270,883</u></u>
Reconciliation of operating loss to net cash provided by (used for) operating activities			
Operating loss	<u>\$ (280,737)</u>	<u>\$ (4,849)</u>	<u>\$ (285,586)</u>
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities			
Amortization of bond issuance costs	98,391	-	98,391
Amortization of bond issuance discounts	1,957,224	783	1,958,007
Amortization of refunding and defeasance loss	222,922	-	222,922
Change in:			
Accounts receivable	3,125	-	3,125
Accrued interest receivable	(9,452)	775	(8,677)
Due from City	(3,140)	-	(3,140)
Prepays	(4,241)	-	(4,241)
Accrued interest payable	31,363	(750)	30,613
Due to City	174	-	174
Total adjustments	<u>2,296,366</u>	<u>808</u>	<u>2,297,174</u>
Net cash provided by (used for) operating activities	<u><u>\$ 2,015,629</u></u>	<u><u>\$ (4,041)</u></u>	<u><u>\$ 2,011,588</u></u>

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

Notes to Basic Financial Statements

CITY OF LANSING BUILDING AUTHORITY

Notes To Basic Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lansing Building Authority (the “Authority”) was established pursuant to Act 31, Public Acts of Michigan, as amended. The Authority has entered into various lease agreements with the City of Lansing (the “City”) covering buildings, parking lots, recreation facilities, and stadiums constructed by the Authority.

1-A. Reporting Entity

These financial statements represent the financial position and the results of operations of a blended component unit of the City and are an integral part of that reporting entity.

1-B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the authority. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF LANSING BUILDING AUTHORITY

Notes To Basic Financial Statements

1-C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The Authority reports the following major governmental fund:

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

The Authority reports the following major proprietary funds:

The *municipal parking system enterprise fund* accounts for the debt financing activities of the City's municipal parking system.

The *golf enterprise fund* accounts for the debt financing activities of the City's golf courses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standard 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.

As a general rule the effect of interfund activity, if any, has been eliminated from the government-wide financial statements. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

CITY OF LANSING BUILDING AUTHORITY

Notes To Basic Financial Statements

1-D. Assets, liabilities and equity

Cash and cash equivalents/investments

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

Investments are reported at fair value.

Long-term Obligations

In the government-wide financial statements, long-term debt is reported as a liability. Bond discounts, premiums, issuance costs and refunding losses are deferred and amortized over the life of the applicable bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount, premium and deferred loss. Bond issuance costs are reported as deferred charges.

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2 – DETAILED NOTES ON ALL FUNDS

2-A. Cash and cash equivalents

At year-end, the carrying amount of the Authority's cash and cash equivalents was \$270,883. Because it is infeasible to allocate risk to individual component units, aggregate cash and investment categorizations are presented in the City's basic financial statements.

CITY OF LANSING BUILDING AUTHORITY

Notes To Basic Financial Statements

2-B. Receivables

Receivables as of year-end are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accrued interest receivable	\$ 9,528	\$ 329,624
Due from the City of Lansing	<u>3</u>	<u>3,140</u>
	<u>\$ 9,531</u>	<u>\$ 332,764</u>

2-C. Payables

Payables as of year-end are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accrued interest payable	\$ 11,197	\$ 179,813
Due to City of Lansing	<u>-</u>	<u>649</u>
	<u>\$ 11,197</u>	<u>\$ 180,462</u>

2-D. Leases receivable

The Authority has entered into various lease agreements with the City for buildings, parking lots, recreation facilities, and stadiums acquired or constructed by the Authority. These agreements generally terminate with the retirement of the related bond issues. Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to the City or other government.

CITY OF LANSING BUILDING AUTHORITY

Notes To Basic Financial Statements

Under the accrual basis of accounting and the provisions of FASB (Financial Accounting Standards Board) Statement No. 13, *Accounting for Leases*, the Authority's leases are classified as sales leases. As a result, leases receivable are recognized in the accompanying statement of net assets, whereas capital assets are not.

All lease agreements provide for the lessee to use, operate and maintain the property, at its own expense, subject to the terms and conditions of the agreements.

Future minimum lease payments to be received under these lease agreements are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2008	\$ 174,926	\$ 7,260,454
2009	176,076	7,255,999
2010	172,050	7,266,798
2011	176,300	7,277,393
2012	171,300	7,271,250
Thereafter	<u>1,034,998</u>	<u>56,504,352</u>
Total minimum lease payments	1,905,650	92,836,246
Less: amount representing interest	<u>(415,650)</u>	<u>(29,385,401)</u>
	<u>\$ 1,490,000</u>	<u>\$ 63,450,845</u>

2-E. Long-term debt

General obligation bonds. The Authority issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years for the items listed below was \$110,345,000.

CITY OF LANSING BUILDING AUTHORITY

Notes To Basic Financial Statements

During the year ended June 30, 2007, the Building Authority issued \$7,965,000 of general obligation bonds to provide resources to refund \$7,485,000 of the 2003 Building Authority A Municipal Parking System Limited Tax Bonds. The proceeds of the refunding were placed in an irrevocable trust to make future debt payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The refunding was undertaken to reduce future debt service payments by \$397,334 and resulted in an economic gain of \$220,947.

At year end, defeased bonds outstanding consisted of \$7,485,000 of the 2003 Building Authority A Municipal Parking System Limited Tax Bonds, which are scheduled to be paid by the escrow agent on June 1, 2013.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20 to 25-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	Interest Rate	Original Amount	Amount
General obligation bonds			
<i>Governmental activities</i>			
2005 Building Authority Refunding Bonds	3.50%-5.00%	\$ 1,470,000	\$ 1,470,000
<i>Business-type activities</i>			
1990 Building Authority Municipal Parking System Limited Tax Bond	0.00%	\$ 64,635,000	\$ 33,125,000
2003 Building Authority A Municipal Parking System Limited Tax Bond	3.00%-4.35%	10,340,000	2,485,000
2003 Building Authority B Municipal Parking System Taxable Bond	3.85%-6.25%	8,660,000	8,230,000
2005 Building Authority Refunding Bonds	3.50-5.00%	15,975,000	14,485,000
2007 Building Authority Refunding Bonds	3.625%-5.00%	7,965,000	7,965,000
1996 Building Authority Golf Course Limited Tax Bond	3.80%-5.70%	1,300,000	835,000
		\$ 108,875,000	\$ 67,125,000

Loan payable. The Authority has a loan payable due to the Michigan Economic Development Corporation in the amount of \$4,180,000 for business-type activities. The original amount of the loan was \$4,180,000.

CITY OF LANSING BUILDING AUTHORITY

Notes To Basic Financial Statements

Annual debt service requirements to maturity for general obligation bonds and loans payable are as follows:

Year Ended June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 110,000	\$ 64,926	\$ 174,926	\$ 5,624,472	\$ 1,635,982	\$ 7,260,454
2009	115,000	61,076	176,076	5,532,544	1,723,455	7,255,999
2010	115,000	57,050	172,050	5,595,731	1,671,067	7,266,798
2011	125,000	51,300	176,300	5,674,048	1,603,345	7,277,393
2012	125,000	46,300	171,300	5,732,502	1,538,748	7,271,250
2013-2017	715,000	146,750	861,750	21,534,493	6,550,511	28,085,004
2018-2022	165,000	8,248	173,248	10,919,794	4,193,533	15,113,327
2023-2027	-	-	-	6,284,699	2,024,114	8,308,813
2028-2032	-	-	-	3,539,694	499,627	4,039,321
2033-2037	-	-	-	867,023	90,864	957,887
	<u>\$ 1,470,000</u>	<u>\$ 435,650</u>	<u>\$ 1,905,650</u>	<u>\$ 71,305,000</u>	<u>\$ 21,531,246</u>	<u>\$ 92,836,246</u>

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 1,570,000	\$ -	\$ 100,000	\$ 1,470,000	\$ 110,000
Deferred amounts for:					
Issuance premium	52,982	-	4,415	48,567	-
Refunding loss	<u>(14,575)</u>	<u>-</u>	<u>(1,215)</u>	<u>(13,360)</u>	<u>-</u>
	<u>\$ 1,608,407</u>	<u>\$ -</u>	<u>\$ 103,200</u>	<u>\$ 1,505,207</u>	<u>\$ 110,000</u>
Business-type activities:					
Bonds payable	\$ 71,945,000	\$ 7,965,000	\$ 12,785,000	\$ 67,125,000	\$ 5,385,000
Loan payable	4,180,000	-	-	4,180,000	239,472
Deferred amounts for:					
Issuance discounts	(10,503,777)	(90,758)	(1,958,007)	(8,636,528)	-
Refunding loss	<u>(1,983,267)</u>	<u>(308,321)</u>	<u>(222,922)</u>	<u>(2,068,666)</u>	<u>-</u>
	<u>\$ 63,637,956</u>	<u>\$ 7,565,921</u>	<u>\$ 10,604,071</u>	<u>\$ 60,599,806</u>	<u>\$ 5,624,472</u>



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

December 14, 2007

To the Commissioners of the
City of Lansing Building Authority Board
Lansing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the *City of Lansing Building Authority (the "Authority"), a component unit of the City of Lansing*, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the *Authority's* internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above.

Compliance and Other Matters

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

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

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