Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	Lansing Entertainment and Public Fac. Auth.	Ingham

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
June 30, 2007	November 6, 2007	November 20, 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	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number
REHMANN ROBSON	517.787.6503

Street Address	City	State	Zip
675 Robinson Road	Jackson	MI	49203

Authorizing CPA Signature	Printed Name	License Number
Mark Kettner	Mark T. Kettner, CPA, CGFM	11673

LEPFA

Lansing Entertainment &
Public Facilities Authority

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

Lansing, Michigan

FINANCIAL STATEMENTS

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

REHMANN ROBSON

Certified Public Accountants

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

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INDEPENDENT AUDITORS' REPORT

November 6, 2007

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, 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 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, 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 November 6, 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 that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing 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 Robson

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

Statement of Net Assets
Enterprise Funds
June 30, 2007

	Lansing Center	Oldsmobile Park	City Market	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 258,025	$ 172,281	$ 120,783	$ 551,089
Restricted cash and cash equivalents	498,250	80,000	-	578,250
Accounts receivable, net	494,986	99,831	12,296	607,113
Due from other funds	137,590	2,386	71,642	211,618
Prepaid expenses	61,612	1,212	313	63,137
Inventory	66,354	-	-	66,354
Total current assets	1,516,817	355,710	205,034	2,077,561
Noncurrent assets:				
Capital assets, net	77,809	10,343	3,788	91,940
Total assets	1,594,626	366,053	208,822	2,169,501
Liabilities				
Accounts payable	250,095	178,002	5,560	433,657
Accrued liabilities	207,310	2,172	3,042	212,524
Due to other funds	74,028	129,788	7,802	211,618
Unearned revenue	707,164	1,000	665	708,829
Installment purchases payable, current portion	14,312	-	-	14,312
Total current liabilities	1,252,909	310,962	17,069	1,580,940
Noncurrent liabilities - installment purchases payable, net of current portion	52,967	-	-	52,967
Total liabilities	1,305,876	310,962	17,069	1,633,907
Net Assets				
Invested in capital assets, net of related debt	10,530	10,343	3,788	24,661
Unrestricted	278,220	44,748	187,965	510,933
Total net assets	**$ 288,750**	**$ 55,091**	**$ 191,753**	**$ 535,594**

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, 2007

	Lansing Center	Oldsmobile Park	City Market	Total
Operating revenues				
Building rental	$ 940,705	$ 15,657	$ 52,854	$ 1,009,216
Security	48,944	3,672	-	52,616
Food services	2,698,792	7,182	-	2,705,974
Equipment rental	596,408	561	200	597,169
Box office	13,552	1,392	-	14,944
Labor/service	214,484	16,659	-	231,143
Trade show utilities	157,666	-	-	157,666
Other	60,614	16,009	33,300	109,923
Total operating revenues	4,731,165	61,132	86,354	4,878,651
Operating expenses				
Personnel services	2,429,494	103,632	50,281	2,583,407
Food and beverage	1,620,967	-	-	1,620,967
Communications	22,961	1,467	2,348	26,776
Rents and leases	23,200	-	-	23,200
Professional services	188,894	11,961	1,303	202,158
Utilities	586,185	91,981	49,846	728,012
Marketing	28,053	13,505	12,411	53,969
Repairs and maintenance	99,399	46,430	6,511	152,340
Supplies and materials	99,510	2,600	1,850	103,960
Insurance	77,216	25,503	2,040	104,759
Events	46,998	679	-	47,677
Security	45,370	4,150	-	49,520
Depreciation	46,969	3,773	1,192	51,934
Bad debt expense	50	-	55	105
Other	56,976	26,220	5,522	88,718
Total operating expenses	5,372,242	331,901	133,359	5,837,502
Operating loss	(641,077)	(270,769)	(47,005)	(958,851)
Nonoperating revenue (expense)				
Interest income	16,915	-	-	16,915
Gain on sale of capital assets	-	-	800	800
Income from Common Ground	16,080	-	-	16,080
Annual operating subsidy - City of Lansing	801,658	314,067	56,640	1,172,365
Transfer to City of Lansing - Event Development	-	(8,715)	-	(8,715)
Interest expense	(4,262)	-	-	(4,262)
Total nonoperating revenue	830,391	305,352	57,440	1,193,183
Change in net assets	189,314	34,583	10,435	234,332
Net assets, beginning of year	99,436	20,508	181,318	301,262
Net assets, end of year	**$ 288,750**	**$ 55,091**	**$ 191,753**	**$ 535,594**

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, 2007

	Lansing Center	Oldsmobile Park	City Market	Total
Cash flows from operating activities				
Cash received from customers	$ 4,694,891	$ 49,570	$ 82,656	$ 4,827,117
Cash received from interfund services	-	28,855	62,808	91,663
Cash payments for goods and services	(2,918,631)	(277,039)	(83,313)	(3,278,983)
Cash payments to employees	(2,403,671)	(103,229)	(49,836)	(2,556,736)
Cash payments for interfund services	(85,342)	-	(6,321)	(91,663)
Net cash provided (used) by operating activities	(712,753)	(301,843)	5,994	(1,008,602)
Cash flows from noncapital financing activities				
Cash transfers from City and Common Ground	817,738	314,067	56,640	1,188,445
Cash flows from capital and related financing activities				
Payments for acquisition of capital assets	-	-	(3,774)	(3,774)
Proceeds from sales of capital assets	-	-	800	800
Payments on installment purchase agreements	(18,329)	-	-	(18,329)
Interest on installment purchase agreements	(4,262)	-	-	(4,262)
Net cash used for capital and related financing activities	(22,591)	-	(2,974)	(25,565)
Cash flows from investing activities				
Interest on cash and cash equivalents	16,915	-	-	16,915
Net increase in cash and cash equivalents	99,309	12,224	59,660	171,193
Cash and cash equivalents, beginning of year	656,966	240,057	61,123	958,146
Cash and cash equivalents, end of year	**$ 756,275**	**$ 252,281**	**$ 120,783**	**$ 1,129,339**
Reconciliation of operating loss to net cash provided (used) by operating activities				
Operating loss	$ (641,077)	$ (270,769)	$ (47,005)	$ (958,851)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation expense	46,969	3,773	1,192	51,934
(Increase) decrease in accounts receivable	(81,801)	(12,562)	1,249	(93,114)
(Increase) decrease in due from other funds	(19,920)	2,614	62,808	45,502
(Increase) decrease in prepaid expenses	(4,784)	(99)	(76)	(4,959)
(Increase) decrease in inventory	(10,729)	-	-	(10,729)
Increase (decrease) in accounts payable	(7,339)	(52,444)	(1,351)	(61,134)
Increase (decrease) in accrued liabilities	25,823	403	445	26,671
Increase (decrease) in due to other funds	(65,422)	26,241	(6,321)	(45,502)
Increase (decrease) in unearned revenue	45,527	1,000	(4,947)	41,580
Total adjustments	(71,676)	(31,074)	52,999	(49,751)
Net cash provided (used) by operating activities	**$ (712,753)**	**$ (301,843)**	**$ 5,994**	**$ (1,008,602)**

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, 2007

	Deferred Compensation Trust Fund	Pension Trust Fund	Total
Assets			
Investments - mutual funds	$ 2,049,466	$ 3,906,053	$ 5,955,519
Net Assets			
Held in trust for pension and other employee benefits	$ 2,049,466	$ 3,906,053	$ 5,955,519

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, 2007

	Deferred Compensation Trust Fund	Pension Trust Fund	Total
Additions			
Contributions			
Employer	$ -	$ 235,665	$ 235,665
Employees	79,149	148,171	227,320
Total contributions	79,149	383,836	462,985
Investment income:			
Increase in fair value of investments	294,531	514,111	808,642
Fees	(1,205)	(2,347)	(3,552)
Net investment income	293,326	511,764	805,090
Total additions	372,475	895,600	1,268,075
Deductions			
Participant benefits	271,400	195,774	467,174
Increase in net assets	101,075	699,826	800,901
Net assets held in trust for benefits, beginning of year	1,948,391	3,206,227	5,154,618
Net assets held in trust for benefits, end of year	**$ 2,049,466**	**$ 3,906,053**	**$ 5,955,519**

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

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.

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.

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, 2007, 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 for event development amounted to $80,000 at June 30, 2007.

The Authority's Board of Commissioners has also established a cash reserve account to ensure reasonable liquidity for Lansing Center operations. The balance of this cash reserve as of June 30, 2007 was $498,250 and is reported as restricted cash and cash equivalents in the statement of net assets. Generally, the reserve is intended to provide up to 60 days of operating cash (which would be approximately $850,000 if fully funded). The account is adjusted annually for the prior year operating results and does not correlate with the Authority's net assets or fund equity. By contrast, the Authority's fund equity position as of June 30, 2007, which represents accumulated net income, was $288,750 for the Lansing Center fund.

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.

6. Capital assets

Capital assets, which are limited to equipment, are stated at cost and 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	$ 551,089
Restricted cash and cash equivalents	578,250
	1,129,339
Statement of Fiduciary Net Assets:	
Investments	5,955,519
	$7,084,858

The above amounts are reflected in the note disclosures as follows:

Deposits	$1,097,384
Investments	5,955,519
Cash on hand	31,955
	$7,084,858

As of June 30, 2007, the fair value of the Authority's investments was as follows:

Investments – Deferred Compensation and Pension Trust Funds

	Amount	Rating
Money market funds - Allegiant	$ 149,520	Unrated
Equity mutual funds – Allegiant	5,805,999	n/a
	$5,955,519	

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. None of the Authority's investments at year end have maturity dates.

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of year end, $1,138,472 of the Authority's bank balance of $1,238,472 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Authority's investment policy does not specifically address this risk, although the Authority 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 Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

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

B. Transactions with City of Lansing

For the year ended June 30, 2007, the City of Lansing provided annual operating subsidies to the Authority in the amount of $1,172,635 for the Lansing Center, Oldsmobile Park, and the City Market.

C. Receivables

Receivables are composed entirely of amounts due from customers and the City of Lansing.

Accounts receivable as of June 30, 2007 were as follows:

Accounts receivable	$ 532,450
Accounts receivable – City of Lansing	74,683
Total accounts receivable	**$ 607,133**

D. Capital assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Beginning of Year	Increases	Decreases	End of Year
Equipment	$1,401,996	$ 3,774	$ 22,115	$1,383,655
Less accumulated depreciation	1,261,896	51,934	22,115	1,291,715
Net capital assets	**$ 140,100**	**$ (48,160)**	**$ -**	**$ 91,940**

E. Payables

Accounts payable is composed entirely of amounts due to vendors, except for $130,903 payable to the City of Lansing.

F. Interfund receivables and payables

Due to/from other funds	Receivable	Payable
Lansing Center	$ 137,590	$ 74,028
Oldsmobile Park	2,386	129,788
City Market	71,642	7,802
	$ 211,618	**$ 211,618**

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

G. 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 $142,947. Installment purchase agreements outstanding at year-end are as follows:

Purpose	Interest Rates	Amount
2000 equipment purchases	5.91%	$ 14,122
2002 equipment purchases	5.62%	30,322
2003 equipment purchases	5.50%	6,175
2004 equipment purchases	4.90%	16,660
		$ 67,279

Changes in installment purchase agreements payable for the year ended June 30, 2007, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Installment purchase agreements	$ 85,608	$ -	$ 18,329	$ 67,279	$ 14,312

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

Year Ending June 30,	Principal	Interest
2008	$ 14,312	$ 3,416
2009	14,832	2,591
2010	14,092	1,745
2011	10,814	1,057
2012	7,548	479
2013-2014	5,681	299
Total	$ 67,279	$ 9,587

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, 2007 was $2,049,466 and employee contributions for the year then ended were $79,149.

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, 2007 were $148,171. Employer contributions for the year ended June 30, 2007 were $235,665.

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
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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*

November 6, 2007

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 financial statements of the business-type activities, each major fund, and the aggregate remaining fund information 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, 2007, and have issued our report thereon dated November 6, 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 Lansing Entertainment and Public Facilities 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 Lansing Entertainment and Public Facilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lansing Entertainment and Public Facilities Authority's internal control over financial reporting.

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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 Lansing Entertainment and Public Facilities 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 Lansing Entertainment and Public Facilities Authority's financial statements that is more than inconsequential will not be prevented or detected by the Lansing Entertainment and Public Facilities 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 Lansing Entertainment and Public Facilities 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 Lansing Entertainment and Public Facilities 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 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 or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of the Lansing Entertainment and Public Facilities Authority in a separate letter dated November 6, 2007.

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 Robson

REHMANN ROBSON
Certified Public Accountants
A member of THE REHMANN GROUP
an independent member of BAKER TILLY INTERNATIONAL

November 6, 2007

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

We have audited the financial statements of Lansing Entertainment and Public Facilities Authority for the year ended June 30, 2007, and have issued our report thereon dated November 6, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated July 12, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Lansing Entertainment and Public Facilities Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Lansing Entertainment and Public Facilities Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the 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 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the 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.

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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 accrued bonuses is based on estimated future payments calculated based on financial results. We evaluated the key factors and assumptions used to develop the estimate in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an 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 Lansing Entertainment and Public Facilities Authority's financial reporting process (that is, cause future financial statements to be materially misstated). We did not propose any audit adjustments during the current year.

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. We are pleased to report that 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 the 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 are intended for the use of the Board, management, 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.

Very truly yours,

Rehmann Robson

Lansing Entertainment and Public Facilities Authority

Comments and Recommendations

For the Year Ended June 30, 2007

In planning and performing our audit of the financial statements of the Lansing Entertainment and Public Facilities Authority as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph 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 that we consider to be material weaknesses, as defined above.

Other Matters

Internal Controls – Journal Entry Approval Process

As a part of our procedures, we reviewed the Authority's process for generating and authorizing journal entries and also reviewed support for several journal entries. During our testing, we noted that a formal documentation of management's review was not present on 14 of 15 entries selected, although management indicated that such a review was performed on all journal entries. We recommend that the Authority establish a formal procedure for documenting the independent review of all journal entries.

Lansing Entertainment and Public Facilities Authority

Comments and Recommendations

For the Year Ended June 30, 2007

Internal Controls – Segregation of Duties

Last year we made a broad comment regarding segregation of duties. That comment is still applicable, but is supplemented with the following specific matters that existed as of November 6, 2007:

- New vendors are not approved by someone other than the individual responsible for processing accounts payable.
- The addition of new employees to the payroll system is not approved by someone other than the individual responsible for processing payroll.

While it may be impractical to fully segregate duties, management must evaluate the cost vs. benefit of implementing additional procedures, such as the items listed above, in order to reduce the risk of fraud or abuse.

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