NEW ISSUE Book Entry Only **RATINGS †*: Moody's: Aa3**
S&P: AA+

In the opinion of Dykema Gossett PLLC, Bond Counsel, interest on the Bonds is not excluded from gross income for federal income tax purposes, as described in the opinion. Bond counsel will express no opinion regarding the tax treatment of the interest on the Bonds under the laws of the State of Michigan.

$20,000,000
CITY OF LANSING
COUNTIES OF INGHAM AND EATON
STATE OF MICHIGAN
LIMITED TAX GENERAL OBLIGATION
CAPITAL IMPROVEMENT BONDS, SERIES 2009
(TAXABLE BUILD AMERICA BONDS – DIRECT PAYMENT)

Dated: Date of Delivery **Due: May 1, as shown below**

The Limited Tax General Obligation Capital Improvement Bonds, Series 2009 (Taxable Build America Bonds – Direct Payment) (the "Bonds") of the City of Lansing, Counties of Ingham and Eaton, State of Michigan (the "City") were authorized by the City Council of the City by resolutions adopted on May 11, 2009 and June 1, 2009 (together, the "Resolution"). The Bonds will be issued to pay all or a portion of the costs of improvements to the City's sanitary sewer system, its transportation system, and related streetscape improvements (the "Project") and to pay the costs of issuing the Bonds. The principal of and interest on the Bonds shall be payable from revenue received by the City from the Project and operation of the City's Sewage Disposal System, and from moneys in the City's general fund. Additionally, the City has pledged its limited tax full faith and credit as additional security for the payment of the principal of and interest on the Bonds. Pursuant to such pledge, should other revenue be insufficient to pay the principal of and interest on the Bonds, the City shall pay the principal of and interest on the Bonds as a first budget obligation from its general funds, including the collection of any ad valorem taxes which the City is authorized to levy, but any such levy shall be subject to applicable constitutional, charter and statutory tax rate limitations.

The City will designate the Bonds as "Build America Bonds" under Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), and elect under Code Section 54AA(g) to receive a credit from the United States Treasury equal to 35% of the stated interest payable on the Bonds as provided in Code Section 6431. Payments are expected to be paid within 45 days of receipt by the IRS of IRS Form 8038-CP with respect to each interest payment date identifying the amount of interest to be paid. Each such Form may not be filed more than 90 days prior to the relevant interest payment date. In the Resolution the City has (i) covenanted to comply with the requirements of Section 54AA(g) to assure eligibility of the City for receipt of the direct pay interest credit and (ii) has covenanted to deposit all such credits into the Bond Payment Fund pledged for the payment of the Bonds.

The Bonds are issuable only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book entry only form in the denomination of $5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial interest in Bonds purchased. So long as Cede & Co. is the Bondholder, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See "THE BONDS- Book Entry Only System" herein.

Principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Detroit, Michigan (the "Bond Registrar"). So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein. Interest will be payable semiannually on May 1 and November 1, commencing November 1, 2009, to the Bondholders of record as of the applicable record dates herein described.

$10,825,000 Serial Bonds

Maturity	Amount	Interest Rate	Price	CUSIP (516372)	Maturity	Amount	Interest Rate	Price	CUSIP (516372)
2012	$270,000	3.15%	100%	NS4	2019	$ 910,000	5.80%	100%	NZ8
2013	275,000	3.55	100	NT2	2020	960,000	6.00	100	PA1
2014	420,000	4.10	100	NU9	2021	1,010,000	6.15	100	PB9
2015	510,000	4.50	100	NV7	2022	1,065,000	6.25	100	PC7
2016	535,000	5.05	100	NW5	2023	1,120,000	6.35	100	PD5
2017	565,000	5.25	100	NX3	2024	1,180,000	6.45	100	PE3
2018	765,000	5.60	100	NY1	2025	1,240,000	6.55	100	PF0

$2,675,000 6.75% Term Bonds Due May 1, 2027 – Price 100% - CUSIP 516372 PH6
$2,945,000 6.85% Term Bonds Due May 1, 2029 – Price 100% - CUSIP 516372 PK9
$3,555,000 7.05% Term Bonds Due May 1, 2034 – Price 100% - CUSIP 516372 PQ6

THE BONDS MATURING ON OR AFTER MAY 1, 2020 ARE SUBJECT TO OPTIONAL REDEMPTION BEGINNING MAY 1, 2019, IN THE MANNER AND AT THE TIMES DESCRIBED HEREIN. SEE "THE BONDS – Optional Redemption" HEREIN. TERM BONDS MATURING ON MAY 1, 2027, MAY 1, 2029, AND MAY 1, 2034 ARE SUBJECT TO MANDATORY REDEMPTION AS FURTHER SET FORTH IN THIS OFFICIAL STATEMENT. SEE "THE BONDS Mandatory Redemption of Term Bonds."

The Bonds will be offered when, as and if issued by the City and accepted by the Underwriter subject to the approving legal opinion of Dykema Gossett PLLC, Lansing, Michigan, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Miller, Canfield, Paddock and Stone, P.L.C., Lansing and Detroit, Michigan. It is expected that the Bonds will be available for delivery through The Depository Trust Company on or about July 22, 2009.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

ROBERT W. BAIRD & CO.

The date of this Official Statement is July 9, 2009

† For an explanation of the ratings, see "RATINGS" herein.
* As of date of delivery

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement in connection with the offer made hereby and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may an offer to buy these securities be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Information herein has been obtained from the City, The Depository Trust Company, and other sources believed to be reliable. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information (except for information under the section captioned "UNDERWRITING" which was obtained from the Underwriter).

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency will have passed upon the adequacy of this Official Statement, or, except for the City and the Department of Treasury of the State of Michigan, approved the Bonds for sale.

This Official Statement contains forward-looking statements, which can be identified by the use of the future tense or other forward-looking terms such as "may," "intend," "will," "expect," "anticipate," "plan," "the City believes," "estimate," "continue," "should," "strategy," or "position" or the negatives of those terms or other variations of them or by comparable terminology. Investors are cautioned that reliance on any of those forward-looking statements involves risks and uncertainties and that, although the City believes that the assumptions on which those forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate. As a result, the forward-looking statements based on those assumptions also could be incorrect, and actual results may differ materially from any results indicated or suggested by those assumptions. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Official Statement should not be regarded as a representation by the City that its plans and objectives will be achieved. All forward-looking statements are expressly qualified by the cautionary statements contained in this paragraph. The City undertakes no duty to update any forward-looking statements.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION AND ANALYSIS OF THE INFORMATION PRESENTED IN THIS OFFICIAL STATEMENT CONCERNING THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CITY OF LANSING
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Lansing, Michigan 48933
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MAYOR

Virg Bernero

CITY COUNCIL

PRESIDENT

Derrick Quinney

MEMBERS

Sandy Allen
Kathie Dunbar
Eric Hewitt
Brian Jeffries
Tim Kaltenbach
A'Lynne Robinson
Carol Wood

CITY ADMINISTRATION

CHIEF OF STAFF/
DIRECTOR OF FINANCE
Gerald W. Ambrose

CITY ATTORNEY
Brigham Smith

CLERK
Chris Swope

TREASURER
Antonia Kraus

PROFESSIONAL SERVICES

BOND REGISTRAR……………………………The Bank of New York Mellon Trust Company, N.A.
BOND COUNSEL……………………...……………………………………...Dykema Gossett PLLC
FINANCIAL ADVISOR…….…………………………………...……Stauder, Barch & Associates, Inc.

TABLE OF CONTENTS

OFFICIAL STATEMENT
relating to

$20,000,000
CITY OF LANSING
COUNTIES OF INGHAM AND EATON
STATE OF MICHIGAN
LIMITED TAX GENERAL OBLIGATION
CAPITAL IMPROVEMENT BONDS, SERIES 2009
(TAXABLE BUILD AMERICA BONDS – DIRECT PAYMENT)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices, is to furnish information in connection with the issuance and sale by the City of Lansing, Counties of Ingham and Eaton, State of Michigan (the "City") of its Limited Tax General Obligation Capital Improvement Bonds, Series 2009 (Taxable Build America Bonds – Direct Payment) (the "Bonds") in the amount of $20,000,000.

PURPOSE AND SECURITY

The Bonds were authorized by the City Council of the City by resolutions adopted on May 11, 2009 and June 1, 2009 (together, the "Resolution"). The Bonds will be issued to pay all or a portion of the costs of improvements to the City's sanitary sewer system, its transportation system, and related streetscape improvements (the "Project") and to pay the costs of issuing the Bonds. The principal of and interest on the Bonds shall be payable from revenue received by the City from the Project and operation of the City's Sewage Disposal System, and from moneys in the City's general fund. Additionally, the City has pledged its limited tax full faith and credit as additional security for the payment of the principal of and interest on the Bonds. Pursuant to such pledge, should other revenue be insufficient to pay the principal of and interest on the Bonds, the City shall pay the principal of and interest on the Bonds as a first budget obligation from its general funds, including the collection of any ad valorem taxes which the City is authorized to levy, but any such levy shall be subject to applicable constitutional, charter and statutory tax rate limitations.

The City will designate the Bonds as "Build America Bonds" under Code Section 54AA and elect under Code Section 54AA(g) to receive a credit from the United States Treasury equal to 35% of the stated interest payable on the Bonds as provided in Code Section 6431. Payments are expected to be paid within 45 days of receipt by the IRS of IRS Form 8038-CP with respect to each interest payment date identifying the amount of interest to be paid. Each such Form may not be filed more than 90 days prior to the relevant interest payment date. In the Resolution the City has (i) covenanted to comply with the requirements of Section 54AA(g) to assure eligibility of the City for receipt of the direct pay interest credit and (ii) has covenanted to deposit all such credits into the Bond Payment Fund pledged for the payment of the Bonds under the Resolution.

Receipt of the credits described above is expected by the City, but cannot be assured. The failure to properly and timely file any IRS Form 8038-CP could reduce the amount of credit paid to the City. In addition, the credits described above are payable under current law. There can be no assurance that future changes in the law would not reduce or eliminate such credits with respect to the Bonds. However, the security pledged for the payment of the Bonds, as described above, is in no way abated or offset by the anticipated receipt of the credits described above, but rather, continues to secure the Bonds whether the anticipated credits are received or not.

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES	
Par Amount of Bonds	$20,000,000.00
Total Sources	$20,000,000.00
USES	
Construction Fund	$19,801,700.00
Underwriter's Discount	99,800.00
Estimated Costs of Issuance	98,500.00
Total Uses	$20,000,000.00

THE BONDS

Description and Form of the Bonds

The Bonds will be issued in book-entry-only form as one fully registered Bond per maturity, without coupons, in the aggregate principal amount for each maturity set forth on the cover page and may be purchased in denominations of $5,000 or any integral multiple of $5,000. The Bonds will be dated as of and bear interest from the date of delivery. Interest on the Bonds shall be payable semiannually each May 1 and November 1 to maturity or early redemption, commencing November 1, 2009. Interest on the Bonds shall be computed using a 360-day year with twelve 30-day months, and the Bonds will mature on the dates and in the principal amounts and will bear interest at the rates as set forth on the cover of this Official Statement.

The Bank of New York Mellon Trust Company, N.A., Detroit, Michigan or its successor will serve as the bond registrar and paying agent (the "Bond Registrar") for the Bonds. For a description of payment of principal and interest, transfers and exchanges and notice of redemption on the Bonds, which are held in the book-entry-only system, see "Book-Entry-Only System" below. In the event the Bonds cease to be held in the book-entry-only system, then interest on the Bonds shall be payable when due by check or draft to the person or entity who or which is, as of the 15th day of the month preceding each interest payment date (the "Record Date"), the registered owner of record, at the owner's registered address. See "Transfer Outside Book-Entry-Only System" below.

Book-Entry-Only System

The information in this section has been furnished by The Depository Trust Company, New York, New York ("DTC"). No representation is made by the City, the Bond Registrar or the Underwriter as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. No attempt has been made by the City, the Bond Registrar or the Underwriter to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the City nor the Bond Registrar will have any responsibility or obligation to DTC Participants, Indirect Participants (both as defined below) or the persons for which they act as nominees with respect to the Bonds, or for any principal, premium, if any, or interest payment thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, interest and redemption amounts, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Bond Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), Bond Registrar, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, interest and redemption amounts, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or Bond Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to the Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Transfer Outside Book-Entry-Only System

In the event that the book-entry-only system is discontinued, the following provisions would apply to the Bonds. The Bond Registrar shall keep the registration books for the Bonds (the "Bond Register") at its corporate trust office. Subject to the further conditions contained in the Resolution, the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the corporate trust office of the Bond Registrar by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Bond Registrar shall record the transfer or exchange in the Bond Register and shall authenticate replacement bonds in authorized denominations; during the 15 days immediately preceding each interest payment date, the Bond Registrar shall not be required to honor any transfer or exchange of any Bond. No transfer or exchange made other than as described above and in the Resolution shall be valid or effective for any purposes under the Resolution.

Optional Redemption

The Bonds or portions of Bonds in multiples of $5,000, maturing on or after May 1, 2020, are subject to redemption prior to maturity at the option of the City in such order as the City may determine and by lot within any maturity, on any date occurring on or after May 1, 2019, at par and accrued interest to the date fixed for redemption.

Mandatory Redemption of Term Bonds

The Bonds maturing on May 1, 2027, May 1, 2029 and May 1, 2034 are term bonds (the "Term Bonds") subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth below and at a redemption price equal to the principal amount of such Bonds, without premium, together with interest on such Bonds to the redemption date. When Term Bonds are purchased by the City and delivered to the Bond Registrar for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the Term Bonds affected shall be reduced by the principal amount of the Bonds so redeemed or purchased in the order determined by the City.

Term Bonds Due May 1, 2027

Redemption Dates	Principal Amounts
May 1, 2026	$1,305,000
May 1, 2027 (maturity)	1,370,000

Term Bonds Due May 1, 2029

Redemption Dates	Principal Amounts
May 1, 2028	$1,435,000
May 1, 2029 (maturity)	1,510,000

Term Bonds Due May 1, 2034

Redemption Dates	Principal Amounts
May 1, 2030	$640,000
May 1, 2031	675,000
May 1, 2032	710,000
May 1, 2033	745,000
May 1, 2034 (maturity)	785,000

Notice of Redemption and Manner of Selection

Notice of redemption of any Bond shall be given not less than 30 days and not more than 60 days prior to the date fixed for redemption by mail to the registered owner at the registered address shown on the registration books kept by the Bond Registrar. The Bonds shall be called for redemption in multiples of $5,000 and Bonds of denominations of more than $5,000 shall be treated as representing the number of Bonds obtained by dividing the face amount of the Bond by $5,000 and such Bonds may be redeemed in part. The notice of redemption for Bonds redeemed in part shall state that upon surrender of the Bond to be redeemed a new Bond or Bonds in an aggregate face amount equal to the unredeemed portion of the Bond surrendered shall be issued to the registered owner thereof.

If less than all of the Bonds of any maturity shall be called for redemption prior to maturity, unless otherwise provided, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar, in the principal amounts designated by the City. Any Bonds selected for redemption will cease to bear interest on the date fixed for redemption, whether presented for redemption or not, provided funds are on hand to redeem said Bonds. Upon presentation and surrender of such Bonds at the corporate trust office of the Bond Registrar, such Bonds shall be paid and redeemed.

So long as the book-entry-only system remains in effect, in the event of a partial redemption the Bond Registrar will give notice to Cede & Co., as nominee of DTC, only, and only Cede & Co. will be deemed to be a holder of the Bonds. DTC is expected to reduce the credit balances of the applicable DTC Participants in respect of the Bonds and in turn the DTC Participants are expected to select those Beneficial Owners whose ownership interests are to be extinguished or reduced by such partial redemption, each by such method as DTC or such DTC Participants, as the case may be, deems fair and appropriate in its sole discretion.

LITIGATION

The City has not been served with any litigation, administrative action or proceeding, and to the knowledge of the appropriate officials of the City no litigation or administrative action or proceeding has been threatened against it, seeking to restrain or enjoin the issuance and delivery of the Bonds, or questioning or contesting the validity of the Bonds or the proceedings or authorities under which they are authorized to be issued, sold, executed and delivered. A certificate to such effect will be delivered to the Underwriter at the time of the original delivery of the Bonds.

TAX MATTERS

Federal

In the opinion of Dykema Gossett PLLC, Lansing, Michigan ("Bond Counsel"), based upon its examination of the documents described in its opinion, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is <u>not excluded</u> from gross income for federal income tax purposes. Each prospective investor should consult with its own tax advisor regarding the applicability of United States federal tax laws, as well as any state, local, foreign or other laws to its particular situation, including treatment of interest by any holder of Bonds that is not a U.S. person.

The City has elected to receive a refundable credit (the "Refundable Credit") from the United States Department of Treasury under Section 54AA(g) of the Internal Revenue Code of 1986, as amended (the "Code"). The Refundable Credit will be deposited into the debt retirement fund for the Bonds and will be used solely for payment of interest on the Bonds. The availability of the Refundable Credit as set forth in the preceding two sentences is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon would, but for being designated as Build America Bonds under Section 54AA(g) of the Code, be excludable from gross income for federal income tax purposes. The City has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the loss of the Refundable Credit to be retroactive to the date of issuance of the Bonds. Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds.

State

Bond Counsel will express no opinion regarding the tax treatment of the interest on the Bonds under the laws of the State of Michigan.

Future Developments

No assurance can be given that any future legislation or clarifications or amendments to the Code, if enacted into law, will not contain proposals which could reduce or eliminate the Refundable Credit with respect to the Bonds or adversely affect the market price or marketability of the Bonds.

Furthermore, no assurance can be given that the impact of any future court decisions will result in the reduction or elimination of the Refundable Credit with respect to the Bonds or adversely affect the market price or marketability of the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

Circular 230 Notice

The tax discussion provided above cannot be used by any taxpayer, including holders or owners of the Bonds, for the purpose of avoiding penalties related to Federal income tax matters that may be imposed on such taxpayer. Taxpayers, including holders or owners of the Bonds, should seek advice based upon such taxpayers' particular circumstances from an independent tax advisor. The tax discussion contained herein was written to support the promotion and marketing of the Bonds.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the City of the Bonds and with regard to the tax-exempt status thereof are subject to the approving opinion of Dykema Gossett PLLC, Lansing, Michigan, Bond Counsel. Except to the extent necessary to issue its approving opinion as to the validity of the Bonds, Bond Counsel has made no inquiry as to any financial information, statements or materials contained in any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds, and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial information, statements or materials.

Certain legal matters will be passed upon for the Underwriter by its counsel, Miller, Canfield, Paddock and Stone, P.L.C., Lansing and Detroit, Michigan. Miller, Canfield, Paddock and Stone, P.L.C., has represented and continues to represent the City on matters unrelated to the issuance of the Bonds.

APPROVAL BY MICHIGAN DEPARTMENT OF TREASURY

The City has received a letter from the Department of Treasury of the State of Michigan stating that the City is in material compliance with the criteria of the Revised Municipal Finance Act, Act No. 34, Public Acts of Michigan, 2001, as amended, for a municipality to be granted qualified status. The City may therefore proceed to issue the Bonds without further approval from the Department of Treasury of the State of Michigan.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), will assign, as of the date of delivery of the Bonds, their municipal bond ratings of "Aa3" and "AA+", respectively, to the Bonds.

No application has been made to any other ratings service for a rating on the Bonds. The City furnished to Moody's and S&P certain materials and information in addition to that provided here. Generally, the rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by Moody's and/or S&P if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse affect on the market price of the Bonds. Any ratings assigned represent only the view of Moody's and S&P, respectively. Further information is available upon request from:

Moody's Investors Service	Standard & Poor's Ratings Services
World Trade Center	55 Water Street
New York, NY 10007	New York, NY 10014
(212) 553-0315	(212) 438-1000

UNDERWRITING

Robert W. Baird & Co. (the "Underwriter"), has agreed, subject to the terms of the Bond Purchase Agreement, to purchase the Bonds from the City. The Bond Purchase Agreement provides, in part, that the Underwriter, subject to certain conditions, will purchase from the City the aggregate principal amount of Bonds for a purchase price as set forth therein. The Underwriter has further agreed to offer the Bonds to the public at the approximate initial offering prices as set forth on the cover. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the cover. The offering prices may be changed from time to time by the Underwriter. The aggregate underwriting fee equals 0.499% percent of the aggregate principal amount of the Bonds.

The Bond Purchase Agreement provides that the obligations of the Underwriter are subject to certain conditions, including, among other things, that (i) no event has occurred which impairs or threatens to impair the status of the Bonds or interest thereon as exempt from taxation in the State (other than as described under "TAX MATTERS – State") and (ii) proceedings relating to the Bonds are not pending or threatened by the Securities and Exchange Commission. The Bond Purchase Agreement further provides that the City will provide to the Underwriter within five business days of the date of the

Bond Purchase Agreement sufficient copies of the Official Statement to enable the Underwriter to comply with the requirements of Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934, as amended.

FINANCIAL ADVISOR'S OBLIGATION

Stauder, Barch & Associates, Inc., Ann Arbor, Michigan (the "Financial Advisor") has been retained by the City to provide certain financial advisory services. The information contained in the Official Statement was prepared in part by the Financial Advisor and is based on information supplied by various officials from records, statements and reports required by various local, county or state agencies of the State of Michigan in accordance with constitutional or statutory requirements.

To the best of the Financial Advisor's knowledge, all of the information contained in the Official Statement, which it assisted in preparing, while it may be summarized is (i) complete and accurate; (ii) does not contain any untrue statement of a material fact; and (iii) does not omit any material fact, or make any untrue statement which would be misleading in light of the circumstances under which these statements are being made. However, the Financial Advisor has not or will not independently verify the completeness and accuracy of the information contained in the Official Statement.

The Financial Advisor's duties, responsibilities and fees arise solely as financial advisor to the City, and it has no underwriting, secondary market obligations or other responsibility to the City. The Financial Advisor's fees are expected to be paid from Bond proceeds.

Further information concerning the Bonds may be secured from Stauder, Barch & Associates, Inc., 3989 Research Park Drive, Ann Arbor, Michigan 48108, (734) 668-6688, Financial Advisor to the City, or from the City of Lansing, 124 West Michigan Avenue, Lansing, Michigan 48933, (517) 483-4500, Attention: Director of Finance.

CONTINUING DISCLOSURE

Prior to delivery of the Bonds, the City will execute a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the holders of the Bonds and the Beneficial Owners (as hereinafter defined under this caption only) to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. "Beneficial Owner" means, under this caption only, any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including any person holding Bonds through nominees, depositories or any other intermediaries). The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and the other terms of the Undertaking, are set forth in APPENDIX E, "Form of Continuing Disclosure Undertaking." Additionally, the City shall provide certain annual financial information and operating data generally consistent with the information contained within the tables under the headings "Property Valuations – Historical Valuation," "Major Taxpayers," "Tax Rates (Per $1,000 of Valuation)," "Tax Levies and Collections," "City Income Tax," "Revenues From the State of Michigan," "Labor Force," "Pension Fund," "Debt Statement – DIRECT DEBT" in APPENDIX A and the General Fund Budget Summary in APPENDIX B.

A failure by the City to comply with the Undertaking will not constitute an event of default under the Resolution and holders of the Bonds or Beneficial Owners are limited to the remedies described in the Undertaking. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Further, the City has not, in the previous five years, failed to comply, in all material respects, with any previous continuing disclosure undertakings executed by the City pursuant to the Rule.

OTHER MATTERS

All information contained in this Official Statement, in all respects, is subject to the complete body of information contained in the original sources thereof. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

CITY OF LANSING
COUNTIES OF INGHAM AND EATON
STATE OF MICHIGAN

By: /s/ *Gerald W. Ambrose*

Its: Chief of Staff/Director of Finance

APPENDIX A*

GENERAL FINANCIAL INFORMATION

AREA

The population of the City of Lansing is as follows:

2009 Estimate	114,947
2000 U.S. Census	119,128
1990 U.S. Census	127,321
1980 U.S. Census	130,414

PROPERTY VALUATIONS

Article IX, Section 3, of the Michigan Constitution, limits the proportion of true cash value at which property can be assessed to a percentage not to exceed 50% of true cash value. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value, except as described in the paragraphs below. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitution amendment added a new measure of property value known as "taxable value." Since 1995, taxable property has had two valuations -- State equalized valuation ("SEV") and taxable value. Property taxes are levied on taxable value. Generally, the taxable value of property is the lesser of (a) the taxable value of property in the immediately preceding year, adjusted for losses, multiplied by the lesser of the net percentage change in the property's SEV from the preceding year to the current year, or the inflation rate, or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the taxable value of property may be different from the same property's SEV.

This constitutional amendment and the implementing legislation base the taxable value of existing property for the year 1995 on the SEV of that property in 1994 and for the years 1996 and thereafter on the taxable value of the property in the preceding year. Beginning with the taxes levied in 1995, an increase, if any, in taxable value of the existing property is limited to the lesser of the net percentage change in SEV from the preceding year to the current year, 5% or the inflation rate. When property is sold or transferred, taxable value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The taxable value and SEV of new construction is equal to current SEV. The taxable value and SEV of existing property are also adjusted annually for additions and losses.

Responsibility for assessing taxable property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local assessor, the local Board of Review and ultimately to the Michigan Tax Tribunal.

In addition to limiting the annual increase in taxable value, the Michigan Constitution mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county are responsible for actually assessing at 50% of true cash value, adjusted for taxable value purposes, the final SEV and taxable value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the County Department of Equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining taxable value for the purpose of levying ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

Property that is exempt from property taxes (e.g., churches, governmental property, public schools) is not included in the SEV or taxable value data in this Official Statement. Property granted tax abatements under Act 198, Public Acts of Michigan, 1974, as amended, is recorded on a separate tax roll which is subject to tax abatement. The valuation of tax abated property is based upon SEV but is not included in either the SEV or taxable value data in the Official Statement except as noted.

* Information included in this Official Statement under the headings "General Financial Information" and "General Economic Information," was obtained from the City of Lansing, unless otherwise noted.

Recent Developments

There has been a broad-based decline in the prices of existing single-family homes in the City since the beginning of calendar year 2007, resulting in decelerating and negative annual returns on single-family home values. The projected decrease in residential class properties for 2009 is 7.46% or approximately a decrease of $137,175,153 of assessed valuation. This decrease in assessed value and the associated impact on taxable value will result in reduced City property tax collections, assuming that the number of mills levied remains constant.

Personal Property Tax Assessments

Since the 1960's, Michigan personal property tax assessments have been based on the use of one or more of several different multiplier tables, formulated by the State Tax Commission, against taxpayer-reported original cost, depending upon the assessor's view of the average life of the personal property. The State Tax Commission has approved revisions to the State's personal property tax tables which became effective for the year 2000 and which may reduce overall personal property tax revenues in some jurisdictions. The State Tax Tribunal has informally indicated that it may allow the new multipliers to be applied retroactively in pending personal property tax appeals. In anticipation of the new multipliers, many personal property taxpayers filed appeals of their existing tax assessments. In an unpublished, non-precedential opinion, the Michigan Court of Appeals, in *Valassis Communications v. City of Livonia*, affirmed a decision of the State Tax Tribunal that the personal property multipliers, which became effective in 2000, could be retroactively applied and used to determine the true cash value of the subject property for the 1999 tax year. In its unpublished opinion, the court held that the controlling factor is whether the method used most accurately reflects the property's true cash value. The court in *Valassis* determined that based upon the facts of the case, the old multipliers (in effect for the 1999 tax year) did not accurately reflect the property's true cash value and that the 2000 multipliers more accurately reflected the property's true cash value. In January 2004, the Michigan Court of Appeals, in *County of Wayne v. Michigan State Tax Commission*, affirmed the use of at least one of the revised multiplier tables by the State Tax Tribunal in determining personal property tax appeals. The Court of Appeals upheld a recent Tax Tribunal ruling authorizing the use of the revised multiplier developed by the State Tax Commission to determine the true cash value of public-utility electric transmission and distribution property on the grounds that the multiplier tables, as finalized, did not violate the State constitutional requirements for personal property tax valuation.

Taxable property in the City of Lansing is assessed by City assessor and is subject to review by the County Equalization Department.

Historical Valuation

Tax Year	Fiscal Year Ending June 30	Real Property Valuation	Personal Property Valuation	Total Assessed (SEV) Valuation	Taxable Valuation
2004	2005	$2,504,897,867	$253,295,100	$2,758,192,967	$2,235,517,452
2005	2006	2,669,165,950	216,534,100	2,885,700,050	2,305,733,932
2006	2007	2,791,981,635	214,849,578	3,006,831,213	2,378,454,861
2007	2008	2,876,473,010	210,793,500	3,087,266,510	2,459,900,927
2008	2009	2,821,793,030	197,985,400	3,019,778,430	2,496,988,704
2009	2010	2,611,937,348	214,605,100	2,826,542,448	2,509,268,730

2009 Taxable Valuation	$2,509,268,730
Plus: 2009 IFT Valuation	142,155,048
Total Equivalent Value	2,651,423,778
Less: 2009 TIFA Captured Value*	(84,423,626)
2009 BRDA Captured Value	(31,025,075)
Total 2009 Valuation	$2,535,975,017

* Deducted from operating millage only, does not apply to debt millage.

Per Capita Valuation

2009 Per Capita Taxable Valuation	$21,829.79
2009 Per Capita State Equalized Valuation	$24,589.97
2009 Per Capita Estimated True Cash Valuation	$49,179.93

Tax Abatements

Under the provisions of Act 198 of the Public Acts of Michigan, 1978 ("Act 198"), plant rehabilitation districts and/or industrial development districts may be established. Businesses in these districts are offered certain property tax incentives to encourage restoration or replacement of obsolete facilities and to attract new facilities in the area. The industrial facilities tax ("IFT") is paid, at a lesser effective rate and in lieu of ad valorem property taxes, in such facilities for a period of up to 12 years. Qualifying facilities are issued abatement certificates for this period.

After expiration of the abatement certificate, the then-current SEV of the facility is returned to the ad valorem tax roll. The owner of such facility may obtain a new certificate, provided it has complied with the provisions of Act 198.

The 2009 Taxable Value for all IFT abated property within the City's boundaries is $84,423,626. Millage is levied at half rate against this amount.

See "PROPERTY VALUATIONS - *Historical Valuation*" herein for further information regarding abatements.

Tax Increment Authorities

Act 450 of the Public Acts of Michigan, 1980, as amended, (the "TIFA Act"), Act 197 of the Public Acts of Michigan, 1975, as amended, (the "DDA Act"), and Act 281 of the Public Acts of Michigan, 1986, as amended, (the "LDFA Act") (together the "TIF Acts") authorize the designation of specific districts known as Tax Increment Finance Authority ("TIFA") Districts, Downtown Development Authority ("DDA") Districts, Local Development Finance Authority ("LDFA") Districts or Brownfield Redevelopment Authority ("BRDA") Districts, authorized to formulate tax increment financing plans for public improvements, economic development, neighborhood revitalization and historic preservation with the district.

Tax increment financing permits the TIFA, DDA, LDFA, or BRDA to capture tax revenues attributable to increases in value ("TIF Captured Value") of real and personal property located within an approved development area while any tax increment financing plans by an established district are in place. These captured revenues are used by the District and are not passed on to the local taxing jurisdictions.

The TIFA currently has $6,667,000 of long term bonded debt outstanding. The TIFA has assumed a lease obligation requiring the TIFA to pay the City, beginning in 2006, approximately $4,150,000 annually through 2015.

The BRDA currently has $1,695,000 of a long term bonded debt outstanding.

Renaissance Zone

Public Act 37 of 1996 the Michigan Renaissance Zone Act was updated by Public Act 440 of 2006 to permit addition of new zones. While the original City of Lansing Renaissance Zone consisting of two subzones expired in 2008 two-additional zones have been created.

The Capital Club Tower project which began December 31, 2008 has a 2009 total Taxable Value of $533,900. The City also has a Tool and Die Renaissance Zone of $2,172,684 giving the City of Lansing a total of $2,706,584 in taxable value designated as Renaissance Zone.

Tax Base Composition

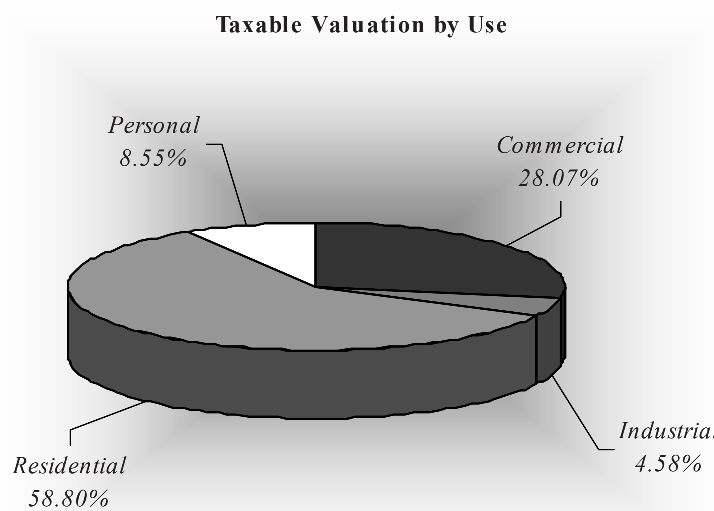
A breakdown of the City's 2009 Taxable Value by county, class and use is as follows:

By County	Taxable Valuation	Percent of Total
Ingham County		
City of Lansing	$2,423,030,610	96.56%
Eaton County		
City of Lansing	86,238,120	3.44
TOTAL	$2,509,268,730	100.00%

By Class		
Real Property	$2,294,663,630	91.45%
Personal Property	214,605,100	8.55
TOTAL	$2,509,268,730	100.00%

By Use	Taxable Valuation	Percent of Total
Commercial	$704,258,959	28.07%
Industrial	114,950,783	4.58
Residential	1,475,453,888	58.80
Personal	214,605,100	8.55
TOTAL	$2,509,268,730	100.00%

Source: Ingham and Eaton Counties



MAJOR TAXPAYERS

The ten taxpayers in the City and their 2009 Taxable Valuation and Industrial Facilities Tax valuations are as follows:

Taxpayer	Product/Service	Taxable Valuation	+	Equivalent IFT Valuation	=	Total Valuation
General Motors Corp.*[1]	Automotive	$23,400,063		$106,843,500		$130,243,563
Jackson National Life Ins.*	Insurance	38,430,144		0		38,430,144
Consumers Energy	Utility	22,249,503		0		22,249,503
Delta Township Utilities**	Utility	19,875,800		0		19,875,800
Accident Fund Company	Insurance	14,178,118		0		14,178,118
Lansing Retail Center LLC*	Retail	14,032,728		0		14,032,728
Demmer Corporation	Stamping Plant	13,829,400		0		13,829,400
Trappers Cove Ltd. Partners	Apartment housing	12,952,449		0		12,952,449
Heart of the City Associate	Real estate	10,341,600		0		10,341,600
Sprint Spectrum L.P.*	Communication	8,974,000		0		8,974,000
TOTAL		$178,263,805		$106,843,500		$285,107,305

[1] GM filed for Chapter 11 bankruptcy protection on June 1, 2009.

* Jackson National Life Ins., Lansing Retail Center LLC, and Sprint Spectrum L.P. have filed tax appeals with the State Tax Tribunal. General Motors Corp. has filed approximately $129,147,000 of taxable value in tax appeals with the State Tax Tribunal.

** Subsidiary of Duke Energy.

The Taxable Valuations of the above taxpayers represent 11.36% of the City's 2009 Taxable Valuation of $2,509,268,730 and the Total Valuation, as shown above, equals 11.24% of the City's 2009 Total Valuation (including IFT equivalent valuations less TIFA and BRDA captures) of $2,535,975,017.

CONSTITUTIONAL ROLLBACK AND ASSESSMENT CAPS

Article IX, Section 31 of the Michigan Constitution requires that if the total value of existing taxable property (State Equalized Valuation) in a local taxing unit, exclusive of new construction and improvements, increases faster than the U.S. Consumer Price Index from one year to the next, the maximum authorized tax rate for that local taxing unit must be reduced through a Millage Reduction Fraction unless new millage is authorized by a vote of the electorate of the local taxing unit.

TAX RATES (Per $1,000 of Valuation)

Each school district, county, township, special authority and city has a geographical definition which constitutes a tax district. Since local school districts and the county overlap either a township or a city, and intermediate school districts overlap local school districts and county boundaries, the result is many different tax rate districts.

Tax Year	Fiscal Year Ended 6/30	Operating Millage	Debt Service Millage	Total City Millage	(1) County Millage	(2) School Millage	State Education*	Community College Millage	(3) Other Millage	Total
2004	2005	14.90	0.98	18.88	8.10	20.65	6.00	3.84	8.83	66.30
2005	2006	14.90	0.98	15.88	8.18	20.40	6.00	3.81	8.78	63.05
2006	2007	14.95	0.93	15.88	8.72	20.32	6.00	3.81	9.15	63.88
2007	2008	14.95	0.88	15.83	9.41	20.18	6.00	3.81	8.15	63.38
2008	2009	15.01	0.82	15.83	10.83	20.15	6.00	3.81	9.04	65.66
2009	2010	15.44	0.26	15.70	9.55**	19.95	6.00	3.81	N/A	N/A

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

* Pursuant to a ballot proposal approved by the electors of the State of Michigan on March 15, 1994, the State of Michigan levies 6.00 mills for school operating purposes on all homestead and non-homestead property located within the school district. School districts levy 18.00 mills of voted operating millage on non-homestead property and authorized debt millage on all homestead and non-homestead property located with the school district.

** Summer millage only

TAX RATE LIMITATION

The City is authorized by its Charter to levy 20 mills. For FY2010 the City is authorized to levy 19.1692 mills after roll-backs under Article IX, § 31 of the Michigan Constitution.

The City also has authority to levy, but does not currently levy, taxes in excess of its charter limit pursuant to state law for the following purposes:

Purpose	Authority	Maximum Rate per $1,000 of SEV
Refuse Collection and Disposal	Act 298, P.A. of MI, 1914, as amended	Amount required to fund expenses up to 3 mills
Police & Fire Pensions	Act 345, P.A. of MI, 1937, as amended	Amount required to make contribution

TAX LEVIES AND COLLECTIONS

The City's fiscal year begins July 1 and ends June 30. City property taxes are due July 1 of each fiscal year and are payable without penalty or interest on or before the following August 31. Property owners who have not paid their property taxes on or before August 31 are required to pay interest at the rate of 12% per annum from September 1 and penalties of 4% on such unpaid taxes. All real property taxes remaining unpaid on March 1st of the year following the levy are turned over to the County Treasurers for collection. Ingham and Eaton Counties (the "Counties") annually pay from their Tax Payment Funds delinquent taxes on real property to all taxing units in the Counties, including the City, shortly after the date delinquent taxes are returned to the County Treasurers for collection.

A history of tax levies and collections for the City of Lansing are as follows:

Fiscal Yr Ended June 30	Property Tax Levy	Current Tax Collection	Percent of Levy Collected	(1) Delinquent Tax Collection	Total Tax Collection	Collections as a Percent of Levy
2004	$38,267,514	$37,859,114	98.93%	$58,255	$37,917,369	99.09%
2005	40,051,303	39,429,093	98.45	137,727	39,566,820	98.79
2006	41,261,397	41,022,735	99.42	77,747	41,100,483	99.61
2007	42,627,042	42,516,696	99.74	91,605	42,608,301	99.96
2008	44,286,657	44,125,517	99.64	62,274	44,187,791	99.78
2009	45,567,556	45,468,639	99.78	N/A	N/A	N/A

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

The Tax Payment Funds are financed through the issuance of General Obligation Limited Tax Notes (GOLTNs) by the Counties. Although the City anticipates the continuance of this program by the Counties, the ability of the Counties to issue such GOLTNs is subject to market conditions at the time of offering. In addition, Act 206 of 1893, as amended, provides in part that: "The primary obligation to pay to the county the amount of taxes and interest thereon shall rest with the local taxing units, and if the delinquent taxes which are due and payable to the county are not received by the county for any reason, the County has full right of recourse against the taxing unit to recover the amount thereof and interest thereon..." On the first Tuesday in May in each year, a tax sale is held by the Counties at which lands delinquent for taxes assessed in the second year preceding the sale, or in a prior year, are sold for the total of the unpaid taxes of those years.

CITY INCOME TAX

In 1968, the electorate of the City authorized the implementation of an income tax. The income tax is imposed on certain income earned within the City regardless of the residence of the taxpayer and on certain income of City residents. Residents pay one percent (1%) and nonresidents pay one-half of one percent (½%). With minor exceptions, taxable income includes all corporate and individual income subject to taxation by the United States. Personal and dependency exemptions of $600 are permitted. Deductions from City income taxation include alimony, unreimbursed business expenses, disability income, unemployment compensation, social security income, Keogh and IRA contributions pursuant to the United States Internal Revenue Code, moving expenses into the City and other miscellaneous items. The following table is a ten-year history of income tax collections.

Fiscal Year	Collections Net of Refunds
2003/04	$29,159,482
2004/05	27,413,270
2005/06	27,497,542
2006/07	27,032,176
2007/08	31,168,012
2008/09	30,300,000

REVENUES FROM THE STATE OF MICHIGAN

The City receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended (the "Revenue Sharing Act"). The table appearing at the end of this section, shows State revenue sharing distributions received by the City during the City's past four fiscal years, and the estimated receipts for the City's current fiscal year.

In addition to payments of revenue sharing moneys, the State pays the City to support judges' salaries, as well as other miscellaneous state grants.

Revenue sharing payments and other moneys paid to municipalities (other than the portion that is mandated by the State Constitution) are subject to annual appropriation by the State Legislature, and may be

reduced or delayed by Executive Order during any fiscal year in which the Governor, with the approval of the Legislature's appropriation committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based. The Legislature and Governor have modified the appropriations at various times over the past several years in order to balance the State's general fund budget and may do so in the future.

If revenue sharing dollars received by the State are less than anticipated and the City's revenue sharing distribution is reduced, the City intends to make certain adjustments as necessary to balance its fiscal year 2009 budget.

Purchasers of the Bonds should be alerted to further modifications to revenue sharing payments to Michigan local governmental units, to the potential consequent impact upon the City's general fund condition, and to the potential impact upon the market price or marketability of the Bonds resulting from changes in revenues received by the City from the State.

The following table sets forth the annual revenue sharing payments and other moneys received by the City for the fiscal years ended June 30, 2005 through June 30, 2008, and the estimated revenue sharing payments to be received in the fiscal year ending June 30, 2009.

Fiscal Year Ended June 30	Revenue Sharing Payments[1]
2005	$17,065,687
2006	16,874,873
2007	16,369,853
2008	16,453,361
2009 Estimate	16,046,722

[1] Amounts do not include state gas and weight tax distributions or fire reimbursement monies.
Source: Web site http://treasury.state.mi.us

LABOR FORCE

A breakdown of the number of budgeted full-time positions of the City of Lansing and their affiliations with organized groups is as follows:

Bargaining Unit	As of 4/18/09	Contract Expiration
International Assoc. of Firefighters	212	06/30/10
Fraternal Order of Police - Non-Supervisors	201	06/30/09
Fraternal Order of Police - Supervisory	48	07/15/09
U.A.W. Local 2256	216	10/06/08*
Teamster's Local 580 - Supervisory	79	01/31/07*
Teamster's Local 580 - Clerical, Technical & Professional	188	01/31/07*
Teamster's Local 580 - District Court	29	06/30/07*
Teamster's Local 214 - Supervisory / Non-Supervisory	37	07/31/11
Fraternal Order of Police - Emergency Operators	45	12/31/07*
Elected Officials	15	N/A
Non-Affiliated	58	N/A
TOTAL CITY EMPLOYEES	1,128	

* In negotiation

PENSION FUND

Vacation and Sick Leave Liability

The City's policy provides that vacation is earned with every pay period and can be carried over to future years set by certain limits based on length of service. Exceptions are the Police Sworn and Fire Sworn that are credited vacation at the beginning of the year and must initiate the vacation prior to that year end (i.e. start the vacation prior to December 30th of that year).

City employees earn approximately one day of sick leave for each month worked. One-half of accumulated sick leave in an amount up to 85 days (680 hours) is paid upon retirement. Should an employee terminate with the City prior to retirement, all sick leave benefits are forfeited. The exception is vested employees in the Defined Contribution Plan (DCP), whereas they will receive one-half of their sick leave (up to 680 hours) if they are vested (three years of credited service). There is a four-day buy-out provision in the current Fraternal Order of Police (FOP) and International Association of Firefighters (IAFF) contracts which will pay up to four days if less than four days sick leave is utilized during the year. Each December the District Court personnel can get reimbursed for their sick leave that has been accumulated except for a mandatory three days which must be carried over (also note that District Court personnel get 9 days per year sick leave). District Court employees are reimbursed 100% of their sick leave earned after 1980, except the current year credit, at termination. The sick leave earned prior to 1980 is paid at 50% at retirement. Sick leave buy-out on retirement is budgeted on an annual basis and is projected on an estimated number of retirements. The City also pays the annual health care insurance premiums for eligible retired employees and their spouses.

In 1984, the City retroactively recorded compensated absences (unpaid vacation and sick leave) and workers' compensation claims payable as required by NCGA Statement 4, "Accounting and Financial Reporting Principles for Claims and Judgements and Compensated Absences." As of June 30, 2008, accrued vacation and sick leave liability totaled $12,410,803.85.

Insurance

The City maintains self-funded insurance for liability associated with workers compensation. Up to $750,000 per occurrence is self-funded and the City maintains commercial excess insurance coverage of up to $2 million per occurrence.

The City is insured by Underwriters of Lloyd's of London with a $1 million underlying general liability policy and a $15 million umbrella policy with Lexington. Several lawsuits asserting various claims against the City are in progress for which it is probable that the City will incur losses of approximately $150,000, all of which is expected to be covered by general liability insurance. In addition, civil lawsuits of various types are in progress against the City for which there is a reasonable possibility that the City will incur losses of approximately $150,000, all of which is expected to be covered by general liability insurance.

The City maintains all-risk replacement cost insurance on all buildings owned by the City. The current replacement cost of insured City buildings is approximately $533,015,548.

Retirement Systems

The City administers two defined benefit retirement systems and a defined contribution system which cover virtually all of its employees. The City's contribution to both plans covers virtually all of its employees. The City's contribution to both plans covers current service costs, unrealized investment income on unfunded accrued liabilities (prior service costs) and the amortization of unfunded accrued liabilities net of employee contributions. Participants in the Employees' Retirement System contribute 1.7% to 6.75% of their gross wage and participants in the Police Retirement System contribute approximately 4.6% to 9.52% of their gross wages.

In October 2003, most employees who were included in a defined contribution plan became eligible to participate in the City's Employees' Retirement System's defined benefit plan for all future years of service.

The actuary for both City plans is Gabriel, Roeder, Smith and Company of Detroit, Michigan.

In an attempt to plan for the long term cost of retiree health insurance, the City has begun the refunding of retiree health insurance.

Employees Retirement System

Schedule of Employer Contributions

($ amounts in thousands)

Fiscal Year Ending June 30	Valuation Date December 31	Annual Required Contributions*	Percentage Contributed
2004	2002	$3,466	100.9%
2005	2003	4,675	100.0
2006	2004	4,900	100.0
2007	2005	5,231	100.0
2008	2006	6,022	102.0
2009 Estimate	2007	6,048	100.0

* Due on September 1st

Schedule of Funding Progress

($ amounts in thousands)

Actuarial Valuation Date December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age # (b)	Unfunded (Overfunded) AAL (b)-(a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
2003	$199,329	$221,088	$21,759	90.2%	$30,579	71.2%
2004	206,200	231,389	25,189	89.1	32,383	77.8
2005	207,881	245,242	37,361	84.8	30,851	121.1
2006	208,765	251,427	42,662	83.0	31,944	133.6
2007	208,572	254,356	45,784	82.0	31,797	144.0

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

Police and Fire Retirement System

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

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

There were no changes in benefit provisions, actuarial assumptions, or methods affecting the December 31, 2003 actuarial valuation.

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

Schedule of Employer Contributions

($ amounts in thousands)

Fiscal Year Ending June 30	Valuation Date December 31	Annual Required Contributions*	Percentage Contributed
2004	2002	$3,287	99.6%
2005	2003	3,334	100.0
2006	2004	4,659	100.0
2007	2005	5,386	100.0
2008	2006	6,521	101.0
2009 Estimate	2007	6,094	100.0

* Due September 1st.

Schedule of Funding Progress

($ amounts in thousands)

Actuarial Valuation Date December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age # (b)	Unfunded (Overfunded) AAL (b)-(a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
2003	$277,947	$267,786	($10,161)	103.8%	$26,484	(38.4%))
2004	275,807	279,873	4,066	98.5	27,754	14.7
2005	273,421	290,299	16,878	94.2	27,855	60.6
2006	278,839	308,193	29,354	90.5	29,582	99.2
2007	293,570	315,635	22,065	93.0	29,600	74.5
2008	N/A					

* After changes in benefit provisions.

OTHER POST EMPLOYMENT BENEFITS

The City contributes to the Employees' Retirement System, the Police and Fire Retirement System and the Voluntary Beneficiary Association (VEBA), amounts to pre-fund post employment health care. In the Employees' Retirement System and the Police and Fire Retirement System, these other post employment benefits (OPEB) are set up as reserves in the pension plans, and their investments are commingled with the investments of the pension. Portfolio makeup is reported as a percentage of total pension plan assets. Earnings are calculated based on a seven year smoothed rate of return of the retirement systems. Eligible participants include any retirees who receive pension benefits under the respective pension plans. OPEB plan provisions are established and may be amended by the City Council, subject to the City's various collective bargaining agreements.

DEBT STATEMENT (as of June 30, 2009)

The following table of direct debt includes bonds payable from ad valorem taxes that may be levied without limitation as to rate or amount (marked "UT"). Each series of bonds marked "LT" is payable in the first instance from a specified source and is payable from the general funds of the Issuer in the event of insufficiency of the specified source. The Issuer is not authorized to levy taxes beyond constitutional and statutory tax rate limitations with respect to the bonds marked "LT".

DIRECT DEBT

	Dated Date	Amount Outstanding	
General Obligation Bonds			
SELF SUPPORTING BONDS			
Sewer, LT, SS	06/25/92	$2,085,000	
Sewer, LT, SS	04/01/93	3,215,000	
Sewer, LT, SS	03/31/94	1,475,000	
Sewer, LT, SS	06/28/94	1,655,000	
Sewer, LT, SS	12/20/94	200,000	
Sewer, LT, SS, Series 2	03/30/95	3,385,000	
(CSO, Phase 2, Segment 3) LT, SS	06/27/96	1,580,000	
(CSO, Phase 2, Segment 3, Series 1) LT, SS	10/03/96	2,020,000	
Sewer (CSO Phase 2, Segment 4), LT, SS	03/27/97	2,825,000	
Sewer (CSO, Phase 2, Segment 5, Series 5) LT, SS	06/25/98	6,810,000	
Sewer (Phase III, Segment 1) LT, SS	04/01/99	6,185,000	
(CSO, Phase III-Segment. 1) LT, SS	03/30/00	6,450,000	
Sewer, LT, SS	03/29/01	7,650,000	
Sewer (CSO, Phase III-Segment, 4), LT, SS	03/28/02	10,845,000	
Sewer (CSO, Segment 14-44), LT, SS	03/27/03	8,225,000	
CSO Sewer #16, LT, SS	03/25/04	4,085,000	
CSO Sewer #17, LT, SS	03/25/04	8,410,000	
CSO, Sewer #18, LT, SS	03/31/05	13,340,000	
CSO, Sewer #19, LT, SS	03/30/06	18,050,000	
CSO, Sewer #20, LT, SS	04/17/09	20,039,250	
Capital Improvement, LT, SS	07/22/09	20,000,000	
			148,529,250
NON-SELF SUPPORTING BONDS			
Fire Department Facilities, UT	05/01/01	3,000,000	
Convention Center, LT	02/01/06	3,440,000	
Fire Station Refunding Bonds	03/29/07	1,765,000	
LT - MMBA	03/29/07	26,000,000	
LT - MMBA	04/01/08	29,130,000	
			63,335,000
Revenue Bonds			
Sewerage Disposal and Refunding	09/15/98	4,390,000	
Water & Electric Utility, 1999A	10/06/99	4,685,000	
Water & Electric Utility, Jr. Lien	12/16/99	5,045,000	
Water & Electric Utility, 2002B	08/01/02	11,095,000	
Water & Electric Utility, 2002A	08/01/02	22,050,000	
Water & Electric Utility and Refunding, 2003A	09/01/03	27,890,000	
Sewer Revenue and Refunding	12/18/03	33,895,000	
Water & Electric Utility and Refunding, 2005A	01/25/06	12,325,000	
Water & Electric Utility Series 2008A	04/23/08	40,000,000	
Water & Electric Utility Series 2009A, Jr. Lien	06/22/09	46,255,000	
			207,630,000
Michigan Transportation Fund Bonds			
MTF, LT	04/01/06	685,000	
MTF, LT	03/29/07	3,945,000	
MTF, LT	05/08/08	3,385,000	
			8,015,000

Authority Bonds			
Building Auth, Parking, LT, SS	05/17/90	4,860,000	
Tax Increment Finance Authority & Refunding, LT, SS	12/21/94	6,667,000	
Building Auth., Golf Course, LT, SS	10/01/96	700,000	
Building Auth., Series A, Tax Exempt, LT, SS	08/18/03	1,975,000	
Building Auth., Series B, Taxable, LT, SS	08/18/03	7,805,000	
Brownfield Redevelopment Auth., Taxable, LT	08/01/04	1,695,000	
Parking and Firing Range Refunding, LT	12/28/05	14,285,000	
Building Auth., Refunding Bonds SS	03/29/07	7,920,000	
			45,907,000
Share of County Issued Bonds			
Joint Building Authority		$4,746,880	
Drain, SS		161,350	
Drain, Gilbert West Town		226,800	
			5,135,030
TOTAL DIRECT & INDIRECT DEBT			$478,551,280
Less: Michigan Transportation Fund Bonds		(8,015,000)	
Self-Supporting Pollution Abatement Bonds		(148,529,250)	
Self-Supporting Authority Bonds		(29,927,000)	
Special Assessment		(161,350)	
Revenue Bonds		*(207,630,000)*	(410,242,600)
NET DIRECT & INDIRECT DEBT			$63,308,680

OVERLAPPING DEBT

Percent	Municipality	Amount Outstanding	City's Share	
4.04%	East Lansing School District	$71,759,180	$2,899,071	
2.90	Grand Ledge School District	77,680,000	2,252,720	
2.74	Holt School District	96,513,948	2,644,482	
83.38	Lansing School District	62,565,000	52,166,697	
3.42	Okemos School District	34,467,000	1,178,771	
0.26	Waverly School District	37,955,000	98,683	
2.55	Eaton County	35,710,430	910,616	
30.10	Ingham County	31,601,928	9,512,180	
1.43	Eaton ISD	1,520,000	21,736	
21.87	Lansing Community College	63,775,000	13,947,593	
NET OVERLAPPING DEBT				85,632,549
NET DIRECT & INDIRECT AND OVERLAPPING DEBT				$153,941,229

Source: Municipal Advisory Council of Michigan

DEBT RATIOS

Per Capita (114,947)	
Net Direct Debt	$597.75
Net Direct and Overlapping Debt	$1,347.10
Ratio to 2009 Taxable Valuation ($2,509,268,730)	
Net Direct Debt	2.72%
Net Direct and Overlapping Debt	6.13%
Ratio to 2009 State Equalized Valuation ($2,826,542,448)	
Net Direct Debt	2.42%
Net Direct and Overlapping Debt	5.45%

Ratio to 2009 Estimated True Cash Value ($5,653,084,896)

Net Direct Debt	1.21%
Net Direct and Overlapping Debt	2.72%

DEBT HISTORY

The City has no record of default.

FUTURE FINANCING

The City periodically issues bonds to fund a portion of the cost of a comprehensive combined sewer overflow (CSO) correction program. The remaining estimated cost of the CSO program (adjusted for inflation) is $329,871,000 and is expected to be financed through 2019. The City is considering a refunding bond of $6.3 million by the Building Authority and the Tax Increment Finance Authority is considering the issuance of approximately $7.6 million to refund outstanding Tax Increment Finance Authority bonds. The City is also considering issuing $3 million for parking ramp bonds for Lansing Center in 2010.

OTHER DEBT

The City has entered into contracts for purchase of lands, property or equipment to be paid for in installments under Act 99, Public Acts of Michigan, 1933, as amended. The outstanding balance of all purchases authorized under Act 99, exclusive of interest, is limited to 1-1/4% of the taxable value of the real and personal property in the City.

2009 Taxable Value	$2,509,268,730
Act 99 Debt Limit: 1-1/4% of Taxable Value	$31,365,859
Outstanding Balance of Act 99 Debt* :	(11,354,084)
Additional Act 99 debt which could be legally incurred:	$20,011,775

* This balance is a first budget obligation of the City.

LEGAL DEBT MARGIN (as of June 30, 2009)

The net indebtedness of the City shall not be in excess of 10% of the state equalized valuation of all real and personal property. Obligations which are not included in the computation of legal debt margin according to the statutes incorporating the unit of government are:

(1) Special Assessment Bonds;
(2) Mortgage Bonds;
(3) Michigan Transportation Fund Bonds;
(4) Revenue Bonds;
(5) Bonds issued, or contracts or assessment obligations, incurred, to comply with an order of the Water Resources Commission (now the Department of Environmental Quality) or a court of competent jurisdiction;
(6) Other obligations incurred for water supply, sewage, drainage or refuse disposal projects necessary to protect the public health by abating pollution.

2009 State Equalized Valuation - excluding IFT values			$2,826,542,448
Plus:	Equivalent 2009 valuation of Act 198 exemptions		71,077,524
Total Valuation			2,897,619,972
Debt Limit - 10% of State Equalized Valuation			$289,761,997
Amount of Direct Debt Outstanding		$478,551,280	
Less:	Transportation Fund Bonds	(8,015,000)	
	Revenue Bonds	(207,630,000)	
	Pollution Abatement Bonds	(148,529,250)	
Total Subject to Debt Limit			(114,377,030)
Additional Debt Which Could Be Legally Incurred			$175,384,967

GENERAL ECONOMIC INFORMATION

LOCATION AND AREA

The City of Lansing (the "City"), the Capital of the State of Michigan (the "State"), encompasses an area of approximately 34 square miles in the northwestern corner of Ingham County and the northeastern corner of Eaton County. The City is situated within 90 miles of 90 percent of the State's population.

The City is located the following distances from these commercial and industrial areas:

63	miles northwest of Ann Arbor
65	miles southeast of Grand Rapids
73	miles northeast of Kalamazoo
85	miles northwest of Detroit

FORM OF GOVERNMENT

The City was incorporated in 1859. In 1909, the City came under the provisions of Act 279, P.A. 1909, as amended ("Home Rule City Act"). The City operates under a mayor/council form of government. The Mayor is the chief executive of the City and is elected on an at-large basis to serve a four-year term of office. The City Council (the "Council") consists of eight members who are also each elected to serve a four-year term of office. Four Council members are elected by ward and four are elected at-large. The terms of office of the Council members are staggered so that two ward and Council members and two at-large members stand for election every two years. The Council elects from its members a presiding officer and a person to act in the absence of the presiding officer who are referred to as the Council President and Council Vice President, respectively. Each serves a one-year term. During a temporary absence of the Mayor, the President of the Council is the temporary Mayor of the City for the purpose of performing statutory and charter duties of that office.

POPULATION BY AGE

The 2000 U.S. Census estimate of population by age for the City of Lansing is as follows:

	Number	Percent
Total Population	119,128	100.00%
0 through 17 years	35,035	29.41
18 through 64 years	72,488	60.85
65 years and over	11,605	9.74
Median Age	31.4 years	

INCOME

The 2000 U.S. Census estimate of household income for the City of Lansing is as follows:

	Number	Percent
HOUSEHOLDS BY INCOME	49,458	100.00%
Less than $10,000	5,690	11.50
$10,000 to $14,999	3,779	7.64
$15,000 to $24,999	7,622	15.41
$25,000 to $34,999	7,740	15.65
$35,000 to $49,999	9,108	18.42
$50,000 to $74,999	9,271	18.75
$75,000 to $99,999	3,935	7.96
$100,000 to $149,999	1,696	3.43
$150,000 to $199,999	309	0.62
$200,000 or more	308	0.62
Median Income	$34,833	

ECONOMIC INDICATORS

General Motors Corporation

General Motors Corporation is the fourth largest employer in the City of Lansing (See "MAJOR TAXPAYERS"), currently operating two production facilities, the Delta Township Plant and the Grand River Assembly plant, both of which are less than six years old. The Delta Township Plant currently produces the Buick Enclave, the Saturn Outlook and the GMC Acadia crossover vehicles. The Grand River Assembly Plant currently produces Cadillac STS and CTS models. Following the layoff of 1,246 employees working the second shift at the Lansing Delta Township Plant earlier this year, General Motors is currently employing approximately 5,000 people.

General Motors filed for Chapter 11 bankruptcy protection on June 1, 2009 and the ultimate impact of this bankruptcy filing on the City is unknown at this time. Based on the following pre and post-petition announcements, however, the City currently estimates that it may not encounter the extreme negative impact that will be felt by other communities:

1. In April 2009, General Motors announced temporary plant shutdowns at 13 of its production facilities. Only one of the two Lansing based plants, the Grand River Assembly plant, was affected by this shutdown (and on June 9, 2009, GM extended this temporary shutdown by four weeks). The Lansing Delta Township Plant was not among the plants shut down; in fact it is not expected to have the normal two weeks shutdown.

2. In connection with the June 1, 2009 bankruptcy filing, neither Lansing plant was identified for permanent closure.

3. On June 1, 2009, General Motors announced that it intends to move production of the Traverse cross-over vehicle from its Spring Hill, Tennessee plant to the Lansing Delta Township plant.

4. On June 19, 2009, General Motors announced that of the 1,246 layoffs previously made by GM at the Lansing Delta Township Plant; it intends to return approximately 900 workers to work on August 24, 2009, restoring a second shift at the plant, due to rising demand for the Buick Enclave, Saturn Outlook and GMC Acadia crossover vehicles produced at the Lansing Delta Township Plant.

5. The City is home to only a handful of major auto suppliers, so the supplier level impact of the GM bankruptcy is not expected to be as large in Lansing as in some other communities.

As noted above, GM has filed significant tax appeals with the City of Lansing (See "MAJOR TAXPAYERS"). The City is closely monitoring the loss in both tax revenue and taxable valuation that it may face from the bankruptcy and from tax tribunal issues at the company level and is prepared to make appropriate budget adjustments if needed. The City is also taking into consideration that it may see a short term yet moderate loss of individual income tax during the summer as a result of the situation and is prepared to make appropriate budget adjustments if needed.

Over a period of many years, the City has significantly reduced its dependence on the automotive industry and carefully managed the fiscal impact of its lessened dependence. The City will be monitoring the GM situation and is prepared to address issues associated with the bankruptcy as they arise, if necessary.

State of Michigan Government

In January of 2010, the new Michigan State Trooper building will be completed in downtown Lansing, bringing an additional 560 state employees to the downtown and to the individual income tax rolls of the City. Several hundred more state workers have been added to the downtown from other parts of the County over the last year. While this consolidation trend, within the City and specifically downtown, will continue at least for the final 18 months of Governor Granholm's term, it is likely that there will also be additional furlough days over the next three years (maybe 6-12 a year) and some level of layoffs or early retirement replaced by younger and lower level paid employees (perhaps in the several thousand), though most of these layoffs will occur outside of the City (prisons, field offices, patrols). These factors may represent a minor individual income tax concern for the City.

The most significant state impact on all municipalities, including the City, will be in the area of revenue sharing. The City expects to be impacted in this area over the next three years.

New Developments

The City has several projects underway including the following major developments: The $182 million national headquarters for Accident Fund insurance are under construction with a completion date in 2011. The project employs more than 500 construction workers and will help create 500 new professional jobs when complete. A new building to house Michigan State Troopers will be completed in January 2010 bringing 560 new employees to the City. Construction of the $1.6 million City Market is underway and is scheduled for completion by late 2009. It will be accompanied by a $3.2 million river front development that is will create a new and dynamic river front on the shores of the river at the Power Station and new city market. This project is also anticipated to be mostly completed by the fall of 2009. A $24 million mixed use Market place project is scheduled to commence within 18 months following the completion of the City Market project.

Many businesses are adding employees across the City: Niowave is doubling its workforce; Demmer continues to add new jobs in the hundreds as does Jackson National Life. City officials, based on communications with the auto industry, believe that the auto industry in Lansing will become stronger, with production consolidating and increasing in the two new GM car assembly plants.

From a regional perspective, Michigan State University, State government, Cooley Law School and the two major health systems builds into the economy a certain level of stability and continuous, new opportunities. This year, construction has commenced on Michigan State University (MSU) campus, for the Facility for Rare Isotope Particle Beams (FRIB), a ten-year $550 million federally approved and financed project that will be the world's only cyclotron operating at this new performance level. Also on campus, IBM recently announced the location of a major facility that will generate nearly 1,500 jobs, 150 being added this year.

Underway are two economic initiatives by Mayor Bernero: "Linking Lansing and U" connects lifestyle and job opportunities with MSU. The City has hosted more than 500 MSU students, connecting them with job opportunities, events, and job shadowing and internship programs. Information Technology Empowerment Center (ITEC) is the second program utilizing a vacant elementary school for partnerships between the City, MSU and Lansing School District and several private IT firms, to provide learning environments that provides learning and creativity experiences for students.

EMPLOYMENT CHARACTERISTICS*

The following companies located in the Lansing region offer employment opportunities for residents.

Lansing Region (500 or more employed)	Product/Service	Approx. No. Employed
State of Michigan (Eaton & Ingham Co.)	Government	14,355
Michigan State University	Education	10,500
Sparrow Hospital System	Health care	5,500
General Motors Corporation [1]	Automotive	5,000
Lansing Community College	Education	3,180
Ingham Regional Medical Center	Health care	2,500
Lansing School District	Education	2,106
Meijer, Inc.	Retail	1,800
Auto Owners Insurance	Insurance	1,400
Peckham Industries	Textiles, auto parts	1,540
Jackson National Life Insurance	Insurance	1,393
Ingham, County of	Government	1,258
Lansing, City of	Government	1,128
U.S. Post Office	Postal service	1,200
Wal-Mart	Retailer	1,185
Dart Container Corp.	Containers	1,164
Lansing Mall[2]	Retail shopping center	1,100
John Henry Company	Printing	750
Quality Dairy	Food goods	730
Lansing Board of Water & Light	Utility	712
Electronic Data Systems Corp., EDS	Data processing	660
Michigan Farm Bureau	Insurance	650
Henry Co., John	Plastic & paper printed floral	650
East Lansing, City of	Government	634
Grand Ledge Public Schools	Education	630
Holt Public Schools	Education	625

SBC Ameritech	Communications utility	625
Farm Bureau	Insurance	625
Accident Fund of Michigan	Insurance	549
Blue Cross / Blue Shield of Michigan	Insurance	525
Consumers Energy Company	Utility	520
United Parcel Service	Delivery service	518
Spartan Motors	Auto parts	503

*The approximate number of employees listed above are as reported in the sources indicated below. Because of reporting time lags and other factors inherent in collecting and reporting such information, the numbers may not reflect recent changes in employment levels, if any, nor are they necessarily indicative of the current financial condition of the employers listed in light of the significant economic downturn currently affecting the nation and the State.

[1] GM laid off 1,246 workers from its Lansing Delta Township facility. GM just announced that 900 of the laid off workers will return to work due to the popularity of the models produced at the facility. A second shift is scheduled to be operational on August 24, 2009. The exact increase in employment levels attributable to a second shift and the production of the Traverse in Lansing, should it occur, is not known at this time. GM filed for Chapter 11 bankruptcy protection on June 1, 2009.

[2] Lansing Mall (General Growth Properties) filed for Chapter 11 bankruptcy protection on April 22, 2009.

Source: 2009 Michigan Manufacturers Directory, 2009 Crain's Book of Lists, Manta Company Intelligence website, the Michigan Economic Development Corporation l ("MEDC"), and individual employers.

BUILDING PERMITS

Commercial and Industrial

The City of Lansing report of the number of building permits for commercial and industrial properties and the dollar value on the permits is as follows:

Year	No. of Permits	Value on Permits
2006	286	$36,043,163
2007	277	$29,972,926
2008	303	$73,450,022
2009 (June 23)	126	$24,356,241

Residential Privately-Owned

The U. S. Census Bureau report of the number of building permits for privately owned residential property and the dollar value on the permits within the City is as follows:

Year	No. Of Permits	Value on Permits
2006	66	$16,151,747
2007	49	$7,305,955
2008	10	$1,748,387
2009 (April)	1	$155,500

EMPLOYMENT BREAKDOWN

The 2000 U. S. Census reports the occupational breakdown of persons 16 years and over for the City of Lansing as follows:

	Number	Percent
PERSONS BY OCCUPATION	57,751	100.00%
Professional Specialty Occupations	16,103	27.88
Service Occupations	10,933	18.93
Sales & Office Occupations	16,632	28.80
Farming, Fishing, & Forestry Occupations	102	0.18
Construction & Maintenance Occupations	4,820	8.35
Transportation & Material Moving Occupations	9,161	15.86

The breakdown by industry for persons 16 years and over for the City of Lansing is as follows:

	Number	Percent
PERSONS BY INDUSTRY	57,751	100.00%
Agriculture, Forestry, Fishing, Hunting & Mining	188	0.32
Construction	3,268	5.66
Manufacturing	6,836	11.84
Wholesale Trade	1,725	2.99
Retail Trade	6,838	11.84
Transportation	2,226	3.85
Information	1,454	2.52
Finance, Insurance, & Real Estate	3,688	6.39
Professional & Management Services	4,405	7.63
Educational, Health & Social Services	13,041	22.58
Arts, Entertainment, Recreation & Food Services	5,412	9.37
Other Professional and Related Services	3,192	5.53
Public Administration	5,478	9.48

UNEMPLOYMENT*

The Michigan Department of Energy, Labor and Economic Growth, Office of Labor Market Information, reports unemployment averages for the City of Lansing as compared to the State of Michigan as follows:

	Lansing MSA	State of Michigan
2009 YTD Average (May)	15.6%	13.9%
2008 Annual Average	9.7	8.4
2007 Annual Average	8.3	7.2
2006 Annual Average	8.5	6.9
2005 Annual Average	8.6	6.8

*not seasonally adjusted

RETAIL SALES

A breakdown of retail sales (000's omitted) for Ingham County as compared to the State of Michigan, as reported in the 2006 Editor & Publishers Market Guide, is as follows:

	NUMBER OF STORES		ESTIMATE OF RETAIL SALES (000's omitted)	
Product/Service	County of Ingham	State of Michigan	County of Ingham	State of Michigan
Auto*	128	4,234	$1,305,399	$44,214,183
Furniture	71	1,970	159,151	4,554,363
Electrical Appliance	60	1,589	155,695	4,090,927
Lumber & Hardware	65	3,421	357,750	13,641,603
Food	158	5,973	448,591	17,543,450
Drugs	92	2,861	284,149	9,652,260
Gasoline	109	4,201	376,618	14,280,459
Apparel	178	4,792	249,662	7,370,355
General Merchandise	38	1,450	1,011,109	27,621,916
TOTALS	919	30,491	$4,348,124	$142,969,516

*Does not reflect announced dealership closings

BANKING

The following banks have branches located within the City. Deposits are as reported in the Accuity American Financial Directory, July - December 2009.

Bank	Main Office	Total State-Wide Deposits
Bank of America	Charlotte, NC	N/A
JPMorgan Chase Bank, National Association	Columbus, OH	N/A
Capitol National Bank	Lansing	$225,230,000
Chemical Bank	Midland	2,979,052,000
Citizens Bank	Flint	8,010,049,000
Comerica Bank	Dallas, TX	N/A
The Dart Bank	Mason	215,589,000
Fifth Third Bank, Michigan	Grand Rapids	39,964,858,000
First National Bank of America	East Lansing	231,719,000
Mason State Bank	Mason	69,819,000
National City Bank (PNC)	Camp Hill, PA	N/A

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APPENDIX B

CITY OF LANSING
General Fund Budget Summaries
For the Year Ended June 30, 2009 & 2010

GENERAL FUND REVENUE	2009 Adopted Budget*	2010 Adopted Budget
Taxes and special assessments	$ 39,899,244	41,273,556
Income taxes	29,400,000	30,300,000
Licenses and permits	1,448,824	1,598,500
Intergovernmental	17,622,084	17,640,993
Charges for services	8,543,453	9,031,622
Fines and forfeits	3,910,975	3,397,050
Interest and rents	1,238,120	928,900
Contributions	10,900,000	11,850,000
Other revenues	212,300	563,800
Transfers in	562,000	615,579
TOTAL GENERAL FUND REVENUE	$ 113,737,000	117,200,000
EXPENDITURES		
General government	$25,510,209	$24,254,630
Public safety	64,176,111	64,371,270
Public Works	5,583,870	6,759,000
Parks and recreation	10,418,353	8,790,130
Other functions	1,835,000	1,900,650
Cost Reduction Measures	(3,350,000)	0
Debt service	1,441,455	8,099,800
Transfers out	8,122,002	3,024,520
TOTAL GENERAL FUND EXPENDITURES	$ 113,737,000	117,200,000
Revenues Over (Under) Expenditures	0	0
Total Unaudited Reserves	12,635,231	12,635,231
Anticipated Fund Balance Reservations and Designations	(2,700,000)	(2,700,000)
Total Unaudited Fund Balance, Ending	$ 9,935,231	$ 9,935,231

*Subsequent to the adoption of the FY 2009 budget, the budget was amended to re appropriate (carry forward) departmental appropriations from FY 2008 in the amount of $761,302. A budget amendment is currently pending before City Council to fulfill the cost reduction measures of the FY 2009 adopted budget and to address a projected shortfall in revenues that occurred due to the fall in interest rates and the State's cut to municipal revenue sharing. While the proposed amendment includes the use of $800,000 from reserves as a result of the State's cut to revenue sharing so late in the year, it is the Administration's intent, through management, to minimize the use of reserves.

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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

December 19, 2008

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the ***City of Lansing, Michigan***, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lansing'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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lansing, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

675 Robinson Road · P.O. Box 449 · Jackson, MI 49204 · Phone 517.787.6503 · Fax 517.788.8111 · www.rehmann.com

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008, on our consideration of the City of Lansing, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in a separately issued single audit report. 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-12 and the historical pension supplementary information for the Employees' and Police and Fire Retirement Systems listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and do not express an opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Lansing's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Rehmann Robson

MANAGEMENT'S DISCUSSION and ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Lansing, Michigan ("the City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008 for the benefit of the readers of these financial statements. This management's discussion and analysis ("MD&A") is intended to assist the reader in focusing on significant financial issues and provide an overview of the City's financial activity. The City encourages the readers to consider the following information here in conjunction with the financial statements taken as a whole, which follow this section.

HIGHLIGHTS

Government-wide:

- The assets of the City exceeded its liabilities at the close of the fiscal year by $444.2 million (reported as *net assets)*. Component units of the City reported a deficit of net assets of $38.6 million, a decrease of $2.7 million from the previous year. This deficit is planned to be covered by future tax revenue captures in the TIFA Fund and Brownfield Fund.

Fund Level:

- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of $42.0 million. Of this, $39.9 million is reported as unreserved fund balance. While reported as "unreserved" on the face of the Governmental fund Balance Sheet, $7.5 million of the $39.9 million is designated for use in FY 2008/2009, and $2.1 is restricted in accordance with State laws, local ordinances, and trust restrictions, leaving $32.4 million as undesignated.
- At the end of the fiscal year, unreserved fund balance for the General Fund was $4.8 million, an increase of $.4 million. General Fund expenditures came in $346,302 less than revenues. Unreserved/undesignated fund balance increased by $409,023, or 9.4% of revenues
- The business-type activities reported net assets at year-end of $225.7 million, a decrease of $5.3 million during the year.

Debt:

- The City's total debt was $263.9 million at June 30, 2008, a decrease of $1.4 million, which represents the net difference between new issuances, and payments and refunding of outstanding debt. During the year, the City issued debt of $21.7 million, including $6.7 million in limited tax general obligation bonds for its Combined Sewer Overflow (CSO) abatement project, and refunded $9.2 million of limited tax general obligation bonds. More detailed information regarding these activities and funds can be found in footnote 3-G, Long Term Debt which begins on page 49.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Assets (page 13) presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets are an indicator of whether the City's long term financial position is improving or deteriorating.

The Statement of Activities (pages 14 and 15) presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

- *Governmental Activities* – Most of the City's basic services are reported under this category. Property taxes, income taxes, and intergovernmental revenues generally fund these services. The Council (legislative branch), the District Court (judicial branch), and general operations of the executive branch departments, such as police, fire, parks, public works, and staff departments fall within the governmental activities.

- *Business-type Activities* – The City charges fees to customers to help cover all or most of the cost of certain services it provides. Sewage collection and treatment and commercial area parking are examples of business-type activities.

- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City has three such discretely presented units; the Lansing Entertainment and Public Facilities Authority, the Tax Increment Finance Authority, and the Brownfield Redevelopment.

C-3

These financial statements include two schedules (pages 17 and 19) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (full accrual accounting) on the appropriate government-wide statements. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.

- Certain revenues that are earned, but not available for use within the reporting period, are reported as revenues for governmental activities, but are reported as deferred revenue on the governmental fund statements.

- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements.

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

- Bond issuance costs, discounts and premiums in the issuance of long term debt, are reported as expenditures in governmental fund statements, but are capitalized and amortized in the government-wide statements.

- Unless due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and others only appear as liabilities in the government-wide statements.

- Capital outlay spending in excess of capitalization thresholds are recorded as capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.

- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.

- Certain other outflows, such as debt service principal payments, represent decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 30 of this report.

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

The City's Major Funds are identified as its Sewage Disposal Fund, and it's Parking System Fund, along with its General Fund. The major fund financial statements begin on page 16. In addition to major funds, individual fund data for the non-major funds begins on page 67. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose.

- *Governmental funds* -- Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are greater or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.

- *Proprietary funds* -- When the City charges customers for the services it provides, whether to outside customers or to other agencies within the City, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize full accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. Examples are the Sewage Disposal Fund and the Parking Fund. Internal service funds are reported as governmental activities on the government-wide statements.

- *Fiduciary Funds* -- The City acts as a trustee or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 25. These funds, which include pension and other employee benefit funds, are reported using full accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent spendable assets of the City to finance its operations.

Additional Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles (GAAP) fund balances at fiscal year-end, and required pension supplementary information.

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The City's combined net assets decreased $11.4 million over the course of this fiscal year's operations to a total of $444.2 million. The net assets of the governmental activities decreased $6.1 million or 2.7% and business-type activities decreased $5.3 million or 2.3%.

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

	Governmental Activities		*Business-type Activities*		*Total Primary Government*	
	2008	*2007*	*2008*	*2007*	*2008*	*2007*
Assets						
Current and other non-current assets	$ 77.2	$ 73.3	$ 78.1	$ 99.8	$ 155.3	$ 173.1
Capital assets	223.5	221.4	375.4	359.1	598.9	580.5
Total assets	$ 300.7	$ 294.7	$ 453.5	$ 458.9	$ 754.2	$ 753.6
Liabilities						
Liabilities						
Long-term liabilities	$ 56.7	$ 52.3	$ 219.7	$ 218.7	$ 276.4	$ 271.0
Other liabilities	25.5	17.8	8.0	9.2	33.5	27.0
Total liabilities	$ 82.2	$ 70.1	$ 227.7	$ 227.9	$ 309.9	$ 298.0
Net assets						
Invested in capital assets, net of related debt	187.1	184.1	178.5	166.3	365.6	350.4
Restricted	34.5	37.7	30.8	35.8	65.3	73.5
Unrestricted (deficit)	(3.1)	2.8	16.4	28.9	13.3	31.7
Total net assets	$ 218.5	$ 224.6	$ 225.7	$ 231.0	$ 444.2	$ 455.6

The largest component (82.3%) of the City's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Restricted net assets are the next largest component, comprising 14.7%, and are subject to external restrictions such as bond covenants, City Charter, State legislation or Constitutional provision. The remaining portion, unrestricted net assets are resources that may be used at the City's discretion, but often have limitations based on policy action.

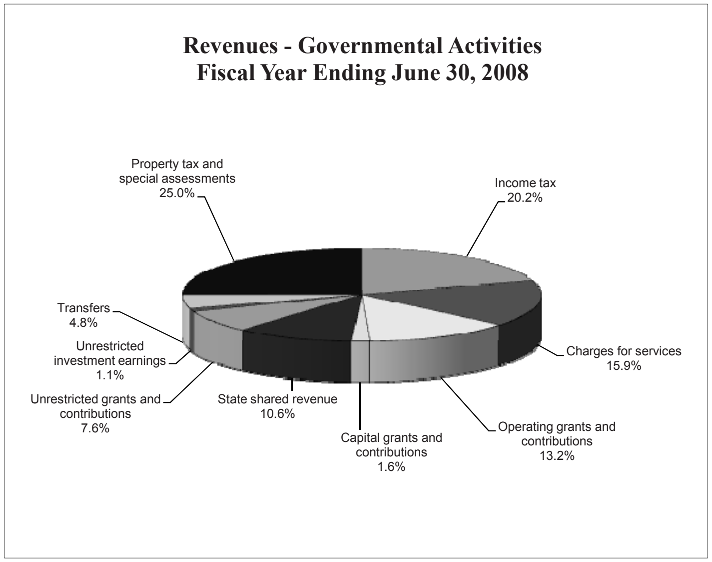
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's net assets changed during the fiscal year:

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

	Governmental Activities		*Business-type Activities*		*Total Primary Government*	
	2008	*2007*	*2008*	*2007*	*2008*	*2007*
Revenues						
Program revenues						
Charges for services	$ 24.6	$ 24.4	$ 43.5	$ 43.6	$ 68.1	$ 68.0
Operating grants	20.4	16.5			20.4	16.5
Capital grants	2.5	2.2	.2	.2	2.7	2.4
General revenues						
Taxes	69.8	66.6			69.8	66.6
State shared revenue	16.5	16.4			16.5	16.4
Unrestricted Grants and Contributions	11.7	10.8			11.7	10.8
Unrestricted Investment						
Earnings	1.7	2.5	1.9	2.8	3.6	5.3
Total revenues	147.2	139.4	45.6	46.6	192.8	186.0
Expenses						
General government, administrative	28.9	22.0			28.9	22.0
Public Safety	76.2	62.6			76.2	62.6
Public Works	40.0	40.5			40.0	40.5
Recreation and Culture	7.7	6.2			7.7	6.2
Community Development	6.4	6.2			6.4	6.2
Interest on Long Term Debt	1.5	1.7			1.5	1.7
Sewage Disposal System			27.4	24.7	27.4	24.7
Municipal Parking System			10.2	10.2	10.2	10.2
Cemetery			.7	.7	.7	.7
Golf			1.1	1.4	1.1	1.4
Garbage and Refuse Collection			1.4	1.4	1.4	1.4
Recycling			2.9	2.8	2.9	2.8
Potter Park Zoo			(.2)	3.0	(.2)	3.0
Total expenses	160.7	139.2	43.5	44.2	204.2	183.4
Excess before transfers	(13.5)	.2	2.1	2.4	(11.4)	2.6
Transfers in (out)	7.4	(3.1)	(7.4)	3.1	-	-
Changes in net assets	(6.1)	(2.9)	(5.3)	5.5	(11.4)	2.6
Beginning net assets as restated	224.6	227.5	231.0	225.5	455.6	453.0
Ending net assets	$ 218.5	$ 224.6	$ 225.7	$ 231.0	$ 444.2	$ 455.6

Governmental Activities:

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



Property taxes comprised 25.0% of Governmental Activities revenue, with $2,232,269 representing debt service on voted unlimited tax- general obligation debt. The City's operating millage is currently 14.95 mills. In accordance with Charter and State Constitutional provisions, the City may levy up to 19.1692 mills for operations in FY 2009.

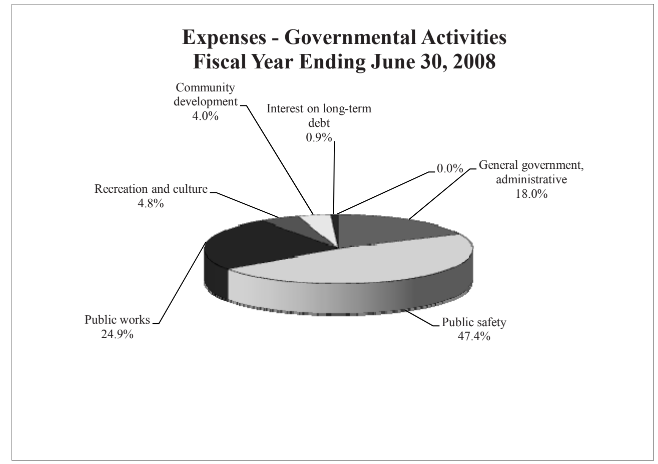
Income taxes comprised 20.2% of Governmental Activities revenue which fully appears within the General Fund. Local income tax rates are prescribed by State law, and limited in Lansing's case to 1% of resident income and 0.5% of the income of persons working in the City, but living outside of its corporate boundaries. Income tax revenue increased almost $3 million, due in part to increased collection efforts.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes.

Public works operating grants increased $2.8 million.

Transfers in relate to the assets of the Potter Park Zoo being transferred from business-type activities to governmental-type activities. The operation of the Zoo was transferred to Ingham County in fiscal year 2008.

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



General government and public safety expenditures increased from last year due to increases in worker's compensation liabilities, new "Other Post Employment Retirement" obligations, increases in accrued compensated absences, and elimination of internal service fund balances

Business-type Activities

Net assets of the business-type activities decreased by $5.3 million during the fiscal year.

The Sewage Disposal System Fund net assets increased by $1.7 million. This is primarily a result of funding for capital costs of the combined sewer separation project. Sewage system revenues are expected to increase by 4% per year over the next five years to continue this 30 year project.

Transfers out for Business-type activities exceeded transfers in due to the Parking System transferring funds to Capital Projects, and the Zoo Fund being removed and having its assets transferred to the Governmental activities of the City.

Within non-major funds, Cemeteries and Golf remain subsidized by the General Fund.

The City of Lansing is continuing its five year plan to eliminate the unrestricted net asset deficit in the Golf Fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds reported fund balances of $42.0 million. Of this total amount, $32.2 million, constitutes unreserved unrestricted fund balance, which is available for appropriation for the general purposes of the City. This includes $5.7 million in the City's Budget Stabilization Fund and $4.8 million in the General Fund. Further of the total amount of $42.0 million, $4.3 million constitutes unreserved fund balances but are restricted for the purposes of the funds they were set up for. The remainder of fund balance is reserved and is not available for new spending because it has already been reserved for specific purposes, including special assessments and encumbrances.

General Fund
The General Fund is the chief operating fund of the City. At the end of fiscal year 2008, the General Fund fund balance was $7.2 million, including an unreserved/undesignated fund balance of $4.8 million. General Fund expenditures came in $346,302 less than revenues. Unreserved/undesignated fund balance increased by $409,023, or 9.4% of revenues, compared to 9.3% of revenues as of June 30, 2007.

General Fund Budgetary Highlights:
Under Mayor Bernero's leadership, the FY 2008 budget was adopted at a level consistent with projected revenues; no use of fund balance or the City's Budget Stabilization Fund was budgeted. The FY 2007/2008 budget included the reduction of 45 positions through a combination of attrition and the transfer of Potter Park Zoo operations to Ingham County. During the year, the budget was adjusted, based on updated revenue projections, donations, FY 2007 budget re-appropriations, and cleanup costs for storm damage resulting from two separate tornados that hit the City.

Also during the year, the City adjusted its budget and its spending in response to the following outcomes:

- Due largely to a new income tax compliance initiative and economic development efforts, the City received $2.3 million more in income taxes during the year than was originally budgeted
- In total, revenues came in $1.3 million less than the final budget, due in large part lesser-than anticipated revenue receipts in State revenue sharing, property taxes, traffic tickets, and interest earnings.
- Despite lesser-than-anticipated revenue receipts and storm damage cleanup from the two tornados, the City ended the year with a slight increase in unrestricted/undesignated fund balance.
- As a percentage of General Fund Revenues, the undesignated/unreserved combined fund balance for the General Fund and Budget Stabilization fund (found in the special revenue fund section) was 9.4%, compared to 9.3% as of June 30, 2007.
- The final results demonstrate the City's ability to live within, and manage to, its income.

Sewage Disposal Fund
Net assets increased $1.7 million to $202.5 million in FY2008. This was attributable to an increase in capital assets, net of related debt increasing $18.7 million for the City's continuing combined sewer overflow project.

Parking Fund
The Municipal Parking Fund had a decrease in capital assets net of related debt of $.7 million, mainly from depreciation of assets. Unrestricted net assets decreased $1.2 million, through decreased revenues. Total net assets decreased $1.9 million from this transaction.

Budget Stabilization Fund
Fund balance at June 30, 2008 remained at $5.7 million. The Fund is limited by Ordinance to 10% of year end General Fund appropriations. The City appropriated no amounts to be spent from the fund for the FY 2007/2008 and FY 2008/2009 budgets.

Capital Assets

Capital Assets: At the end of the fiscal year 2008, the City had invested $599 million, net of accumulated depreciation, in a broad range of capital assets (see the table below). Total depreciation charges for the fiscal year were $24.8 million. Additional information regarding the City's capital assets can be found in the notes to the basic financial statements.

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

	Governmental Activities		*Business-type Activities*		*Total Primary Government*	
	2008	***2007***	***2008***	***2007***	***2008***	***2007***
Land	$ 24.7	$ 24.6	$ 13.7	$ 13.9	$ 38.4	$ 38.5
Land improvements	3.9	4.2	14.1	14.5	18.0	18.7
Buildings and improvements	59.6	48.1	94.3	103.9	153.9	152.0
Equipment	7.3	8.2	1.1	.9	8.4	9.1
Sewers	-	-	200.8	183.7	200.8	183.7
Infrastructure	117.2	121.1			117.2	121.1
Subtotal	212.7	206.2	324.0	316.9	536.7	523.1
Construction in progress	10.8	15.2	51.4	42.2	62.2	57.4
Total	$ 223.5	$ 221.4	$ 375.4	$ 359.1	$ 598.9	$ 580.5

Infrastructure capital assets in governmental activity funds of $14,747,700 were removed from service during the year.

Debt Administration

The City, along with the Lansing Building Authority (LBA), a blended component unit of the City, are empowered by law to authorize, issue, and sell debt obligations. Limited tax and unlimited tax general obligation bonds, are backed by the full faith and credit of the City. The City also issues revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. The Sewage Disposal fund has the only dedicated revenue bonds which are currently outstanding. LBA's bonds financed the construction of parking, golf course, and firing range improvements. Revenues derived from user fees from persons using parking and golf facilities fund the debt service requirements for related improvements, but they are also backed by a limited tax pledge. The General Fund pays for firing range related debt service. More detailed information regarding the City's long-term obligations is presented in Note 3-G (Long-Term Debt) to the financial statements.

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

	2008	2007
Governmental:		
Special assessment bonds	$0.00	$0.01
General obligation bonds (backed by the City)	20.62	19.85
Installment purchase contracts	14.04	15.40
Loans	1.53	1.77
Sub-total	36.19	37.03
Business Type:		
General obligation bonds (backed by the City)	182.42	180.18
Revenue bonds and notes (backed by specific fee revenu	41.12	43.95
Loans	4.18	4.18
Sub-total	227.72	228.31
Total	$263.91	$265.34

ECONOMIC CONDITION AND OUTLOOK

The State of Michigan's economic challenges, including the national recession, American automobile industry crisis, housing market and foreclosure impacts on property tax revenues, combined with rising labor force and healthcare costs, continues to place budgetary and fiscal constraints on the City of Lansing. A structural imbalance between revenue and expenditure growth exists, as is the case for the majority of cities, especially those that are urban centers, in Michigan.

To address these budgetary challenges, and to protect vital services to the public, since his inauguration in January, 2006, Mayor Bernero has implemented a budgetary strategy of maximizing revenues; reducing expenses; improving operational and technological efficiencies; collaborating with neighboring municipalities, counties, and non-profit entities to provide funding for City-owned assets that benefit the entire region, as demonstrated by the transfer of Potter Park Zoo operations this fiscal year to Ingham County The Mayor also continues to work aggressively with the unions to contain the rising cost of healthcare and other compensation issues. The FY 2008/2009 budget does not include any use of reserves, and the Mayor has pledged to direct the City in a fiscally responsible manner -- living within the City's means and not using General Fund reserves or increasing the City's property tax rate.

CONTACTING THE CITY FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Department at (517) 483-4500.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Lansing
Statement of Net Assets
June 30, 2008

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
Assets				
Cash and investments	$ 42,639,436	$ 14,085,633	$ 56,725,069	$ 2,254,070
Receivables, net	35,103,669	26,470,752	61,574,421	852,934
Internal balances	(4,446,024)	4,446,024	-	-
Inventories, prepaids and other assets	2,706,417	1,071,541	3,777,958	187,361
Net other postemployment benefit asset	1,252,152	-	1,252,152	-
Restricted assets:				
Cash and investments	-	31,591,445	31,591,445	561,042
Receivables, net	-	400,520	400,520	-
Capital assets not being depreciated	35,535,351	65,087,248	100,622,599	-
Capital assets being depreciated, net	187,931,212	310,300,278	498,231,490	119,606
Total assets	300,722,213	453,453,441	754,175,654	3,975,013
Liabilities				
Accounts payable and accrued liabilities	20,162,133	6,803,394	26,965,527	1,196,663
Accrued interest payable	384,608	1,109,901	1,494,509	10,764,137
Unearned revenues	1,605,222	133,328	1,738,550	672,151
Net other post-employment benefit obligation	3,376,295	-	3,376,295	-
Long-term liabilities:				
Due within one year	14,372,947	16,066,074	30,439,021	3,170,433
Due in more than one year	42,335,644	203,591,439	245,927,083	26,771,405
Total liabilities	82,236,849	227,704,136	309,940,985	42,574,789
Net assets				
Invested in capital assets, net of related debt	187,054,852	178,526,049	365,580,901	66,639
Restricted for:				
Public safety	840,403	-	840,403	-
Public works	7,669,385	-	7,669,385	-
State mandated programs	6,379,879	-	6,379,879	-
Debt service	-	30,565,851	30,565,851	-
Capital projects	18,054,880	326,888	18,381,768	-
Endowments (non-expendable)	1,609,992	-	1,609,992	-
Unrestricted (deficit)	(3,124,027)	16,330,517	13,206,490	(38,666,415)
Total net assets (deficit)	$ 218,485,364	$ 225,749,305	$ 444,234,669	$ (38,599,776)

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

City of Lansing
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities:					
General government	$ 28,901,545	$ 5,938,911	$ 10,835	$ 28,861	$ (22,922,938)
Public safety	76,211,756	12,705,181	1,153,469	-	(62,353,106)
Public works	40,032,746	4,364,525	18,989,543	207,914	(16,470,764)
Recreation and culture	7,677,086	1,556,260	102,423	140,318	(5,878,085)
Community development	6,382,336	66,308	-	2,154,881	(4,161,147)
Interest on long-term debt	1,481,658	-	100,022	-	(1,381,636)
Total governmental activities	160,687,127	24,631,185	20,356,292	2,531,974	(113,167,676)
Business-type activities:					
Sewage disposal system	27,382,736	28,023,322	-	60,091	700,677
Municipal parking system	10,188,065	10,090,566	-	-	(97,499)
Cemetery	675,672	218,688	-	136,226	(320,758)
Golf	1,072,505	607,922	-	-	(464,583)
Garbage and rubbish collection	1,436,642	1,617,717	-	-	181,075
Recycling	2,940,366	3,039,089	-	-	98,723
Potter Park Zoo	(156,270)	(115)	-	-	156,155
Total business-type activities	43,539,716	43,597,189	-	196,317	253,790
Total primary government	$ 204,226,843	$ 68,228,374	$ 20,356,292	$ 2,728,291	$ (112,913,886)
Component units					
Brownfield redevelopment	$ 1,180,374	$ -	$ 323,424	$ -	$ (856,950)
Community development	3,624,584	-	6,750	-	(3,617,834)
Recreation and culture	6,084,352	4,945,861	1,188,726	-	50,235
Total component units	$ 10,889,310	$ 4,945,861	$ 1,518,900	$ -	$ (4,424,549)

Continued…

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City of Lansing
Statement of Activities (concluded)
For the Year Ended June 30, 2008

	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Totals	Component Units
Changes in net assets				
Net (expense) revenue	$(113,167,676)	$ 253,790	$(112,913,886)	$ (4,424,549)
General revenues				
Property taxes	38,607,761	-	38,607,761	6,951,984
Income taxes	31,168,012	-	31,168,012	-
Grants and contributions not restricted to specific programs	28,180,799	-	28,180,799	-
Unrestricted investment earnings	1,706,572	1,883,034	3,589,606	168,726
Gain on sale of capital assets	-	5,348	5,348	-
Transfers - internal activities	1,622,767	(1,622,767)	-	-
Special item - transfer of zoo assets	5,797,900	(5,797,900)	-	-
Total general revenues, transfers and special item	107,083,811	(5,532,285)	101,551,526	7,120,710
Change in net assets	(6,083,865)	(5,278,495)	(11,362,360)	2,696,161
Net assets (deficit), beginning of year	224,569,229	231,027,800	455,597,029	(41,295,937)
Net assets (deficit), end of year	$ 218,485,364	$ 225,749,305	$ 444,234,669	$ (38,599,776)

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

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Major Funds

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

Nonmajor Funds

Non-major governmental funds are presented, by fund type, beginning on the pages listed below:

City of Lansing
Balance Sheet - Governmental Funds
June 30, 2008

	General	Other Governmental Funds	Totals
Assets			
Cash and cash equivalents	$ 2,975,985	$ 8,588,889	$ 11,564,874
Equity in pooled cash	569,527	21,067,268	21,636,795
Investments	-	1,631,189	1,631,189
Accounts receivable, net	16,017,917	1,738,149	17,756,066
Taxes receivable	244,239	-	244,239
Special assessments receivable	-	930,117	930,117
Loans receivable	-	1,404,118	1,404,118
Accrued interest receivable	-	1,776,203	1,776,203
Due from other funds	335,703	968,413	1,304,116
Interfund receivable	-	3,677,051	3,677,051
Advances to other funds	307,848	192,439	500,287
Due from other governments	5,743,939	5,807,603	11,551,542
Due from component units	267,618	-	267,618
Prepaids	78,686	-	78,686
Inventories	1,252,463	-	1,252,463
Total assets	$ 27,793,925	$ 47,781,439	$ 75,575,364
Liabilities and fund balances			
Liabilities			
Accounts payable	$ 6,317,983	$ 2,261,671	$ 8,579,654
Deposits payable	-	233,555	233,555
Accrued payroll	2,705,751	129,106	2,834,857
Retainage payable	2,961,666	-	2,961,666
Indemnity bonds	-	2,060	2,060
Due to other funds	4,974,357	968,222	5,942,579
Interfund payable	-	3,580,778	3,580,778
Advance from other funds	-	307,848	307,848
Due to other governments	1,441,216	349,658	1,790,874
Due to component units	65,456	-	65,456
Deferred revenue	1,709,706	5,137,858	6,847,564
Other	387,338	-	387,338
Total liabilities	20,563,473	12,970,756	33,534,229
Fund balances			
Reserved for advances	307,848	192,439	500,287
Reserved for prepaids	78,686	-	78,686
Reserved for inventories	1,252,463	-	1,252,463
Reserved for encumbrances	126,291	172,912	299,203
Unreserved, designated for subsequent years' expenditures:			
General fund	635,005	-	635,005
Special revenue funds	-	6,877,136	6,877,136
Unreserved, undesignated reported in:			
General fund	4,830,159	-	4,830,159
Special revenue funds	-	7,839,619	7,839,619
Debt service funds	-	256,144	256,144
Capital projects funds	-	17,862,441	17,862,441
Permanent funds	-	1,609,992	1,609,992
Total fund balances	7,230,452	34,810,683	42,041,135
Total liabilities and fund balances	$ 27,793,925	$ 47,781,439	$ 75,575,364

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

City of Lansing
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, 2008

Fund balances - total governmental funds	$ 42,041,135
Amounts reported for *governmental activities* in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets	471,435,044
Deduct - accumulated depreciation	(253,992,128)
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 ambulance fees	717,890
Add - deferred nuisance fees	830,876
Add - deferred loans receivable	1,204,118
Add - deferred long-term interest receivable	1,732,367
Add - deferred long-term special assessments	757,091
Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	11,214,238
Prepaid costs related to other postemployment benefits are not available for current period expenditures and, therefore, are not reported in the funds.	
Add: other postemployment benefit plan asset	1,252,152
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - bonds, loans and leases payable	(35,241,711)
Deduct - accrued interest on bonds, loans and leases payable	(363,743)
Add - deferred bond issuance costs	61,604
Deduct - other postemployment benefit obligation	(3,376,295)
Deduct - compensated absences and other long-term liabilities	(19,787,274)
Net assets of governmental activities	$ 218,485,364

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

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City of Lansing
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General	Other Governmental Funds	Totals
Revenues			
Taxes and special assessments	$ 36,041,763	$ 2,733,959	$ 38,775,722
Income taxes	31,168,012	-	31,168,012
Licenses and permits	1,429,075	-	1,429,075
Intergovernmental	17,424,800	21,131,816	38,556,616
Charges for services	10,314,341	8,802,252	19,116,593
Fines and forfeits	3,402,934	687,463	4,090,397
Interest and rents	940,880	895,605	1,836,485
Contributions	10,884,573	10,000	10,894,573
Donations from private sources	-	326,768	326,768
Other revenues	106,466	224,782	331,248
Total revenues	111,712,844	34,812,645	146,525,489
Expenditures			
Current expenditures:			
General government	26,794,259	2,415,199	29,209,458
Public safety	61,577,212	6,137,948	67,715,160
Public works	5,581,912	-	5,581,912
Highways and streets	-	9,278,478	9,278,478
Recreation and culture	7,980,546	57,744	8,038,290
Other functions	2,385,318	9,420,525	11,805,843
Debt service:			
Principal	1,013,531	3,708,050	4,721,581
Interest	467,690	1,140,013	1,607,703
Capital outlay	-	16,228,127	16,228,127
Total expenditures	105,800,468	48,386,084	154,186,552
Revenues over (under) expenditures	5,912,376	(13,573,439)	(7,661,063)
Other financing sources (uses)			
Transfers in	488,977	13,018,544	13,507,521
Transfers out	(6,055,051)	(6,474,703)	(12,529,754)
Issuance of long-term debt	-	4,018,000	4,018,000
Bond premium	-	34,979	34,979
Total other financing sources (uses)	(5,566,074)	10,596,820	5,030,746
Net change in fund balances	346,302	(2,976,619)	(2,630,317)
Fund balances, beginning of year	6,884,150	37,787,302	44,671,452
Fund balances, end of year	$ 7,230,452	$ 34,810,683	$ 42,041,135

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

City of Lansing
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	$ (2,630,317)
Amounts reported for *governmental activities* in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Add - capital outlay	17,848,235
Add - Transfer in from zoo fund	5,797,900
Deduct - depreciation expense	(17,074,198)
Deduct - loss on disposal of capital assets	(2,965,177)
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.	
Add - change in ambulance fees	546,126
Add - change in deferred special assessments	39,953
Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The net increase (decrease) in the net assets of the internal service funds is reported with governmental activities.	
Deduct - net operating income from governmental activities in internal service funds	(2,116,974)
Add - gain on sale of capital assets from governmental internal service funds	124,436
Deduct - interest expense from governmental internal service funds	(67,707)
Add - capital contributions from governmental internal service funds	28,861
Add - transfers in governmental internal service funds	645,000
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	
Deduct - issuance of long-term debt	(4,018,000)
Add - principal payments on long-term liabilities	4,721,581
Deduct - premium on bond issuances	(34,979)
Certain expenditures are reported in governmental funds that reduce long-term liabilities for purposes of the statement of net assets.	
Deduct - increase in liability for workers' compensation	(3,406,731)
Some expenses reported in the statement of activites do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add - decrease in accrued interest payable on long-term liabilities	178,880
Add - amortization of debt-related costs	14,872
Deduct - decrease in other postemployment benefit obligation	(2,124,143)
Deduct - increase in the accrual for compensated absences	(1,591,483)
Change in net assets of governmental activities	$ (6,083,865)

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

City of Lansing

Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2008

	Budget Original	Budget Final	Actual	Variance with Final Budget
Revenues				
Property taxes	$ 37,322,875	$ 36,722,875	$ 36,041,763	$ (681,112)
Income taxes	28,774,000	29,088,000	31,168,012	2,080,012
Licenses and permits	1,318,640	1,318,640	1,429,075	110,435
Intergovernmental	18,056,698	18,056,698	17,424,800	(631,898)
Charges for services	10,464,478	11,064,478	10,314,341	(750,137)
Fines and forfeits	4,257,000	4,257,000	3,402,934	(854,066)
Interest and rents	1,481,415	1,481,415	940,880	(540,535)
Contributions	9,771,700	10,952,266	10,884,573	(67,693)
Other revenues	100,500	100,500	106,466	5,966
Total revenues	111,547,306	113,041,872	111,712,844	(1,329,028)
Expenditures				
General government:				
Attorney's office	1,304,282	1,334,282	1,305,529	28,753
Cable tv	248,172	249,186	192,323	56,863
City clerk	980,943	956,843	900,571	56,272
Council	798,873	765,215	717,357	47,858
Courts	5,444,776	5,339,779	5,172,293	167,486
Internal audit	148,016	148,981	144,366	4,615
Finance	11,038,651	10,912,854	10,821,359	91,495
General administration	(1,635,000)	1,335,976	1,325,924	10,052
Human resources	1,996,462	1,952,540	1,884,874	67,666
Mayor	737,661	737,661	733,793	3,868
Planning / neighborhood development	3,617,494	3,695,330	3,595,870	99,460
Total general government	24,680,330	27,428,647	26,794,259	634,388
Public safety:				
Police	33,448,187	33,690,324	33,138,639	551,685
Fire	28,847,325	28,633,802	28,438,573	195,229
Total public safety	62,295,512	62,324,126	61,577,212	746,914
Public Works:				
Environmental	5,545,827	5,763,963	5,460,886	303,077
Sidewalks and alleys	271,487	271,487	121,026	150,461
Total public works	5,817,314	6,035,450	5,581,912	453,538
Parks and recreation	8,580,093	8,593,331	7,980,546	612,785
Other functions:				
Human relations / community services	973,511	926,011	900,594	25,417
Human services / community support	1,660,000	1,646,593	1,484,724	161,869
Total other functions	2,633,511	2,572,604	2,385,318	187,286

Continued…

City of Lansing

Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (Concluded)
General Fund
For the Year Ended June 30, 2008

	Budget Original	Budget Final	Actual	Variance with Final Budget
Expenditures (concluded)				
Debt service:				
Principal	$ 980,000	$ 1,013,700	$ 1,013,531	$ 169
Interest and fees	487,000	503,300	467,690	35,610
Total debt service	1,467,000	1,517,000	1,481,221	35,779
Total expenditures	105,473,760	108,471,158	105,800,468	2,670,690
Revenues over expenditures	6,073,546	4,570,714	5,912,376	1,341,662
Other financing sources (uses)				
Transfers in	300,000	300,000	488,977	188,977
Transfers out	(6,477,546)	(6,100,657)	(6,055,051)	45,606
Proceeds on sale of capital assets	104,000	104,000	-	(104,000)
Total other financing sources (uses)	(6,073,546)	(5,696,657)	(5,566,074)	130,583
Net change in fund balance	-	(1,125,943)	346,302	1,472,245
Fund balance, beginning of year	6,884,150	6,884,150	6,884,150	-
Fund balance, end of year	$ 6,884,150	$ 5,758,207	$ 7,230,452	$ 1,472,245

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

Proprietary Fund Financial Statements

Major Funds

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

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

Non-Major Funds and Internal Service Funds

Non-major enterprise funds and internal service funds are presented, by fund type, beginning on the pages listed below:
Enterprise funds, page 91.
Internal Service funds, page 99.

City of Lansing
Statement of Fund Net Assets
Proprietary Funds
June 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Sewage Disposal System	Municipal Parking System	Other Enterprise Funds	Totals	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	$ 1,789,921	$ 434,238	$ 14,201	$ 2,238,360	$ -
Equity in pooled cash	-	10,389,185	1,554,361	11,943,546	7,710,305
Receivables:					
Accounts, net	2,986,012	1,701,215	422,896	5,110,123	1,173,766
Accrued interest	14,706	306,820	-	321,526	-
Lease receivable, current	-	2,667,263	-	2,667,263	-
Inventories	100,537	-	77,655	178,192	720,348
Prepaids	-	-	-	-	588,303
Due from other funds	4,974,166	-	-	4,974,166	-
Restricted assets:					
Cash and cash equivalents	31,309,897	281,548	-	31,591,445	-
Accounts receivable	-	326,888	-	326,888	-
Accrued interest receivable	73,171	461	-	73,632	-
Total current assets	41,248,410	16,107,618	2,069,113	59,425,141	10,192,722
Noncurrent assets:					
Lease receivable	-	18,371,840	-	18,371,840	-
Bond issue costs	455,661	437,688	-	893,349	5,013
Capital assets not being depreciated	51,775,237	12,774,843	537,168	65,087,248	55,297
Capital assets being depreciated, net	279,049,451	27,586,466	3,664,361	310,300,278	5,968,350
Total non-current assets	331,280,349	59,170,837	4,201,529	394,652,715	6,028,660
Total assets	372,528,759	75,278,455	6,270,642	454,077,856	16,221,382
Liabilities					
Current liabilities:					
Accounts payable	6,332,406	77,655	73,191	6,483,252	1,094,982
Deposits payable	-	43,335	-	43,335	-
Accrued interest payable	944,408	154,818	10,675	1,109,901	20,865
Accrued payroll	70,773	50,125	30,820	151,718	149,303
Other	-	-	-	-	2,062,388
Due to other funds	334,878	825	-	335,703	-
Interfund payable	-	-	96,273	96,273	-
Advances from other funds	-	192,439	-	192,439	-
Due to other governments	125,089	-	-	125,089	-
Unearned revenues	-	-	133,328	133,328	-
Current portion of:					
Long-term debt	9,975,000	5,624,472	70,000	15,669,472	130,000
Compensated absences	247,557	111,000	38,045	396,602	301,771
Total current liabilities	18,030,111	6,254,669	452,332	24,737,112	3,759,309
Noncurrent liabilities:					
Long-term debt	151,880,453	50,854,178	696,646	203,431,277	1,040,000
Compensated absences	107,314	48,117	4,731	160,162	207,835
Total non-current liabilities	151,987,767	50,902,295	701,377	203,591,439	1,247,835
Total liabilities	170,017,878	57,156,964	1,153,709	228,328,551	5,007,144
Net assets					
Invested in capital assets, net of related debt	169,424,896	5,666,270	3,434,883	178,526,049	4,853,647
Restricted for debt retirement	30,438,660	127,191	-	30,565,851	-
Restricted for capital projects	-	326,888	-	326,888	-
Unrestricted	2,647,325	12,001,142	1,682,050	16,330,517	6,360,591
Total net assets	$ 202,510,881	$ 18,121,491	$ 5,116,933	$ 225,749,305	$ 11,214,238

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

City of Lansing

Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Sewage Disposal System	Municipal Parking System	Other Enterprise Funds	Totals	Internal Service Funds
Operating revenues					
Charges for services	$ 27,889,061	$ 8,479,688	$ 5,483,301	$ 41,852,050	$ 58,100,182
Operating expenses					
Personal services	5,602,163	2,612,545	3,047,831	11,262,539	5,178,094
Purchase of goods and services	10,395,286	1,836,767	2,668,275	14,900,328	53,420,741
Depreciation	7,651,243	2,089,788	208,251	9,949,282	1,618,321
Total operating expenses	23,648,692	6,539,100	5,924,357	36,112,149	60,217,156
Operating income (loss)	4,240,369	1,940,588	(441,056)	5,739,901	(2,116,974)
Nonoperating revenues (expenses)					
Interest revenue	1,332,977	518,292	31,765	1,883,034	-
Gain (loss) on sale of capital assets	-	(441)	2,119	1,678	124,436
Interest expense and fees	(3,734,044)	(3,645,295)	(44,558)	(7,423,897)	(67,707)
Other revenue	134,261	1,610,878	-	1,745,139	-
Total nonoperating revenue (expenses)	(2,266,806)	(1,516,566)	(10,674)	(3,794,046)	56,729
Income (loss) before contributions and transfers	1,973,563	424,022	(451,730)	1,945,855	(2,060,245)
Capital contributions	60,091	-	136,226	196,317	28,861
Transfers in	251,874	-	1,246,447	1,498,321	645,000
Transfers out	(551,874)	(2,367,247)	(201,967)	(3,121,088)	-
Special item - transfer of zoo assets	-	-	(5,797,900)	(5,797,900)	-
Change in net assets	1,733,654	(1,943,225)	(5,068,924)	(5,278,495)	(1,386,384)
Net assets, beginning of year	200,777,227	20,064,716	10,185,857	231,027,800	12,600,622
Net assets, end of year	$ 202,510,881	$ 18,121,491	$ 5,116,933	$ 225,749,305	$ 11,214,238

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

City of Lansing

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Sewage Disposal System	Municipal Parking System	Other Enterprise Funds	Totals	Internal Service Funds
Cash flows from operating activities					
Cash received from customers	$ 27,603,667	$ 8,360,866	$ 5,279,517	$ 41,244,050	$ -
Cash received from interfund services	-	-	-	-	61,837,044
Cash payments for goods and services	(11,215,545)	(1,879,169)	(3,262,813)	(16,357,527)	(50,832,634)
Cash payments to employees	(5,703,394)	(2,630,255)	(3,217,825)	(11,551,474)	(5,188,562)
Other receipts	134,261	1,610,878	-	1,745,139	-
Net cash provided by (used for) operating activities	10,818,989	5,462,320	(1,201,121)	15,080,188	5,815,848
Cash flows from noncapital financing activities					
Transfers in	251,874	-	1,246,447	1,498,321	645,000
Transfers out	(551,874)	(2,367,247)	(201,967)	(3,121,088)	-
Net cash provided by (used for) noncapital financing activities	(300,000)	(2,367,247)	1,044,480	(1,622,767)	645,000
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	-	51,570	2,120	53,690	124,436
Acquisition and construction of capital assets	(31,225,049)	(727,132)	(136,226)	(32,088,407)	(101,760)
Capital contributions received	60,091	-	136,226	196,317	28,861
Principal paid on revenue and general obligation bonds	(9,110,000)	(5,320,000)	(65,000)	(14,495,000)	(125,000)
Interest paid on revenue and general obligation bonds	(3,665,548)	(1,581,423)	(43,829)	(5,290,800)	(67,053)
Proceeds from issuance of long-term debt	13,907,194	-	-	13,907,194	-
Payments received on capital lease	-	2,492,769	-	2,492,769	-
Net cash used for capital and related financing activities	(30,033,312)	(5,084,216)	(106,709)	(35,224,237)	(140,516)
Cash flows from investing activities					
Interest and dividends	1,332,977	518,292	31,765	1,883,034	-
Net increase (decrease) in cash and cash equivalents	(18,181,346)	(1,470,851)	(231,585)	(19,883,782)	6,320,332
Cash and cash equivalents, beginning of year	51,281,164	12,575,822	1,800,147	65,657,133	1,389,973
Cash and cash equivalents, end of year	$ 33,099,818	$ 11,104,971	$ 1,568,562	$ 45,773,351	$ 7,710,305
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	$ 4,240,369	$ 1,940,588	$ (441,056)	$ 5,739,901	$ (2,116,974)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	7,651,243	2,089,788	208,251	9,949,282	1,618,321
Other receipts	134,261	1,610,878	-	1,745,139	-
Change in:					
Accounts receivable	14,910,554	(164,923)	(203,784)	14,541,847	(1,173,322)
Accrued interest receivable	79,378	46,101	-	125,479	-
Inventories	138,969	-	8,443	147,412	(48,169)
Prepaids	-	4,241	-	4,241	(22,883)
Due from other funds	33,852	-	-	33,852	10,000
Interfund receivable	-	-	-	-	4,900,184
Accounts payable	(835,929)	(38,126)	(19,776)	(893,831)	976,496
Deposits payable	-	(4,460)	-	(4,460)	-
Accrued interest payable	54,438	(13,491)	(829)	40,118	(2,229)
Accrued payroll	(101,231)	(17,710)	(169,994)	(288,935)	(10,468)
Other	-	-	-	-	1,480,076
Due to other funds	(15,275,326)	176	-	(15,275,150)	-
Interfund payable	-	-	(270,862)	(270,862)	-
Advances from other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Unearned revenues	-	-	28,510	28,510	-
Compensated absences	(211,589)	9,258	(340,024)	(542,355)	204,816
Total adjustments	6,578,620	3,521,732	(760,065)	9,340,287	7,932,822
Net cash provided by (used for) operating activities	$ 10,818,989	$ 5,462,320	$ (1,201,121)	$ 15,080,188	$ 5,815,848

Noncash transactions:
The City transferred capital assets in the amount of $5,797,900 related to the Potter Park Zoo. This transaction did not involve cash.

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

Fiduciary Fund Financial Statements

Pension (and Other Post Employment Benefits) Trust Funds – Employee Pension Trust funds accept payments made by the City, invest fund resources, and calculate and pay pensions to beneficiaries.

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

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

Combining statements for agency funds are presented, by fund type, beginning on page 102.

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City of Lansing

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 10,198,543	$ -
Equity in pooled cash	(1,005,734)	207,997
Investments:		
U. S. Government obligations	87,759,911	-
Corporate bonds	1,695,236	-
Common stocks	111,135,614	-
Mutual funds	269,416,510	-
Contribution receivable	3,638,917	-
Dividends and interest receivable	738,487	-
Total assets	483,577,484	$ 207,997
Liabilities		
Accounts payable	3,068,109	$ -
Undistributed receipts	-	207,997
Total liabilities	3,068,109	$ 207,997
Net assets held in trust for:		
Pension benefits	445,606,744	
Other postemployment benefits	34,902,631	
Total net assets	$ 480,509,375	

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

City of Lansing
Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2008

Additions	
Investment income:	
Net depreciation in fair value of investments	$ (41,232,098)
Interest income	5,466,913
Dividend income	744,237
Less investment expenses	(1,933,356)
Net investment loss	(36,954,304)
Contributions:	
Employer	31,527,426
Plan members	3,764,549
Total contributions	35,291,975
Total additions	(1,662,329)
Deductions	
Participant benefits	52,606,479
Administrative expense	61,095
Total deductions	52,667,574
Net deductions to net assets held in trust	(54,329,903)
Net assets held in trust for pension and other postemployment benefits:	
Beginning of year	534,839,278
End of year	$ 480,509,375

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

COMPONENT UNITS FINANCIAL STATEMENTS

Discretely Presented Component Units

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

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

Complete financial statements for each of the individual component units may be obtained from the entity's administrative offices.

City of Lansing
Combining Statement of Net Assets
Component Units
June 30, 2008

	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Lansing Entertainment & Public Facilities Authority	Totals
Assets				
Cash and cash equivalents	$ 468,432	$ 884,657	$ 900,981	$ 2,254,070
Receivables, net	315,880	1,512	535,542	852,934
Inventories, prepaids and other assets	50,948	37,801	98,612	187,361
Restricted cash and cash equivalents	-	-	561,042	561,042
Capital assets being depreciated, net	-	-	119,606	119,606
Total assets	835,260	923,970	2,215,783	3,975,013
Liabilities				
Accounts payable and accrued liabilities	36,914	267,618	892,131	1,196,663
Accrued interest payable	32,273	10,731,864	-	10,764,137
Unearned revenues	468	-	671,683	672,151
Long-term debt:				
Due within one year	365,000	2,790,601	14,832	3,170,433
Due in more than one year	1,695,000	25,038,270	38,135	26,771,405
Total noncurrent liabilities	2,060,000	27,828,871	52,967	29,941,838
Total liabilities	2,129,655	38,828,353	1,616,781	42,574,789
Net assets				
Invested in capital assets, net of related debt	-	-	66,639	66,639
Unrestricted (deficit)	(1,294,395)	(37,904,383)	532,363	(38,666,415)
Total net assets (deficit)	$ (1,294,395)	$(37,904,383)	$ 599,002	$ (38,599,776)

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

City of Lansing
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2008

	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Lansing Entertainment & Public Facilities Authority	Totals
Expenses				
Brownfield redevelopment	$ 1,180,374	$ -	$ -	$ 1,180,374
Community development	-	3,624,584	-	3,624,584
Recreation and culture	-	-	6,084,352	6,084,352
Total expenses	1,180,374	3,624,584	6,084,352	10,889,310
Program revenues				
Charges for services	-	-	4,945,861	4,945,861
Operating grants and contributions	323,424	6,750	1,188,726	1,518,900
Total program revenues	323,424	6,750	6,134,587	6,464,761
Net program expense (revenue)	(856,950)	(3,617,834)	50,235	(4,424,549)
General revenues				
Property taxes	1,311,176	5,640,808	-	6,951,984
Unrestricted investment earnings	18,883	136,670	13,173	168,726
Total general revenues	1,330,059	5,777,478	13,173	7,120,710
Change in net assets	473,109	2,159,644	63,408	2,696,161
Net assets (deficit), beginning of year	(1,767,504)	(40,064,027)	535,594	(41,295,937)
Net assets (deficit), end of year	$ (1,294,395)	$ (37,904,383)	$ 599,002	$(38,599,776)

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

NOTES to the FINANCIAL STATEMENTS

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City of Lansing, Michigan

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Notes to the Financial Statements

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

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

Brownfield Redevelopment Authority
401 S. Washington Square, Suite 100
Lansing, Michigan 48933

Tax Increment Finance Authority
401 S. Washington Square, Suite 100
Lansing, Michigan 48933

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

1-B. Basis of Presentation

Government-wide Financial Statements. The statements of net assets and activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the City's *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – *governmental, proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt service funds. These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital projects funds. These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

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

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

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

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

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

1-C. Measurement Focus / Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary fund 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.

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within three months after year-end, except for income taxes that use a 45-day collection period, property taxes that use a 60-day collection period, and reimbursement-based grants that use one year. Property taxes, income taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues, subject to satisfying any grant program matching provisions.

All governmental and business-type activities and enterprise funds of the City follow private-sector standards of accounting and financial reported issued prior to December 1, 1989, unless those standards conflict with 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 City has elected not to follow subsequent private-sector guidance.

1-D. Assets, Liabilities and Equity

Deposits and Investments

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool is displayed on the statement of net assets/balance sheet as "equity in pooled cash." The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government 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.

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

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

Receivables and Payables

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

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

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

Inventories, Prepaid Items and Other Assets

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired or constructed since June 30, 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets that are used for governmental activities are only reported in the government-wide statements. Infrastructure ("public domain") assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters are capitalized. With this measurement focus, all assets and liabilities (whether current or noncurrent) associated with the operations of these funds are included on the government-wide statement of net assets.

All land and non-depreciable land improvements are capitalized, regardless of cost. Equipment and vehicles are capitalized when the cost of individual items exceed $5,000. The road and sewer networks are all capitalized regardless of cost. Buildings are capitalized over $100,000, and the recreational facilities' thresholds range from $25,000 to $50,000.

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

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

Compensated Absences

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

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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 a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary Information

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

- On or before the fourth Monday in March, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

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

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

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

- The City formally adopts operating budgets for the General Fund and all Special Revenue Funds.

- Budgetary integration is employed as a management control device during the year for all budgeted funds. Except for the General Fund, these budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). In the General Fund, capital lease payments / installment payments are budgeted, but capital lease acquisitions are not.

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

2-B. Deficit Fund Balance/Net Assets

The Special Assessments capital projects fund has a deficit fund balance of $160,176. This deficit is the result of a long-term advance from the general fund that was used to provide the working capital for the fund in prior years. As special assessments are collected, this deficit will be eliminated, and the advance repaid.

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NOTE 3 – DETAILED NOTES ON ALL FUNDS

3-A. Deposits and Investments

Following is a reconciliation of deposit and investment balances (including both pooled cash and investments as well as pension trust fund balances; see Note 3-B) as of June 30, 2008:

Statement of Net Assets	
Cash and investments	$ 56,725,069
Restricted cash and investments	31,591,445
Statement of Fiduciary Net Assets	
Pension trust funds:	
Cash and cash equivalents	10,198,543
Equity in pooled cash	(1,005,734)
Investments	470,007,271
Agency fund:	
Equity in pooled cash	207,997
Total	**$ 567,724,591**
Deposits and Investments:	
Bank deposits:	
Checking/savings accounts	$ (737,983)
Certificates of deposit (due within one year)	46,779,011
Investments in securities and mutual funds:	
Pooled investments	41,298,529
Pension investments	480,205,814
Cash on hand	179,220
Total	**$ 567,724,591**

The City chooses to disclose its pooled investments by specifically identifying each. As of year end, the City had the following pooled investments.

	Carrying Amount (Fair Value)	Credit Rating
Mutual and cash management funds (uncategorized as to risk)	**$ 41,298,529**	**-n/a-**

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

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, $46,465,597 of the City's bank balance of $47,377,049 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

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 City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

3-B. Deposits, Investments and Securities Lending – Pension Trust Funds

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

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

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

The investments of each pension trust fund are held in a bank administered trust fund. Following is a summary of pension investments as of June 30, 2008:

	Employees' Retirement System	Police and Fire Retirement System	Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
Investments at fair value, as determined by quoted market price:					
U.S. treasuries:					
On securities loan	$ 8,114,808	$ 10,067,112	$ -	$ -	$ 18,181,920
U.S. agencies:					
Not on securities loan	28,475,081	38,014,121	-	-	66,489,202
On securities loan	1,715,023	1,373,765	-	-	3,088,788
Domestic corporate securities:					
Not on securities loan	-	1,445,526	-	-	1,445,526
Collateralized mortgage obligations	104,046	145,664	-	-	249,710
Domestic equities:					
Not on securities loan	36,343,272	49,048,090	-	-	85,391,362
On securities loan	10,376,531	15,367,154	-	-	25,743,685
Real estate investment funds	10,432,000	14,822,000	-	-	25,254,000
International equity mutual funds	11,174,000	28,249,000	-	-	39,423,000
Domestic equity mutual funds	45,096,000	64,763,000	1,954,587	3,789,438	115,603,025
Domestic debt securities mutual funds	39,934,278	45,380,414	-	3,821,791	89,136,483
Money market funds	5,268,565	4,929,979	-	2	10,198,546
Total investments	**$ 197,033,851**	**$ 273,606,145**	**$ 1,954,587**	**$ 7,611,231**	**$ 480,205,814**

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

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
AAA	$ 10,574,779	$ 13,552,126	$ -	$ -	$ 24,126,905
AA-	39,934,278	45,380,414	-	-	85,314,692
Not rated	1,505,007	1,599,826	-	3,821,781	6,926,614
Assets not subject to credit risk	145,019,787	213,073,779	1,954,587	3,789,450	363,837,603
	$ 197,033,851	**$ 273,606,145**	**$ 1,954,587**	**$ 7,611,231**	**$ 480,205,814**

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's pension investment policies require that investment securities be held in trust by a third-party institution in the name of the pension trust fund. As such, although uninsured and unregistered, the City's pension investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the name of the pension trust fund.

Short-term investments in money market funds are not subject to custodial credit risk.

Concentration of Credit Risk. At June 30, 2008, the pension investment portfolio was concentrated as follows:

Investment Type	Issuer	Employees' Retirement System	Police and Fire Retirement System
U.S. Agencies	FHLMC	6.4%	5.9%
U.S. Agencies	FNMA	6.9%	6.8%

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

Interest Rate Risk. As of June 30, 2008, maturities of the City's pension debt securities were as follows:

	Investment Maturities (Fair Value)				
	Less than 1 year	1 - 5 years	6 - 10 years	More than 10 years	Total
Employees' Retirement System:					
U.S. treasuries	$ 1,829,562	$ 263,798	$ 3,500,488	$ 2,520,960	$ 8,114,808
U.S. agencies	198,488	4,585,254	8,696,667	16,709,695	30,190,104
Collateralized mortgage obligations	-	-	-	104,046	104,046
	$ 2,028,050	$ 4,849,052	$ 12,197,155	$ 19,334,701	$ 38,408,958
Police and Fire Retirement System:					
U.S. treasuries	$ 2,035,075	$ 492,947	$ 3,889,719	$ 3,649,371	$ 10,067,112
U.S. agencies	529,600	5,352,738	12,027,766	21,477,782	39,387,886
Domestic corporate securities	1,272,245	-	173,281	-	1,445,526
Collateralized mortgage obligations	-	-	-	145,664	145,664
	$ 3,836,920	$ 5,845,685	$ 16,090,766	$ 25,272,817	$ 51,046,188

The City's pension investment policies provide that the average duration of fixed income securities shall not deviate from the Lehman Brothers Aggregate Index duration by +/-20%.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Securities Lending. Under contracts approved by the City, the pension trust funds are permitted to lend their securities to broker-dealers and banks (borrowers) for collateral that will be returned for the same securities in the future. The pension trust funds' custodial banks manage the securities lending programs and receive cash as collateral. The collateral securities cannot be pledged or sold by the City unless the borrower defaults. Collateral cash is initially pledged at 100 percent of the fair value of the securities lent, and may not fall below 95 percent of the market value of the loaned security during the term of the loan. At all times, collateral cannot be more than $100,000 less than the market value of the loaned security. There are no restrictions on the amount of securities that can be loaned. Securities on loan at year-end are classified in the preceding schedule of custodial credit risk according to the category for the collateral received on the securities lent. At year-end, the pension trust funds have no credit risk exposure to borrowers because the amounts the City owes the borrowers exceed the amounts the borrowers owe the City. The contract with the pension trust fund custodians require them to indemnify the City if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the City for income distributions by the securities' issuers while the securities are on loan.

3-C. Receivables

Receivables are comprised of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable, net	$ 18,929,832	$ 5,110,123
Taxes receivable	244,239	-
Special assessments receivable	930,117	-
Loans receivable	1,404,118	-
Accrued interest receivable	1,776,203	321,526
Due from other governments	11,551,542	-
Due from component units	267,618	-
Lease receivable	-	21,039,103
	$ 35,103,669	$ 26,470,752
Amount not expected to be collected within one year	$ 3,643,576	$ 18,371,840

3-D. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 24,590,068	$ 150,568	$ -	$ 24,740,636
Construction in progress	15,159,882	7,258,614	(11,623,781)	10,794,715
Total capital assets not being depreciated	39,749,950	7,409,182	(11,623,781)	35,535,351
Capital assets, being depreciated:				
Land improvements	8,993,569	83,091	-	9,076,660
Equipment and vehicles	39,789,825	1,574,423	(1,281,610)	40,082,638
Buildings	92,620,274	18,804,317	-	111,424,591
Infrastructure	312,838,763	7,500,663	(14,747,700)	305,591,726
Total capital assets being depreciated	454,242,431	27,962,494	(16,029,310)	466,175,615
Less accumulated depreciation for:				
Land improvements	(4,782,720)	(450,722)	-	(5,233,442)
Equipment and vehicles	(31,579,995)	(2,468,243)	1,281,610	(32,766,628)
Buildings	(44,544,645)	(7,253,333)	-	(51,797,978)
Infrastructure	(191,708,657)	(8,520,221)	11,782,523	(188,446,355)
Total accumulated depreciation	(272,616,017)	(18,692,519)	13,064,133	(278,244,403)
Total capital assets, being depreciated, net	181,626,414	9,269,975	(2,965,177)	187,931,212
Governmental activities capital assets, net	**$ 221,376,364**	**$ 16,679,157**	**$ (14,588,958)**	**$ 223,466,563**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 13,889,542	$ -	$ (202,579)	$ 13,686,963
Construction in progress	42,171,696	33,294,286	(24,065,697)	51,400,285
Total capital assets not being depreciated	56,061,238	33,294,286	(24,268,276)	65,087,248
Capital assets, being depreciated:				
Land improvements	23,205,823	122,711	(6,369)	23,322,165
Equipmnet and vehicles	5,549,433	550,785	(452,302)	5,647,916
Buildings	195,255,916	237,247	(9,458,981)	186,034,182
Sewers	225,013,246	21,949,075	-	246,962,321
Total capital assets being depreciated	449,024,418	22,859,818	(9,917,652)	461,966,584
Less accumulated depreciation for:				
Land improvements	(8,683,584)	(555,886)	6,369	(9,233,101)
Equipment and vehicles	(4,658,811)	(305,312)	452,302	(4,511,821)
Buildings	(91,355,226)	(4,238,488)	3,811,651	(91,782,063)
Sewers	(41,289,725)	(4,849,596)	-	(46,139,321)
Total accumulated depreciation	(145,987,346)	(9,949,282)	4,270,322	(151,666,306)
Total capital assets, being depreciated, net	303,037,072	12,910,536	(5,647,330)	310,300,278
Business-type activities capital assets, net	**$ 359,098,310**	**$ 46,204,822**	**$ (29,915,606)**	**$ 375,387,526**

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

Governmental activities:	
General government	$ 907,454
Public safety	686,385
Public works	8,536,810
Recreation and culture	5,483,526
Community development	1,460,023
Internal service	1,618,321
Total depreciation expense - governmental activities	**$ 18,692,519**
Business-type activities:	
Sewage disposal system	$ 7,651,243
Potter Park Zoo	32,824
Golf	130,393
Municipal parking system	2,089,788
Other	45,034
Total depreciation expense - business-type activities	**$ 9,949,282**

3-E. Payables

Accounts payable and accrued liabilities are comprised of the following:

	Governmental Activities	Business-Type Activities
Accounts payable	$ 9,674,636	$ 6,483,252
Deposits payable	233,555	43,335
Accrued payroll	2,984,160	151,718
Contract retainage payable	2,961,666	-
Indemnity bonds	2,060	-
Due to other governments	1,790,874	125,089
Due to component unit	65,456	
Other	2,449,726	-
	$ 20,162,133	$ 6,803,394

3-F. Interfund Receivables, Payables and Transfers

At June 30, 2008, amounts due to/due from other funds were as follows:

	Due From				
	General Fund	Nonmajor Governmental Funds	Sewage Disposal System	Municipal Parking System	Total
Due to:					
General Fund	$ -	$ -	$ 334,878	$ 825	$ 335,703
Nonmajor governmental funds	191	968,222	-	-	968,413
Sewage Disposal System	4,974,166	-	-	-	4,974,166
	$ 4,974,357	$ 968,222	$ 334,878	$ 825	$ 6,278,282

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

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

At June 30, 2008, advances to/due from other funds were as follows:

	Advances To Other Funds	Advances From Other Funds
General Fund	$ 307,848	$ -
Municipal Parking System	-	192,439
Nonmajor governmental funds	192,439	307,848
	$ 500,287	$ 500,287

In addition, at June 30, 2008, the following interfund receivables/payables were reported for funds with negative equity in pooled cash and investments:

	Interfund Receivable	Interfund Payable
Nonmajor governmental funds	$ 3,677,051	$ 3,580,778
Nonmajor enterprise funds	-	96,273
	$ 3,677,051	$ 3,677,051

For the year then ended June 30, 2008, interfund transfers consisted of the following:

	Transfer To						
	General Fund	Nonmajor Governmental Funds	Sewage Disposal System	Nonmajor Enterprise Funds	Internal Service Funds	Governmental Activities	Total
Transfer From							
General Fund	$ -	$ 4,233,647	$ -	$ 1,176,404	$ 645,000	$ -	$ 6,055,051
Nonmajor governmental funds	-	6,404,660	-	70,043	-	-	6,474,703
Sewage Disposal System	300,000	251,874	-	-	-	-	551,874
Municipal Parking	-	2,115,373	251,874	-	-	-	2,367,247
Nonmajor enterprise funds	188,977	12,990	-	-	-	5,797,900	5,999,867
					-		
	$ 488,977	$ 13,018,544	$ 251,874	$ 1,246,447	$ 645,000	$ 5,797,900	$ 21,448,742

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The $5,797,900 transfer from nonmajor enterprise funds to governmental activities represents the transfer of capital assets related to the Potter Park Zoo. The operations of the Zoo were transferred to Ingham County in fiscal year 2008, though the City retained title to the Zoo property. As the City is no longer responsible for the Zoo's operations, an enterprise fund will no longer be used to account for the capital assets. This transfer was reported on the financial statements as a special item.

3-G. Long-term Debt

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

	Interest Rate	Original Amount	Amount
General obligation bonds			
Governmental activities			
1996 Unlimited Tax Refunding Bond	5.00%	$ 10,800,000	$ 1,470,000
1999 Fire Station Unlimited Tax Bond	5.00%-5.70%	3,000,000	350,000
2001 Fire Station Unlimited Tax Bond	4.00%-5.00%	4,000,000	3,170,000
2006 Lansing Center Limited Tax Bonds	3.50%-4.30%	4,000,000	3,635,000
2006 Michigan Transportation Fund Limited Tax Bonds	3.50%-3.60%	1,600,000	1,010,000
2005 Building Authority Refunding Bonds	3.50%-5.00%	1,470,000	1,360,000
2007 Michigan Transportation Fund Limited Tax Bonds	3.625%-5.00%	1,137,600	1,045,200
2007 Michigan Transportation Fund Limited Tax Bonds	3.625%-5.00%	3,602,400	3,309,800
2007 Fire Station Refunding Bonds	3.625%-5.00%	1,780,000	1,775,000
2008 Michigan Transportation Fund Limited Tax Bonds	3.00%-4.00%	3,500,000	3,500,000
		$ 34,890,000	$ 20,625,000
Business-type activities			
1990 Building Authority Municipal Parking System Limited Tax Bond	0.00%	$ 64,635,000	$ 28,985,000
2003 Building Authority A Municipal Parking System Limited Tax Bond	3.00%-4.35%	10,340,000	2,245,000
2003 Building Authority B Municipal Parking System Taxable Bond	3.85%-6.25%	8,660,000	8,020,000
2005 Building Authority Refunding Bonds	3.50-5.00%	15,975,000	13,775,000
2007 Building Authority Refunding Bonds	3.625%-5.00%	7,965,000	7,945,000
1996 Building Authority Golf Course Limited Tax Bond	3.80%-5.70%	1,300,000	770,000
1992 Limited Tax Sewer Bond - 5005-01	2.50%	7,128,800	2,435,000
1993 Limited Tax Sewer Bond - 5005-02	2.50%	8,150,050	3,110,000
1994 Limited Tax Sewer Bond - 5005-03	2.50%	3,234,722	1,390,000
1994 Limited Tax Sewer Bond - 5005-04	2.00%	3,727,138	1,427,138
1994 Limited Tax Sewer Bond - 5005-05	2.25%	515,969	170,000
1994 Limited Tax Sewer Bond - 5005-06	2.25%	7,595,611	2,990,000
1996 Limited Tax Sewer Bond - 5005-07	2.25%	3,365,073	1,675,073
1996 Limited Tax Sewer Bond - 5005-08	2.25%	3,995,000	2,220,000
1997 Limited Tax Sewer Bond - 5005-09	2.25%	4,746,780	2,806,780
1998 Limited Tax Sewer Bond - 5005-10	2.25%	10,539,950	6,759,950
1999 Limited Tax Sewer Bond - 5005-11	2.50%	10,120,000	6,665,000
2000 Limited Tax Sewer Bond - 5005-12	2.50%	9,447,830	6,567,830
2001 Limited Tax Sewer Bond - 5005-13	2.50%	10,573,046	7,873,046
2002 Limited Tax Sewer Bond - 5005-14	2.50%	12,381,131	10,171,131
2003 Limited Tax Sewer Bond - 5005-15	2.50%	10,259,826	9,014,826
2004 Limited Tax Sewer Bond - 5005-16	2.13%	3,070,277	2,685,277
2005 Limited Tax Sewer Bond - 5005-17	2.13%	4,739,023	7,276,646
2005 Limited Tax Sewer Bond - 5005-18	1.63%	10,600,905	9,980,905
2006 Limited Tax Sewer Bond - 5005-19	1.63%	18,855,000	16,856,539
2007 Limited Tax Sewer Bond - 5005-20	1.63%	26,000,000	15,885,499
2008 Limited Tax Sewer Bond - 5005-21	2.50%	29,130,000	2,718,968
		$ 307,051,131	$ 182,419,608

At year end, defeased bonds outstanding consisted of $1,725,000 of the 1999 Fire Station Unlimited Tax Bonds, which are scheduled to be repaid by the escrow agent on May 1, 2010, and $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.

Special assessment bonds. The City also issues bonds to finance certain public improvements that benefit specific districts. These districts are special assessed, at least in part, for the cost of the improvements. Under Michigan law, the City is secondarily liable for repayment of these bonds. Special assessment bonds outstanding at year-end are as follows:

	Interest Rate	Original Amount	Amount
Special assessment bonds			
Governmental activities			
1990 Limited Tax Special Assessment Bond	5.00%	$ 800,000	$ -

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

	Interest Rate	Original Amount	Amount
Revenue bonds			
Business-type activities			
1998 Sewer Revenue & Refunding Bond	2.50%	$ 26,415,000	$ 5,265,000
2003 Sewer Revenue & Refunding Bond	2.50%	39,880,000	35,860,000
		$ 66,295,000	$ 41,125,000

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

	Interest Rate	Original Amount	Amount
Installment purchase agreements			
Governmental activities			
2002 Lease Purchase Agreement - Computer Software	3.20%	$ 1,500,000	$ -
2004 Lease Purchase Agreement - Roof and Fire Suppression	2.77%	570,000	300,668
1999 Lease Purchase Agreement - Stadium	5.20%-6.05%	11,000,000	1,940,000
2005 Lease Purchase Agreement - LEPFA Extractor and Wall	4.51%	392,046	225,624
2005 Lease Purchase Agreement - LEPFA Carpet	4.51%	126,418	94,479
2005 Lease Purchase Agreement - Income Tax Software	3.76%	430,000	225,050
2005 Lease Purchase Agreement - LEPFA Equipment	4.24%	81,500	64,268
2001 Lease Purchase Agreement - O&M Facility	5.35%	1,925,000	1,170,000
2006 Lease Purchase Agreement - Ambulances	4.23%	474,000	386,888
2006 Lease Purchase Agreement - Energy Efficiencies	4.20%	6,217,227	6,166,253
2006 Lease Purchase Agreement - Oldsmobile Park	6.86%	2,000,000	2,000,000
2007 Lease Purchase Agreement - Oldsmobile Park	5.72%	1,000,000	1,000,000
2007 Lease Purchase Agreement - Phone System	4.22%	518,000	464,655
		$ 26,234,191	$ 14,037,885

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

	Interest Rate	Original Amount	Amount
Loans payable			
Governmental activities			
2004 Michigan Department of Transportation Loan	3.00%	$ 1,266,000	$ 1,128,999
2006 State Infrastructure Bank Loan	3.00%	500,000	405,823
		$ 1,766,000	$ 1,534,822
Business-type activities			
2003 MEDC Loan	3.93%	$ 4,180,000	$ 4,180,000

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

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Governmental Activities Total	Business-Type Activities Principal	Business-Type Activities Interest	Business-Type Activities Total
2009	$ 4,873,146	$ 1,621,367	$ 6,494,513	$ 15,669,472	$ 5,931,754	$ 21,601,226
2010	3,405,068	1,394,602	4,799,670	17,999,535	5,762,742	23,762,277
2011	3,355,221	1,240,490	4,595,711	18,357,859	5,352,633	23,710,492
2012	3,318,080	1,093,448	4,411,528	17,805,282	4,945,654	22,750,936
2013	3,080,379	945,921	4,026,300	17,673,942	4,543,115	22,217,057
2014-2018	12,944,284	2,709,457	15,653,741	68,716,689	16,954,851	85,671,540
2019-2023	5,221,529	524,814	5,746,343	48,231,266	8,630,028	56,861,294
2024-2028	-	-	-	20,303,716	2,971,991	23,275,707
2029-2033	-	-	-	2,301,431	316,102	2,617,533
2034-2038	-	-	-	665,416	52,999	718,415
	$ 36,197,707	**$ 9,530,099**	**$ 45,727,806**	**$ 227,724,608**	**$ 55,461,869**	**$ 283,186,477**

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	$ 19,845,000	$ 3,500,000	$ 2,720,000	$ 20,625,000	$ 2,985,000
Special assessment bonds	10,000	-	10,000	-	-
Installment purchase agreements	15,399,239	518,000	1,879,354	14,037,885	1,643,802
Loans payable	1,772,049	-	237,227	1,534,822	244,344
Subtotal	37,026,288	4,018,000	4,846,581	36,197,707	4,873,146
Compensated absences	10,057,740	11,854,042	10,057,740	11,854,042	8,215,634
Accrued workers compensation	4,636,107	4,613,573	1,206,842	8,042,838	1,284,167
Accrued general liability claims	400,000	-	-	400,000	-
Add (deduct) deferred amounts:					
For issuance discounts	(39,420)	-	(2,980)	(36,440)	-
For issuance premiums	322,472	34,979	30,645	326,806	-
On refunding	(83,415)	-	(7,053)	(76,362)	-
	$ 52,319,772	**$ 20,520,594**	**$ 16,131,775**	**$ 56,708,591**	**$ 14,372,947**
Business-type activities					
General obligation bonds	$ 180,177,414	$ 13,907,194	$ 11,665,000	$ 182,419,608	$ 12,590,000
Revenue bonds	43,955,000	-	2,830,000	41,125,000	2,840,000
Loans payable	4,180,000	-	-	4,180,000	239,472
Subtotal	228,312,414	13,907,194	14,495,000	227,724,608	15,669,472
Compensated absences	1,099,117	556,764	1,099,117	556,764	396,602
Add (deduct) deferred amounts:					
For issuance discounts	(8,688,084)	-	(1,802,809)	(6,885,275)	-
For issuance premiums	883,600	-	43,102	840,498	-
On refunding	(2,896,523)	-	(317,441)	(2,579,082)	-
	$ 218,710,524	**$ 14,463,958**	**$ 13,516,969**	**$ 219,657,513**	**$ 16,066,074**

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

3-H. Segment Information – Enterprise Funds

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

3-I. Endowments

For the year ended June 30, 2008, the net appreciation on investments available for restricted endowments was $1,250. Under the terms of the endowments, and consistent with State statutes, the City is authorized to spend the net appreciation for the benefit of the cemetery and parks. The expendable portion of earnings has been transferred to other funds. The remaining non-expendable portion of the endowment is reported in restricted net assets.

NOTE 4 – OTHER INFORMATION

4-A. Risk Management

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

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

The City is uninsured for acts of nature and environmental clean-up costs.

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

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

	Fiscal Year Ended June 30,	
	2008	2007
Estimated liability, beginning of year	$ 4,636,107	$ 4,998,254
Estimated claims incurred, including changes in estimates	4,613,573	922,020
Claims payments	(1,206,842)	(1,284,167)
Estimated liability, end of year	$ 8,042,838	$ 4,636,107

4-B. Property Taxes

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

The City is permitted by charter and state law to levy taxes up to $19.198 per $1,000 of assessed valuation for general operations other than the payment of principal and interest on long-term debt. The tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2008 was $14.95 per $1,000 of taxable value.

4-C. Contingent Liabilities

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

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

4-D. Defined Benefit Pension Plans

Employees' Retirement System

The City sponsors and administers the Employees' Retirement System (the "Plan"), a single-employer, defined-benefit pension plan. It is accounted for as a separate pension trust fund. No stand-alone financial reports are issued. It covers general full-time employees of the City of Lansing and employees of the 54-A District Court. It does not include elected officials, who are members of the Employees' Money Purchase Pension Plan, nor does it include police officers and firefighters, who are members of a separate City pension plan. The payroll for employees covered by the plan for the year ended December 31, 2007, was $31,796,784; the City's total payroll was $58,688,083. Administration of the plan is funded through the General Fund.

As of December 31, 2007, employee membership data was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	**833**
Active members:	
Vested	272
Nonvested	355
	627

Approximately 22.5% of the active membership may retire with a combination of age plus service equal to 65. All other members may retire at age 50 with 25 or more years of credited service or age 58 with 8 or more years of credited service. Members are vested after completing 8 years of credited service. For all members, annual regular retirement allowances are determined by multiplying total credited service times 1.6% to 2.8% times final average compensation. Final average compensation is the member's highest wages for two consecutive years during the last 10 years. Retirement options that provide for survivor benefits are available to members. The plan also provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary. Members who are vested and terminate their employment have the option of deferring retirement benefits until age 58 or withdrawing their contribution, thereby forfeiting any future benefits.

Active members contribute between 1.7% and 7.25% of wages as determined by individual labor agreements. Chapter 292 of the City of Lansing's Code of Ordinances establishes benefit provisions and requires that the annuity and pension reserves (which are determined annually by the City's actuary) not financed by member contributions shall be financed by annual appropriations.

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The City's funding policy provides for periodic employer contributions at actuarially determined rates that expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2008, was determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over an open period of 30 years.

Contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. The fund is accounted for in essentially the same manner as the Proprietary Funds and uses the full accrual method of accounting.

Plan valuation assets are equal to the reported market value of assets except that only 20% of the difference between the mark-to-market rate of return and the 8% actuarial rate of return is recognized each year. This five year smoothing method reduces the fluctuation in the City's computed contribution rate which might otherwise be caused by market value fluctuations. The entry-age actuarial cost method is used to determine plan liabilities. Significant actuarial assumptions used in determining the entry-age actuarial accrued liability include (a) a rate of return on investments of 8% per year compounded annually (b) projected salary increases of 4% attributable to inflation and 0% to 7% per year depending on age attributable to seniority/merit (c) assumption that benefits generally will increase $200 annually after age 60.

During the year ended June 30, 2008, total contributions of $7,367,638 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2006. The City contributed $6,021,612 (18.94% of projected valuation payroll), excluding contributions for health insurance; employees contributed $1,346,026 (4.23% of projected valuation payroll). The City's contribution consisted of (a) $3,566,590 normal cost (10.60% of projected valuation payroll) and (b) $2,575,410 amortization of the unfunded actuarial accrued liability (7.65% of projected valuation payroll).

At December 31, 2007, the unfunded actuarial accrued liability was determined as follows:

Actuarial accrued liability for:	
Active participants (272 vested and 355 non-vested)	$ 62,940,288
Retired participants and beneficiaries currently receiving benefits (779 recipients)	170,679,294
Vested terminated participants not yet receiving benefits (54)	3,483,723
Member benefit reserve	17,252,712
Total actuarial accrued liability	**254,356,017**
Actuarial value of assets (smoothed market value) *	208,572,370
Unfunded actuarial accrued liability	**$ 45,783,647**

* Excluding reserve for health insurance

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

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Three-Year Trend Information
(amounts in thousands)

Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2006	$ 4,900	100%	$ -
2007	5,231	100	-
2008	6,022	102	-

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Police and Fire Retirement System

The City sponsors and administers the Police and Fire Retirement System (the "Plan"), a single-employer defined-benefit pension plan. It is accounted for as a separate pension trust fund. No stand-alone financial reports are issued. It covers all police officers and firefighters who are full-time employees of the City. The City's payroll for employees covered by the plan for the year ended December 31, 2007, was $29,599,828, the City's total payroll was $58,688,083. Administration of the plan is funded through the General Fund.

As of December 31, 2007, employee membership data related to the plan was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	**641**
Active members:	
Vested	261
Nonvested	201
	462

Members may retire at any age with 25 or more years of credited service, or age 55 with 10 or more years of credited service. Members are vested after completing 10 years of credited service. Members are required to retire at age 70. Annual retirement allowances are determined by multiplying final average compensation by 3.2% for the first 25 years of credited service. The maximum allowance is 80% of final average compensation. Final average compensation is the member's highest wages for 2 consecutive years.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

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

Fire members are required to contribute 7.58% of their annual wages to the plan. Police supervisors are required to contribute 9.52% and police non-supervisors, 8.50%. Chapter 294 of the City of Lansing's Ordinance establishes benefit provisions and requires that the portion of the annuity and pension reserves (which are determined annually by the City's actuary) not financed by member contributions shall be financed by annual appropriations.

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

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2008, was determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over an open period of 30 years.

Plan valuation assets are equal to the reported market value of assets except that only 20% of the difference between the mark-to-market rate of return and the 8% actuarial rate of return is recognized each year. This five year smoothing method reduces the fluctuation in the City's computed contribution rate which might otherwise be caused by market value fluctuations. The entry-age actuarial cost method is used to determine plan liabilities. Significant actuarial assumptions used in determining the entry-age actuarial accrued liability include (a) a rate of return on investments of 8% per year compounded annually (b) projected salary increases of 4% attributable to inflation and .51 to 11.5% per year depending on age attributable to seniority/merit (c) assumption that benefits generally will increase $525 annually after retirement.

During the year ended June 30, 2008, total contributions of $8,994,523 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2006. The City contributed $6,576,000 (21.10% of projected valuation payroll), excluding contributions for health insurance; employees contributed $2,418,523 (8.17% of projected valuation payroll). The City's contribution consisted of (a) $4,831,506 normal cost (15.50% of projected valuation payroll) and (b) $1,744,494 amortization of the unfunded actuarial accrued liability (5.60% of projected valuation payroll).

At December 31, 2007, the assets in excess of actuarial accrued liability were determined as follows:

Active participants (261 vested and 201 non-vested)	$ 108,853,282
Retired participants and beneficiaries currently receiving benefits (623 recipients)	204,095,076
Vested terminated participants not yet receiving benefits (18)	2,687,124
Total actuarial accrued liability	**315,635,482**
Actuarial value of assets (smoothed market value) *	293,570,583
Unfunded Actuarial accrued liability	**$ 22,064,899**

* Excluding reserve for health insurance

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

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

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Three-Year Trend Information
(amounts in thousands)

Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2006	$ 4,659	100%	$ -
2007	5,386	100	-
2008	6,521	101	-

Employees' Money Purchase Pension Plan

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

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. As established by Chapter 292.30 of the City of Lansing's Code of Ordinances, this plan includes all elected officials hired subsequent to September 30, 1990. As of June 30, 2008, there were 10 active members in this plan. Contributions made by employees vest immediately, and contributions made by the City vest after three years of full-time employment. When employees terminate employment, they are entitled to their contributions and the City's contributions if vesting requirements are satisfied. Employees may contribute up to 8% of their wages in 1% increments. The City contributes an amount equal to 6.0% of the employees' wages for retirement benefits.

During the year, the City's required and actual contributions amounted to $21,207, which was approximately 6% of covered payroll of $336,528. There were no employee contributions.

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

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Financial statements for individual pension plans

Pension Net Assets

	Employees' Retirement System Pension	Employees' Retirement System OPEB	Police and Fire Retirement System	Police and Fire Retirement System OPEB	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
Assets							
Cash and cash equivalents	$ 4,946,130	$ 322,434	$ 4,656,999	$ 272,980	$ -	$ -	$ 10,198,543
Equity in pooled cash	(440,864)	-	(564,870)	-	-	-	(1,005,734)
Investments:							
U. S. Government obligations	35,960,667	2,344,246	46,716,600	2,738,398	-	-	87,759,911
Corporate bonds	37,587,994	2,450,330	44,370,716	2,600,888	-	-	87,009,928
Common stocks	43,860,801	2,859,249	60,848,777	3,566,787	-	-	111,135,614
Mutual funds	62,619,864	4,082,136	101,863,069	5,970,931	1,954,587	7,611,231	184,101,818
Contribution receivable	2,401	-	3,635,730	-	786	-	3,638,917
Dividends and interest receivable	297,455	19,390	363,111	21,285	(5,100)	42,346	738,487
Total assets	184,834,448	12,077,785	261,890,132	15,171,269	1,950,273	7,653,577	483,577,484
Liabilities							
Accounts payable	2,806,135	-	261,974		-	-	3,068,109
Net assets held in trust for:							
Pension benefits	182,028,313	-	261,628,158	-	1,950,273	-	445,606,744
Other postemployment benefits	-	12,077,785	-	15,171,269	-	7,653,577	34,902,631
Total net assets	$ 182,028,313	$ 12,077,785	$ 261,628,158	$ 15,171,269	$ 1,950,273	$ 7,653,577	$ 480,509,375

Changes in Pension Net Assets

	Employees' Retirement System Pension	Employees' Retirement System OPEB	Police and Fire Retirement System	Police and Fire Retirement System OPEB	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
Additions							
Investment income:							
Net appreciation in fair value of investments	$ (16,459,666)	$ -	$ (24,315,418)	$ -	$ -	$ (457,014)	$ (41,232,098)
Interest income	1,186,338	1,499,888	1,591,509	1,373,016	(202,155)	18,317	5,466,913
Dividend income	174,407	-	285,728	-	-	284,102	744,237
Less investment expenses	(862,433)	-	(1,054,918)	-	(16,005)	-	(1,933,356)
Net investment income	(15,961,354)	1,499,888	(23,493,099)	1,373,016	(218,160)	(154,595)	(36,954,304)
Contributions:							
Employer	6,021,612	8,703,114	6,576,000	8,629,563	21,207	1,575,930	31,527,426
Plan members	1,346,026	-	2,418,523	-	-	-	3,764,549
Total contributions	7,367,638	8,703,114	8,994,523	8,629,563	21,207	1,575,930	35,291,975
Total additions	(8,593,716)	10,203,002	(14,498,576)	10,002,579	(196,953)	1,421,335	(1,662,329)
Deductions							
Participant benefits	17,278,691	8,343,396	18,817,698	7,895,211	271,483	-	52,606,479
Administrative expense	32,039	-	29,056	-	-	-	61,095
Total deductions	17,310,730	8,343,396	18,846,754	7,895,211	271,483	-	52,667,574
Net additions (deductions) to net assets held in trust	(25,904,446)	1,859,606	(33,345,330)	2,107,368	(468,436)	1,421,335	(54,329,903)
Net assets held in trust for pension benefits:							
Beginning of year	207,932,759	10,218,179	294,973,488	13,063,901	2,418,709	6,232,242	534,839,278
End of year	$ 182,028,313	$ 12,077,785	$ 261,628,158	$ 15,171,269	$ 1,950,273	$ 7,653,577	$ 480,509,375

4-E. Postemployment Benefits

The City of Lansing contributes to the Employees' Retirement System, the Police and Fire Retirement System, and the Voluntary Beneficiary Association (VEBA), amounts to pre-fund post employment healthcare. In the Employees' Retirement System and the Police and Fire Retirement System, these other postemployment benefits (OPEB) are set up as reserves in the pension plans, and their investments are commingled with the investments of the pension. Portfolio makeup is reported as a percentage of total pension plan assets. Earnings are calculated based on a seven year smoothed rate of return of the retirement systems. Eligible participants include any retirees who receive pension benefits under the respective pension plans. OPEB plan provisions are established and may be amended by the City Council, subject to the City's various collective bargaining agreements.

Voluntary Employees Beneficiary Association (VEBA). The City of Lansing Voluntary Employees Beneficiary Association (the "Plan") is a single-employer defined benefit post employment healthcare plan established by the City to provide medical and healthcare benefits for retirees and their beneficiaries. Eligible participants include any retirees who receive pension benefits under one of the City's pension plans. The Plan is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code that allows for the formation of a VEBA. During the year, the City contributed $1,575,930 to the plan.

Employees' Retirement System. The City provides postretirement health care benefits, in accordance with labor agreements, to full-time employees of the City and employees of the 54-A District Court (not including police officers and firefighters who are members of the Police and Fire Retirement System). Depending on date hired, members are eligible to receive health care benefits with a minimum of 8 to 15 years of service and an age requirement ranging from none to age 58. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of $96.40 per month for each covered retiree and dependent(s). The payments are charged to the Fringe Benefit Internal Service Fund of the City and are recognized as expenses as payments are made. During the year, payments for health care benefits were approximately $8,343,396 and the City contributed $8,703,144 (direct benefit payments of $8,343,396 and City contributions of $359,718) to the Employees' Retirement System.

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

Police and Fire Retirement System. The City also provides postretirement health care benefits, in accordance with labor agreements, to full-time police officers and firefighters with a minimum of 15 years of service and an age requirement of 55 years. If service is 25 years or more, there is no age requirement. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of $88.50 per month for each covered retiree and dependent(s). The payments are charged to the Fringe Benefit Internal Service Fund of the City and are recognized as expenses as payments are made. During the year, payments for health care benefits were approximately $7,895,211 and the City contributed $8,629,563 (direct benefit payments of $7,895,211 and City contributions of $734,352) to the Police and Fire Retirement System to fund retiree healthcare.

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

Plan valuation assets for the OPEB plans are equal to the reported market value of assets except that only 20% of the difference between the mark-to-market rate of return and the 8% actuarial rate of return is recognized each year. The entry-age actuarial cost method, with a 30 year amortization of unfunded accrued liabilities was used to determine the liabilities. The entry-age method is a stable method that is consistent with a level percentage of payroll financing. The actuarial accrued liability assumes a healthcare cost trend rate of 10% to 4%.

At December 31, 2006 (the date of the most recent actuarial valuation), the assets in excess of actuarial accrued liability were determined as follows:

	Employees' Retirement System & VEBA *	Police & Fire Retirement System
Actuarial accrued liability for:		
Active participants	$ 35,789,417	$ 50,381,502
Retired participants and beneficiaries currently receiving benefits	104,900,203	103,411,503
Vested terminated participants not yet receiving benefits	6,698,762	1,765,837
Total actuarial accrued liability	**147,388,382**	**155,558,842**
Actuarial value of assets (smoothed market value)	14,336,700	13,063,900
Unfunded actuarial accrued liability	**$ 133,051,682**	**$ 142,494,942**
Funded ratio	9.7%	8.4%
Covered payroll	$ 31,943,723	$ 29,582,427
UAAL as a % of covered payroll	416.5%	481.7%

* - The Employees' Retirement System and VEBA were combined on the actuarial valuation.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

The following tables show the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation to the Plan:

Employees' Retirement System and VEBA

Annual required contribution	$ 9,026,892
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	$ 9,026,892
Contributions made	(10,279,044)
Increase in net OPEB obligation	(1,252,152)
Net OPEB obilgation, beginning of year	-
Net OPEB obligation, end of year	$ (1,252,152)

Police and Fire Retirement System

Annual required contribution	$ 12,005,858
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	$ 12,005,858
Contributions made	(8,629,563)
Increase in net OPEB obligation	3,376,295
Net OPEB obilgation, beginning of year	-
Net OPEB obligation, end of year	$ 3,376,295

The City's annual OPEB costs, the percentage of annual OPEB costs contributed to the Plans, and the net OPEB obligation (asset) as of June 30, 2008, were as follows:

Employees' Retirement System and VEBA

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/08	$ 9,026,892	113.9%	$ 1,252,152

Police and Fire Retirement System

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/08	$ 12,005,858	71.9%	$ 3,376,295

* * * * * *

REQUIRED SUPPLEMENTARY INFORMATION

City of Lansing
Employees' Retirement System
Required Supplementary Information
(amounts in thousands)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Underfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/1998	$ 143,268	$ 170,775	$ 27,507	83.9%	$ 17,820	154.4%
12/31/1999	161,958	187,150	25,192	86.5%	19,312	130.4%
12/31/2000	177,855	198,396	20,541	89.6%	19,521	105.2%
12/31/2001	191,311	213,648	22,337	89.5%	20,282	110.1%
12/31/2002	192,920	215,405	22,485	89.6%	19,098	117.7%
12/31/2003	199,329	221,088	21,759	90.2%	30,579	71.2%
12/31/2004	206,200	231,389	25,189	89.1%	32,383	77.8%
12/31/2005	207,881	245,242	37,361	84.8%	30,851	121.1%
12/31/2006	208,765	251,427	42,662	83.0%	31,944	133.6%
12/31/2007	208,572	254,356	45,784	82.0%	31,797	144.0%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contributions	Percentage Contributed
1998	$ 4,086	99.2%
1999	3,334	100.0%
2000	3,138	100.0%
2001	3,215	100.0%
2002	3,105	100.0%
2003	3,567	98.1%
2004	3,466	100.0%
2005	4,675	100.0%
2006	4,900	100.0%
2007	5,231	100.0%
2008	6,022	102.0%

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City of Lansing
Police and Fire Retirement System
Required Supplementary Information
(amounts in thousands)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Underfunded (Overfunded) AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/1998	$ 217,011	$ 218,533	$ 1,522	99.3%	$ 22,792	6.7%
12/31/1999	245,197	233,332	(11,865)	105.1%	24,352	-48.7%
12/31/2000	267,020	239,615	(27,405)	111.4%	24,830	-110.4%
12/31/2001	280,518	249,204	(31,314)	112.6%	25,751	-121.6%
12/31/2002	280,686	259,282	(21,404)	108.3%	26,152	-81.8%
12/31/2003	277,947	267,786	(10,161)	103.8%	26,484	-38.4%
12/31/2004	275,807	279,873	4,066	98.5%	27,754	14.7%
12/31/2005	273,421	290,299	16,878	94.2%	27,855	60.6%
12/31/2006	278,839	308,193	29,354	90.5%	29,582	99.2%
12/31/2007	293,571	315,635	22,064	93.0%	29,600	74.5%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contributions	Percentage Contributed
1998	$ 4,252	99.0%
1999	4,380	99.4%
2000	4,063	100.0%
2001	3,561	100.0%
2002	2,665	100.0%
2003	2,637	100.0%
2004	3,287	99.6%
2005	3,334	100.3%
2006	4,659	100.0%
2007	5,386	100.0%
2008	6,521	100.8%

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July __, 2009

City of Lansing
Counties of Ingham and Eaton
State of Michigan

Re: $20,000,000 City of Lansing, Counties of Ingham and Eaton, State of Michigan Limited Tax General Obligation Capital Improvement Bonds, Series 2009 (Taxable Build America Bonds – Direct Payment)

Ladies and Gentlemen:

We have examined a transcript of proceedings for the issue, by the City of Lansing, Counties of Ingham and Eaton, State of Michigan (the "City"), of bonds in the principal sum of not to exceed $20,000,000, designated Limited Tax General Obligation Capital Improvement Bonds, Series 2009 (Taxable) (the "Bonds"), for the purposes described in the Bonds. The Bonds are issued in fully registered form in denominations of $5,000 each or multiples thereof, numbered in order of registration, dated as of July __, 2009 and payable as to principal and interest as provided in the Bonds. The Bonds are subject to redemption prior to maturity in the manner, at the times and at the prices specified in the Bonds. We have also examined one fully executed Bond. As to questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us.

From such examination we are of opinion that the Bonds have been duly authorized, executed and delivered and are the valid and binding obligations of the City enforceable in accordance with their terms. The Bonds are limited tax general obligations, payable from general funds of the City as a first budget obligation, and other funds lawfully available to the City for this purpose, and if necessary, the City is required to levy sufficient ad valorem taxes on all taxable property within the boundaries of the City for payment of the Bonds, subject to applicable Constitutional, state law and charter restrictions.

The interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. We express no opinion regarding other federal income tax consequences arising with respect to the Bonds and the interest thereon.

We express no opinion regarding the tax treatment of the interest on the Bonds under the laws of the State of Michigan.

The rights and remedies of bondholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principles of equity including those relating to equitable subordination.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

The opinions set forth herein are not intended or provided to be used and cannot be used by an owner of the Bonds for the purpose of avoiding penalties that may be imposed on the owner of the Bonds. The opinions set forth herein are provided to support the promotion or marketing of the Bonds. Each owner of the Bonds should seek advice based on its particular circumstances from an independent tax advisor.

Very truly yours,

DYKEMA GOSSETT PLLC

CONTINUING DISCLOSURE UNDERTAKING OF THE CITY OF LANSING

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the City of Lansing, Counties of Ingham and Eaton, State of Michigan (the "City") in connection with the issuance by the City of its Limited Tax General Obligation Capital Improvement Bonds, Series 2009 (Taxable Build America Bonds – Direct Payment), (the "Bonds"). The City covenants and agrees for the benefit of the Bondholders, as hereinafter defined, as follows:

SECTION 1. Definitions. The following terms used herein shall have the following meanings:

"Audited Financial Statements" means annual audited financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by law, and prepared in accordance with GAAP applied on a consistent basis.

"Bondholders" shall mean the registered owner of any Bond and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any of the Bonds for federal income tax purposes.

"Disclosure Representative" means the Finance Director of the City or his or her designee, or such other officer, employee, or agent as the city shall designate from time to time in writing.

"DisclosureUSA" means the internet-based electronic filing system at www.disclosureusa.org operated by the Municipal Advisory Council of Texas or successor.

"EMMA" means the MSRB's Electronic Municipal Market Access System.

"GAAP" means generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Undertaking.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"National Repository" shall mean the MSRB, through the operation of EMMA.

"Repository" shall mean the MSRB, through the operation of EMMA.

"Rule" shall mean Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended, as the same may be amended.

"SEC" shall mean the United States Securities and Exchange Commission.

"State Repository" shall mean any public or private repository or entity designated by the State and approved by the SEC as a state information depository for the purpose of the Rule. As of the date of this Undertaking, the only State Repository and its address and telephone numbers are as follows:

Municipal Advisory Council of Michigan
1445 First National Building
Detroit, Michigan 48226-3517
Tel: (313) 963-0420
Fax: (313) 963-0943
Email: mac@macmi.com

SECTION 2. Continuing Disclosure.

The City hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to each Repository, on or before the 180th day after the end of the fiscal year of the City, the following annual financial information and operating data, commencing with its fiscal year ended June 30, 2008:

(1) Updates of the numerical financial information and operating data included in the official statement of the City dated July 9, 2009 relating to the Bonds (the "Official Statement") appearing in the Tables or under the headings in the Official Statement as described below:

a. Property Valuations – Historical Valuation;
b. Major Taxpayers;
c. Tax Rates (Per $1,000 of Valuation);
d. Tax Levies and Collections;
e. City Income Tax;
f. Revenues from the State of Michigan;
g. Labor Force;
h. Pension Fund;
i. Debt Statement – Direct Debt; and
j. General Fund Budget Summary.

(2) Audited Financial Statements.

Such annual financial information and operating data described above are expected to be provided directly by the City in the following documents to be filed with each Repository: the Audited Financial Statements; materials containing the updates described in (1) above; and in subsequent official statements of the City filed with the MSRB.

If the fiscal year of the City is changed, the City shall send notices of such change to each Repository, prior to the earlier of the ending date of the fiscal year prior to such change or, if earlier, the ending date of the fiscal year as changed. If the Audited Financial Statements are not available by the deadline for filing the Annual Information, unaudited financial statements in a format similar to the Audited Financial Statement most recently prepared for the City shall be included in the annual financial information and the Audited Financial Statements shall be provided when and if available.

SECTION 3. Notice of Failure to Disclose. The City agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, notice of a failure by the City to provide the annual financial information with respect to the City described in Section 2 above on or prior to the dates set forth in Section 2 above.

SECTION 4. Reporting Significant Events. The City agrees to provide or cause to be provided in a timely manner to the MSRB through EMMA, notice of the occurrence of any of the following events, if material, in accordance with the Rule:

(1) principal and interest payment delinquencies

(2) non-payment related defaults

(3) unscheduled draws on debt service reserves reflecting financial difficulties

(4) unscheduled draws on credit enhancements reflecting financial difficulties

(5) substitution of credit or liquidity providers, or their failure to perform

(6) adverse tax opinions or events affecting the tax exempt status of the Bonds

(7) modifications to rights of Bondholders

(8) Bond calls

(9) defeasances

(10) release, substitution, or sale of property securing repayment of the Bonds

(11) rating changes

The City agrees that its determination of whether any event listed above is material shall be made in accordance with federal securities laws.

SECTION 5. Termination of Reporting Obligation. The obligation of the City to provide annual financial information and notices of material events, as set forth above, shall be terminated if and when the City no longer remains an "obligated person" with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

SECTION 6. Amendment. Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the City, provided that the City agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the City (such as independent legal counsel), but such interpretations may be changed in the future. In the event of any amendment to, or waiver of a provision of, this Undertaking, the City shall describe such amendment or waiver in the next filing of its annual financial information and shall include an explanation of the reason for such amendment or waiver. In particular, if the amendment results in a change to the annual financial information required to be included pursuant to Section 2 of this Undertaking, the first filing of its annual financial information that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. Further, if the annual financial information required to be provided can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first filing of its annual financial information that does not include such information.

SECTION 7. Beneficiaries. The City agrees that its undertaking pursuant to the Rule set forth in this Undertaking is intended to be for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that, the right to enforce the provision of this Undertaking shall be limited to a right to obtain specific enforcement of the City's obligations hereunder and any failure by the City to comply with the provisions of this Undertaking shall not constitute a default or an event of default with respect to the Bonds.

Dated: __________, 2009 CITY OF LANSING

By:_________________________________
Gerald W. Ambrose, Finance Director

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