



Vicksburg Community Schools

Financial Statements and
Supplementary Information
Year Ended June 30, 2015

Vicksburg Community Schools

Financial Statements and Supplementary Information
Year Ended June 30, 2015

Vicksburg Community Schools

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Independent Auditor's Report

Board of Education
Vicksburg Community Schools
Vicksburg, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vicksburg Community Schools (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions were not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 7 through 14 and the Schedules of the District's Proportionate Share of the Net Pension Liability and Contributions on pages 41 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 23, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BDO USA, LLP

Kalamazoo, Michigan

October 23, 2015

Management's Discussion and Analysis

Vicksburg Community Schools

Management's Discussion and Analysis

This section of the Vicksburg Community Schools (the District's) annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader understands the District's finances as a whole. The District-wide Financial Statements provide information about the activities of the whole district, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the district-wide financial statements by providing information about the District's most significant funds - the General Fund and the 2014 Building and Site Fund, with all other funds presented in one column as non-major funds. The remaining statement, the Statement of Fiduciary Assets and Liabilities, presents financial information about the activities for which the District acts solely as an agent for the benefit of students and parents.

For the year ended June 30, 2015, The District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These changes are significant at the District-wide level.

These new financial reporting standards require participants in a multi-employer cost sharing plan to:

1. Record a proportionate share of the net pension liability on our statement of net position.
2. Record a proportionate share of pension expenses as defined by GASB on our statement of activities.
3. Report additional note disclosures and required supplementary information.
4. These changes will not result in any changes at the fund level.

Reporting the District as a Whole - District-wide Financial Statements

One of the most important questions asked about the District is, "As a whole, what is the District's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Vicksburg Community Schools

Management's Discussion and Analysis

These two statements report the District's net position - the difference between assets and liabilities, as reported in the Statement of Net Position - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the District.

The Statement of Net Position and the Statement of Activities report the governmental activities for the District, which encompass all of the District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds - Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by state law and by bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the District use the following accounting approach:

Governmental funds - All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances remaining at year-end that are available for spending. They are reported using the accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the differences between governmental activities reported in the Statement of Net Position and the Statement of Activities and governmental funds in a reconciliation.

The District as Trustee - Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Vicksburg Community Schools
Management's Discussion and Analysis

The District as a Whole

Recall that the Statement of Net Position provided the perspective of the District as a whole. The following provides a summary of the District's net position as of June 30, 2015 and 2014:

<i>June 30,</i>	<i>Governmental Activities</i>	
	2015	2014
Assets:		
Current assets	\$ 10,016,338	\$ 13,019,084
Capital assets, net	24,771,472	23,571,725
Total Assets	34,787,810	36,590,809
Deferred Outflows of Resources		
Refunding of bonds	68,352	82,022
Pension-related	3,457,701	-
Total Assets and Deferred Outflows of Resources	38,313,863	36,672,831
Liabilities:		
Current liabilities	7,459,652	6,678,617
Noncurrent liabilities	17,778,938	21,180,576
Net pension liability	31,620,785	-
Total Liabilities	56,859,375	27,859,193
Deferred Inflows of Resources - pension related	3,495,691	-
Total Liabilities and Deferred Inflows of Resources	60,355,066	27,859,193
Net Position:		
Net investment in capital assets	6,399,590	5,140,381
Restricted	685,055	600,209
Unrestricted (Deficit)	(29,125,848)	3,073,048
Total Net Position (Deficit)	\$ (22,041,203)	\$ 8,813,638

The above analysis focuses on the net position. The change in net position of the District's governmental activities is discussed below. The District's net deficit totaled \$22.0 million at June 30, 2015. Net investment in capital assets totaling a surplus of \$6.4 million, compares the original cost, less depreciation of the District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service becomes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation limiting the District's ability to use the net position for day-to-day operations. The remaining amount of net deficit of \$29.1 million was unrestricted.

Vicksburg Community Schools

Management's Discussion and Analysis

The \$29.1 million in unrestricted net deficit of governmental activities represents the *accumulated* results of all past years' operations and includes \$31.6 million in net pension liabilities as discussed in Note 7 to the financial statements. The unrestricted net position balance enables the District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year-to-year.

The results of this year's operations for the District as a whole are reported in the Statement of Activities, which shows the changes in net position for fiscal years 2015 and 2014:

<i>Year ended June 30,</i>	<i>Governmental Activities</i>	
	2015	2014
Revenue:		
Program revenue:		
Charges for services	\$ 939,503	\$ 945,445
Federal grants and entitlements	959,465	1,090,708
State categoricals	1,501,822	1,294,228
Other operating grants	889,042	928,047
General revenue:		
Property taxes	6,006,162	5,053,808
State foundation allowance	18,897,927	17,939,224
Other	97,770	161,104
Total Revenue	29,291,691	27,412,564
Functions/Program Expenses:		
Instruction	15,713,834	14,376,608
Support services	8,367,938	8,012,305
Community services	242,990	260,383
Food services	1,023,781	1,027,486
Athletics	584,514	531,416
Intergovernmental transfers	77,196	71,745
Interest on long-term debt	976,887	953,259
Bond issuance costs	28,442	56,407
Depreciation	1,243,996	1,175,395
Total Expenses	28,259,578	26,465,004
Increase in Net Position	1,032,113	947,560
Net Position, beginning of year	8,813,638	7,866,078
GASB No. 68 Adjustment	(31,886,954)	-
Restated Net Position (Deficit), beginning of year	(23,073,316)	7,866,078
Net Position (Deficit), end of year	\$ (22,041,203)	\$ 8,813,638

Vicksburg Community Schools

Management's Discussion and Analysis

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$28.3 million. Certain activities were partially funded from those who benefited from the programs with charges for services of \$0.9 million or by other governments and organizations that subsidized certain programs with grants and contributions of \$3.3 million. We paid for the remaining "public benefit" portion of our governmental activities with \$6.0 million in taxes, \$18.9 million in unrestricted state aid, and with our other revenues such as interest and general entitlements.

The District experienced an increase in net position of \$1.0 million during fiscal 2015.

As discussed above, the net cost shows the financial burden placed on the state and the District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the board of education and the administration must annually evaluate the needs of the District and balance those needs with state-prescribed available unrestricted resources.

The District's Funds

As we noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the District's overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of \$6.5 million, which is a decrease of \$3.7 million from last year. Of that decrease, \$3.2 million resulted from the scheduled drawdown of restricted bond funds, and another \$0.3 million was related to the refinancing of certain bonded indebtedness, which will reduce future interest costs.

In the General Fund, our principal operating fund, the fund balance declined by \$0.16 million. This was \$0.16 million better than projected in the District's budget.

The fund balance of the General Fund is available to fund costs related to allowable school operating purposes.

The fund balance in our Special Revenue Fund increased slightly to \$0.4 million, primarily as a result of controlling costs.

The combined Debt Service Funds showed a decrease in fund balance of \$0.18 million. Millage rates are determined annually to ensure the District accumulates sufficient resources to pay annual bond issue-related debt service. Durant bond obligations are funded by annual state appropriation, and no fund balance exists for the Durant bonds. The fund balances of the Debt Service Funds are restricted since they may only be used to pay debt service obligations.

The 2014 Building & Site Fund was established during the current year to account for the proceeds from the issuance of \$6.5 million in voter-approved bonds. The June 30, 2015 fund balance of \$3.2 million will be used to fund facility improvements along with security and technology upgrades.

Vicksburg Community Schools
Management's Discussion and Analysis

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted shortly before year-end. A schedule showing the District's original and final budget amounts compared to amounts actually paid and received is provided with the basic financial statements.

There were revisions made to the 2014-2015 General Fund original budget. Budgeted revenues were increased by \$0.5 million and budgeted expenditures and other financing uses were increased by \$0.8 million, primarily as a result of routine budgetary revisions over the course of the fiscal year.

Actual General Fund revenues were under the amended budget by \$55,036, which represents a variance of approximately 0.2%. Actual General Fund expenditures and other financing uses were \$223,178 below the amended budget, which represents a variance of approximately 1.5%.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the District had \$24.8 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of \$1.2 million or 5.1% from last year.

<i>June 30,</i>	2015	2014
Land	\$ 147,402	\$ 147,402
Construction in progress	1,358,848	63,200
Buildings and building improvements	36,630,702	35,962,896
Buses and other vehicles	2,569,515	2,569,515
Furniture and equipment	4,803,550	4,567,245
	45,510,017	43,310,258
Less accumulated depreciation	20,738,545	19,738,533
Net Capital Assets	\$ 24,771,472	\$ 23,571,725

This year's additions of \$2.5 million related primarily to construction in progress, facility improvements, and equipment replacements. Detailed information about capital assets may be found in Note 5 to the financial statements.

Vicksburg Community Schools

Management's Discussion and Analysis

Debt

At the end of this year, the District had \$21.2 million in bonds outstanding versus \$24.3 million in the previous year—a decrease of 12.6%. Those bonds consisted of the following:

<i>June 30,</i>	2015	2014
General obligation bonds	\$ 14,232,340	\$ 16,691,204
Accrued interest on capital appreciation bonds	6,985,731	7,573,073
	\$ 21,218,071	\$ 24,264,277

The District's general obligation bond rating is A. The state limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within the District's boundaries. If the District issues "Qualified Debt," i.e., debt backed by the state of Michigan, such obligations are not subject to this debt limit. The District's outstanding unqualified general obligation debt of \$21.2 million is significantly below the statutorily imposed limit, which is approximately \$98 million.

Detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the District's 2015-2016 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation allowance revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2016 fiscal year is calculated based on 90% and 10% of the October 2015 and February 2016 student counts, respectively. The 2015-2016 budget was adopted in June 2015, based on an estimate of students that would be enrolled in September 2015. Approximately 80% of total General Fund revenue is derived from the foundation allowance. Under state law, the District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the state's ability to fund local school operations. Based on the preliminary student count for September 2015, the actual blended pupil count for 2015-2016 is consistent with the assumption of flat enrollment.

Since the District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the state's ability to collect revenues to fund its appropriation to school districts. The state periodically holds a revenue-estimating conference to estimate revenues. If a future revenue estimating conference determines that revenues will not be sufficient to fund the school aid appropriation, the legislature must revise the appropriation or a pro-ration of state aid will occur. No revenue contingency has been included in the District's preliminary 2015-2016 budget.

Vicksburg Community Schools

Management's Discussion and Analysis

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds received. If you have questions about this report or need additional information, contact:

Business Office
Vicksburg Community Schools
301 South Kalamazoo Avenue
Vicksburg, Michigan 49097

Basic Financial Statements

Vicksburg Community Schools

District-Wide Financial Statements Statement of Net Position

	<i>Primary Government</i>
	<i>Governmental Activities</i>
June 30, 2015	
Assets:	
Cash and investments (Note 3)	\$ 5,810,770
Accounts receivable	3,860,730
Inventories	14,754
Prepaid expenses	330,084
Total Current Assets	10,016,338
Noncurrent Assets - Capital assets, net of accumulated depreciation (Note 5)	24,771,472
Total Assets	34,787,810
Deferred Outflows of Resources:	
Pension contributions subsequent to the measurement date	2,290,962
Changes in pension actuarial assumptions	1,166,739
Refunding of bonds	68,352
Total Assets and Deferred Outflows of Resources	38,313,863
Liabilities	
Current Liabilities:	
Accounts payable	1,141,526
Accrued payroll	2,248,487
Accrued interest	139,362
Unearned revenue	88,630
Current portion of long-term debt (Note 6)	3,841,647
Total Current Liabilities	7,459,652
Noncurrent Liabilities:	
Long-term debt (Note 6)	17,778,938
Net pension liability	31,620,785
Total noncurrent liabilities	49,399,723
Total liabilities	56,859,375
Deferred Inflows of Resources -	
Net difference between projected and actual plan investment earnings	3,495,691
Total Liabilities and Deferred Inflows of Resources	60,355,066
Net Position:	
Net investment in capital assets	6,399,590
Restricted for debt service	275,577
Restricted for food service	409,478
Unrestricted (Deficit)	(29,125,848)
Total Net Position (Deficit)	\$ (22,041,203)

See accompanying notes to financial statements.

Vicksburg Community Schools

District-Wide Financial Statements Statement of Activities

<i>Year ended June 30, 2015</i>	<i>Expenses</i>	<i>Program Revenues</i>		<i>Net (Expenses)</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Revenue and Changes in Net Position</i>
				<i>Total</i>
Functions/Programs:				
Primary government -				
Governmental activities:				
Instruction	\$ 15,791,030	\$ 1,450	\$ 2,634,320	\$ (13,155,260)
Support services	8,396,380	18,286	66,965	(8,311,129)
Athletics	584,514	134,814	32,055	(417,645)
Community services	242,990	275,035	-	32,045
Food services	1,023,781	509,918	616,989	103,126
Interest on long-term debt	976,887	-	-	(976,887)
Unallocated depreciation	1,243,996	-	-	(1,243,996)
Total Governmental Activities	\$ 28,259,578	\$ 939,503	\$ 3,350,329	(23,969,746)

General Revenues:

Property taxes levied for general purposes	2,519,321
Property taxes levied for debt service	3,486,841
Unrestricted state aid	18,897,927
Investment earnings	9,310
Other	88,460

Total General Revenues 25,001,859

Change in Net Position 1,032,113

Net Position, beginning of year 8,813,638

GASB No. 68 Adjustment (Note 11) (31,886,954)

Restated Net Position (Deficit), beginning of year (23,073,316)

Net Position (Deficit), end of year \$ (22,041,203)

See accompanying notes to financial statements.

Vicksburg Community Schools

Government Funds Balance Sheet

<i>June 30, 2015</i>	<i>General Fund</i>	<i>Building and Site Fund</i>	<i>2014 Building and Site Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:					
Cash and investments (Note 3)	\$ 690,984	\$ 157,752	\$ 3,979,023	\$ 983,011	\$ 5,810,770
Accounts receivable	3,860,730	-	-	-	3,860,730
Due from other funds (Note 4)	266,760	-	4,979	180,992	452,731
Inventories	5,782	-	-	8,972	14,754
Prepaid expenditures	330,084	-	-	-	330,084
Total Assets	\$ 5,154,340	\$ 157,752	\$ 3,984,002	\$ 1,172,975	\$ 10,469,069
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 323,962	\$ -	\$ 815,369	\$ 2,195	\$ 1,141,526
Accrued payroll	2,248,487	-	-	-	2,248,487
Due to other funds (Note 4)	185,971	100,403	3,160	163,197	452,731
Unearned revenue	72,407	-	-	16,223	88,630
Total Liabilities	2,830,827	100,403	818,529	181,615	3,931,374
Fund Balances:					
Nonspendable -					
Prepaid expenditures and inventories	335,866	-	-	8,972	344,838
Restricted for:					
Food service	-	-	-	400,506	400,506
Debt service	-	-	-	439,284	439,284
Capital projects	-	-	3,165,473	-	3,165,473
Assigned to:					
Debt service	-	-	-	142,598	142,598
Capital projects	-	57,349	-	-	57,349
Unassigned	1,987,647	-	-	-	1,987,647
Total Fund Balances	2,323,513	57,349	3,165,473	991,360	6,537,695
Total Liabilities and Fund Balances	\$ 5,154,340	\$ 157,752	\$ 3,984,002	\$ 1,172,975	\$ 10,469,069

See accompanying notes to financial statements.

Vicksburg Community Schools

Government Funds Reconciliation of Fund Balance of Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position

June 30, 2015

Total Fund Balances - Total Governmental Funds (from Page 17) \$ 6,537,695

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

These assets consist of:

Capital assets, at cost	\$ 45,510,017	
Accumulated depreciation	<u>(20,738,545)</u>	
Net capital assets		24,771,472

Other long-term assets are not available to pay for current
period expenditures and therefore are not reported in the
funds.

These assets consist of -

Deferred outflows		3,526,053
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Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported
in the funds.

Balances are as follows:

Deferred inflows	(3,495,691)	
Net pension liability	(31,620,785)	
Bonds payable	(14,232,340)	
Accrued interest on capital appreciation bonds	(6,985,731)	
Installment purchase agreement	(253,112)	
Premium on issuance of bonds	(66,172)	
Compensated absences	<u>(83,230)</u>	
Total long-term liabilities		(56,737,061)

Accrued interest payable on long-term debt		<u>(139,362)</u>
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Net Position (Deficit) of Governmental Activities (from Page 15) \$ (22,041,203)

See accompanying notes to financial statements.

Vicksburg Community Schools

Government Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

<i>Year ended June 30, 2015</i>	<i>General Fund</i>	<i>Building and Site Fund</i>	<i>2014 Building and Site Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:					
Local sources	\$ 2,250,979	\$ -	\$ 7,930	\$ 4,004,723	\$ 6,263,632
State sources	20,360,328	-	-	39,421	20,399,749
Federal sources	381,899	-	-	577,566	959,465
Other	1,668,845	-	-	-	1,668,845
Total Revenues	24,662,051	-	7,930	4,621,710	29,291,691
Expenditures:					
Instruction	15,232,235	-	-	-	15,232,235
Supporting services	8,713,142	-	-	-	8,713,142
Community services	242,990	-	-	-	242,990
Payments to other governmental units	77,196	-	-	-	77,196
Food service activities	-	-	-	1,023,781	1,023,781
Debt retirement:					
Redemption of principal	249,987	-	-	2,263,864	2,513,851
Interest and fiscal charges	7,239	-	-	1,532,520	1,539,759
Bond issuance costs	-	-	-	28,442	28,442
Capital projects	-	159,020	3,257,896	-	3,416,916
Total Expenditures	24,522,789	159,020	3,257,896	4,848,607	32,788,312
Excess (Deficiency) of Revenues Over Expenditures	139,262	(159,020)	(3,249,966)	(226,897)	(3,496,621)
Other Financing Sources (Uses):					
Bonds issued	-	-	-	1,155,000	1,155,000
Payment to escrow agent	-	-	-	(1,376,558)	(1,376,558)
Transfers in	73,000	-	-	368,657	441,657
Transfers out	(368,657)	-	-	(73,000)	(441,657)
Total Other Financing Sources (Uses)	(295,657)	-	-	74,099	(221,558)
Change in Fund Balances	(156,395)	(159,020)	(3,249,966)	(152,798)	(3,718,179)
Fund Balances, beginning of year	2,479,908	216,369	6,415,439	1,144,158	10,255,874
Fund Balances, end of year	\$ 2,323,513	\$ 57,349	\$ 3,165,473	\$ 991,360	\$ 6,537,695

See accompanying notes to financial statements.

Vicksburg Community Schools

Government Funds Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds (from Page 19) \$ (3,718,179)

Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their
estimated useful lives as depreciation expense:

Capital outlay	\$ 2,443,743	
Depreciation expense	<u>(1,243,996)</u>	
		1,199,747

Adjustments to net pension expense under GASB 68 is recorded in the Statement of Activities, but not in the governmental funds	228,179
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Repayment of accrued interest on capital appreciation bonds is an expenditure in the governmental funds, but not in the Statement of Activities.	1,241,136
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Repayment of bond and note principal is an expenditure in the governmental funds, but not in the Statement of Activities.	3,863,851
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Compensated absences are recorded in the Statement of Activities when incurred; they are not reported in governmental funds until paid.	85
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Accrued interest on the capital appreciation bonds is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.	(653,794)
---	-----------

Amortization of deferred outflows are reported in the Statement of Activities; it is not reported in the governmental funds.	(13,670)
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Amortization of bond premiums are reported in the Statement of Activities; it is not reported in the governmental funds.	13,235
---	--------

Repayment of other long-term liability.	24,000
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Proceeds from issuance of bonds is an other financing source in the governmental funds, but not in the Statement of Activities.	(1,155,000)
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Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.	2,523
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Change in Net Position of Governmental Activities (from Page 16) \$ 1,032,113

See accompanying notes to financial statements.

Vicksburg Community Schools

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund

<i>Year ended June 30, 2015</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Local sources	\$ 2,171,500	\$ 2,246,940	\$ 2,250,979	\$ 4,039
State sources	19,994,029	20,327,603	20,360,328	32,725
Federal sources	438,000	481,500	381,899	(99,601)
Other	1,590,000	1,661,044	1,668,845	7,801
Total Revenues	24,193,529	24,717,087	24,662,051	(55,036)
Expenditures:				
Instruction:				
Basic programs	12,463,090	12,924,441	12,848,901	75,540
Added needs	2,292,810	2,336,495	2,274,847	61,648
Adult and continuing education	119,653	112,960	108,487	4,473
Total instruction	14,875,553	15,373,896	15,232,235	141,661
Support services:				
Pupil services	1,203,048	1,304,760	1,288,285	16,475
Instructional staff	663,771	737,627	667,371	70,256
General administration	468,679	463,988	462,836	1,152
School administration	1,389,311	1,429,655	1,427,047	2,608
Business services	427,711	407,133	404,556	2,577
Operations and maintenance	1,907,892	1,971,663	2,031,467	(59,804)
Transportation	1,299,935	1,268,865	1,238,767	30,098
Central services	542,352	612,290	608,299	3,991
Student athletics	537,515	594,750	584,514	10,236
Total support services	8,440,214	8,790,731	8,713,142	77,589

See accompanying notes to financial statements.

Vicksburg Community Schools

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund

<i>Year ended June 30, 2015</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Expenditures (Concluded):				
Community services	\$ 257,880	\$ 251,314	\$ 242,990	\$ 8,324
Payments to other governmental units	73,000	73,000	77,196	(4,196)
Debt service - Interest and other	256,276	256,276	257,226	(950)
Total Expenditures	23,902,923	24,745,217	24,522,789	222,428
Other Financing Sources (Uses):				
Transfers in	75,000	75,000	73,000	(2,000)
Transfers out	(368,657)	(369,407)	(368,657)	750
Total Other Financing Sources (Uses)	(293,657)	(294,407)	(295,657)	(1,250)
Change in Fund Balance	(3,051)	(322,537)	(156,395)	166,142
Fund Balance, beginning of year	2,479,908	2,479,908	2,479,908	-
Fund Balance, end of year	\$ 2,476,857	\$ 2,157,371	\$ 2,323,513	\$ 166,142

See accompanying notes to financial statements.

Vicksburg Community Schools
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund

<i>June 30, 2015</i>	<i>Student Activities Agency Fund</i>
<hr/>	
Assets -	
Cash and investments (Note 3)	\$ 486,027
<hr/>	
Liabilities -	
Due to student groups	\$ 486,027
<hr/>	

See accompanying notes to financial statements.

Vicksburg Community Schools

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the Vicksburg Community Schools (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

The District is an independent entity with an elected board of education. The board consists of seven members elected to six-year terms. The board has responsibility and control over all matters affecting the District, including authority to levy taxes and determine its budget, the power to designate management and primary accountability for fiscal matters. The financial statements of the District contain all funds for which the District is financially accountable.

The criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, there are no other entities that are included in this report.

The Vicksburg Community Schools Foundation (the Foundation) is a legally separate, tax-exempt organization. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the District in support of its programs. The 17-member board of the Foundation is self-perpetuating and consists of district officials and friends of the District. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the District, the Foundation meets the criteria to be a component unit of the District. However, because the economic resources received or held by the Foundation that the District is entitled to, or has the ability to otherwise access are not significant, the Foundation assets and net assets have been excluded from the District's financial statements.

Basis of Presentation

District-wide financial statements: The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the primary government. The effect of inter-fund activity has been removed from these statements. The District-wide financial statements categorize activities as either governmental or business-type. All of the District's activities are classified as governmental.

The Statement of Activities demonstrates the degree to which the direct expenses related to a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Property taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenues.

Vicksburg Community Schools

Notes to Financial Statements

Fund financial statements: The fund financial statements provide information about the District's funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

The financial transactions of the District are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

Governmental Funds

Governmental funds are used to account for the District's general activity. The focus is on determination of the financial position and changes in financial position rather than on income determination. The following is a description of the governmental funds of the District:

General Fund: The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. It is considered a major fund.

Special Revenue Fund: Special Revenue Funds are used to account for revenue sources that are restricted to expenditures for specified purposes. The District operates one special revenue fund: Food Service.

Debt Service Funds: Debt Retirement Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Fund: Capital Projects Funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities. The District's Building and Site and 2014 Building and Site Funds are considered major funds.

Fiduciary Funds: The Agency Fund is used to account for assets held by the District in a trustee capacity for individuals or school-related organizations. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The District operates one agency fund, which is the Student Activities Fund.

Measurement Focus and Basis of Accounting

District-wide Financial Statements - The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Vicksburg Community Schools

Notes to Financial Statements

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available if they are collected within the current period or soon enough after to pay liabilities for the current period. The District considers revenues available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, are recorded only when payment is due.

Assets, Liabilities, and Net Position

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less. Investments are stated at fair value. To the extent that cash from various funds has been pooled in a single investment account, the related investment income is generally allocated to each fund based on relative participation in the account.

Inventories - Inventories are stated at cost using the first-in, first-out method, except USDA donated commodities, which are recorded at fair market value. Inventories consist primarily of food, cafeteria supplies, teaching, and maintenance supplies. Governmental fund inventories are reported as assets until consumed, at which time an expenditure is recorded.

Capital Assets - Capital assets, which include property, buildings, equipment, and buses, are reported in the District-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at their market value as of the donation date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets useful lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed.

Depreciation is provided for on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	10-40 years
Furniture and equipment	5-20 years
Buses	10-15 years

The District evaluates its capital assets for impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Assets to be disposed of would be recognized at the lower of carrying value or fair value less the estimated cost of disposal. Assets held and in use are viewed for impairment whenever indicators of impairment exist. All recognized impairment losses, whether for assets to be disposed of or assets to be held and used, are recorded as operating expenses. No impairments have been identified as of June 30, 2015.

Vicksburg Community Schools

Notes to Financial Statements

Deferred Outflows/Inflows of Resources

Deferred Outflows - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, changes in assumptions and pension contributions reported in the District-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension contributions made after the plans measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies.

Deferred Inflows - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. It is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from the difference between expected investment earnings and actual and are amortized over 5 years.

Compensated Absences - District employees are granted vacation and sick leave in varying amounts based on length of service. Sick leave is accumulated at different rates for various categories of employees. Unused sick leave accumulates from year-to-year to a maximum that varies for different categories of employees. Unused sick leave is not paid to employees upon termination. Vacation days are paid to employees for unused days up to twice their yearly allowance at the time of severance from employment.

Long-Term Debt - In the District-wide financial statements, long-term debt, and other long-term liabilities are reported as liabilities under the accrual basis of accounting.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs during the current period. The face amount of debt is reported as other financing sources. Premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

Net Position - Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

Restricted resources are used to fund appropriations only after the unrestricted resources are depleted.

Vicksburg Community Schools

Notes to Financial Statements

Fund Balance - Fund balance represents the difference between assets and liabilities in the governmental fund financial statements. The District's fund balance is classified in the following categories:

Nonspendable fund balance - represents amounts that cannot be spent due to legal requirements or because it is not in spendable form. The District reports nonspendable fund balance for inventories and prepaid expenditures.

Restricted fund balance - restricted for specific purposes imposed by grantors, bondholders, constitutional provisions, or enabling legislation. The District reports restricted fund balance in the Food Service Fund, Debt Fund, and 2014 Building and Site Fund.

Assigned fund balance - intended to be used for specific purposes but does not meet the criteria for restricted or committed fund balance. The District reports assigned fund balance in the Building and Site Fund and Debt Service Funds.

Unassigned fund balance - the residual fund balance of the General Fund.

Property Taxes - Properties are assessed as of December 31, and approximately one-half of the related property taxes are levied and become a lien on July 1. The remaining taxes are levied and become a lien on December 1. These taxes are due on September 14 and February 14, respectively, with the final collection date of February 28, before they are added to the county delinquent tax rolls.

Interfund Activity - Outstanding balances between funds are reported as due from/to other funds at year-end.

Defined Benefit Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Subsequent Events

Management has evaluated the period from July 1, 2015, through October 23, 2015, the date the financial statements were available for issuance, for subsequent events requiring recognition or disclosure in the financial statements. During the period there were no matters identified that had a significant impact on the financial statements as presented.

Vicksburg Community Schools

Notes to Financial Statements

2. Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and all Special Revenue Funds. All annual appropriations lapse at year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

During the year ended June 30, 2015, the District incurred expenditures, which were in excess of the amounts budgeted in the General Fund as follows:

	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
Operations and maintenance	\$ 1,971,663	\$ 2,031,467	\$ (59,804)
Payments to other governmental units	\$ 73,000	\$ 77,196	\$ (4,196)
Debt service - interest and other	\$ 256,276	\$ 257,226	\$ (950)

The fund balance was sufficient to cover the excess expenditures.

3. Cash and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for mitigating custodial credit risk. At June 30, 2015, the District's bank balances were \$6,356,058, of which \$6,032,304 was uninsured and uncollateralized.

The Federal Deposit Insurance Corporation (FDIC) general deposit insurance rules provide \$250,000 of insurance per depositor, per insured bank.

Vicksburg Community Schools

Notes to Financial Statements

4. Interfund Transactions

Interfund receivables and payables at June 30, 2015, are as follows:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
General Fund	\$ 266,760	\$ 185,971
Building and Site Fund	-	100,403
2014 Building and Site Fund	4,979	3,160
Nonmajor Governmental Funds	180,992	163,197
	\$ 452,731	\$ 452,731

All balances are expected to be collected within one year.

Interfund transfers for the year ended June 30, 2015, were as follows:

	<i>Transfer In</i>	<i>Transfer Out</i>
General Fund	\$ 73,000	\$ 368,657
Nonmajor Governmental Funds	368,657	73,000
	\$ 441,657	\$ 441,657

The Food Service Fund transferred \$73,000 to the General Fund for reimbursement of indirect costs.

The General Fund transferred \$368,657 to the 2005 Debt Service Fund and the 2007 Debt Service Fund for the purposes of making principal and interest debt payments.

Vicksburg Community Schools

Notes to Financial Statements

5. Capital Assets

The following summarizes capital asset activity for the year ended June 30, 2015.

	<i>Balance, July 1, 2014</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance, June 30, 2015</i>
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 147,402	\$ -	\$ -	\$ 147,402
Construction in progress	63,200	1,358,848	63,200	1,358,848
Capital assets being depreciated:				
Buildings and improvements	35,962,896	667,806	-	36,630,702
Furniture and equipment	4,567,245	480,289	243,984	4,803,550
Buses	2,569,515	-	-	2,569,515
Totals at historical cost	43,310,258	2,506,943	307,184	45,510,017
Less accumulated depreciation:				
Buildings and improvements	15,645,734	882,364	-	16,528,098
Furniture and equipment	2,784,573	176,905	243,984	2,717,494
Buses	1,308,226	184,727	-	1,492,953
Total accumulated depreciation	19,738,533	1,243,996	243,984	20,738,545
Net Capital Assets	\$ 23,571,725	\$ 1,262,947	\$ 63,200	\$ 24,771,472

Depreciation for the year ended June 30, 2015, was \$1.2 million. The District determined it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Vicksburg Community Schools

Notes to Financial Statements

6. Long-Term Debt

The following is a summary of changes in long-term debt for the District for the year ended June 30, 2015:

	<i>Balance, July 1, 2014</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, June 30, 2015</i>	<i>Due Within One Year</i>
Bonds payable	\$ 16,691,204	\$ 1,155,000	\$ (3,613,864)	\$ 14,232,340	\$ 2,153,170
Bond premium	79,407	-	(13,235)	66,172	13,235
Compensated absences	83,315	-	(85)	83,230	5,300
Accrued interest on capital appreciation bonds	7,573,073	653,794	(1,241,136)	6,985,731	1,416,830
Installment purchase agreement	503,099	-	(249,987)	253,112	253,112
Other	24,000	18,500	(42,500)	-	-
	\$ 24,954,098	\$ 1,827,294	\$ (5,160,807)	\$ 21,620,585	\$ 3,841,647

Bonds payable at June 30, 2015, are comprised of the following individual issues:

2014 General Obligation - Unlimited Tax Bonds due in annual installments of \$90,000 to \$925,000 through November 2024; interest at 0.40% to 2.60%.	\$ 5,920,000
2013 Refunding Bonds due in annual installments of \$370,000 to \$785,000, through May 2020; interest at 1.00% to 1.75%.	2,870,000
1993 Capital Appreciation Bonds due in annual installments of \$1,900,000 to \$2,700,000, through May 2020; interest at 6.14% to 6.19%.	2,552,340
2007 General Obligation - Limited Tax Bonds due in annual installments of \$110,000 to \$250,000, through May 2025; interest at 4.15% to 4.25%.	1,735,000
2015 Refunding Bonds due in annual installments of \$215,000 to \$240,000, through May 2020; interest at 0.65% to 1.70%.	1,155,000
	\$ 14,232,340

The installment purchase agreement consists of a 2012 Purchase Agreement for buses, \$750,000, due in annual installments of \$256,276 including interest at 1.25% through June, 2016.

The 1993 bond issue consisted of capital appreciation bonds. The bonds mature annually through 2020. Interest accrues on these bonds semi-annually in November and May.

Vicksburg Community Schools

Notes to Financial Statements

Debt Service Requirements

The annual requirements to service the outstanding bonds and installment purchase agreement to maturity including both principal and interest are as follows:

<i>Year ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$ 2,406,282	\$ 1,666,389	\$ 4,072,671
2017	1,872,322	1,830,254	3,702,576
2018	1,762,923	1,992,970	3,755,893
2019	1,475,000	2,160,338	3,635,338
2020	1,303,925	2,332,995	3,636,920
2021-2025	5,665,000	419,290	6,084,290
	\$ 14,485,452	\$ 10,402,236	\$ 24,887,688

Advance Refunding

During 2015, the District issued \$1,155,000 in general obligation bonds with interest rates ranging from 0.65% to 1.70%. The proceeds of these bonds were used to advance refund \$1,350,000 of outstanding 2005 General Obligation Bonds. The net proceeds of \$1,126,558 (after payment of \$28,442 in underwriting fees and other issuance costs) plus an additional \$250,000 of debt service monies were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. The bonds were called and paid off on May 1, 2015. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the District's long-term obligations. The advanced refunding reduced the total debt service payments by \$115,703 which represents an estimated economic gain of \$93,842.

7. Employee Retirement System - Defined Benefit Plan

Plan Description

The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS was established by the state of Michigan to provide retirement, survivor and disability benefits to public school employees. In addition, the health plan provides all retirees with the option of receiving health, dental and vision coverage. The MPERS was established by Public Act 136 of 1945, recodified and currently operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained at <http://michigan.gov/orsschools/0,1607,7-206-36585-00.html>.

The regular retirement benefit is based on a member's years of credited service and final average compensation. Final average compensation is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months, divided by the service credit accrued during that same period.

Vicksburg Community Schools

Notes to Financial Statements

Pension Benefits

Employer contributions to the pension system are established by the School Finance Reform Act. Under the Act, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. For the period from October 1, 2013 through June 30, 2014, employees have the following plan options with the corresponding employer contribution rates:

	<i>Basic MIP with Premium Subsidy</i>	<i>Pension Plus with Premium Subsidy</i>	<i>Pension Plus with PHF*</i>	<i>Pension Plus to DC with PHF*</i>	<i>Basic MIP DB to DC with DB Health</i>	<i>Basic MIP DB to DC with PHF</i>	<i>Basic MIP with PFH</i>
Pension contributions	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
Health contributions	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
DC employer contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
PHF employer contributions	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

For the period from October 1, 2014 through June 30, 2015, employees had the following plan options with the corresponding employer contribution rates:

	<i>Basic MIP with Premium Subsidy</i>	<i>Pension Plus with Premium Subsidy</i>	<i>Pension Plus with PHF*</i>	<i>Pension Plus to DC with PHF*</i>	<i>Basic MIP DB to DC with DB Health</i>	<i>Basic MIP DB to DC with PHF</i>	<i>Basic MIP with PFH</i>
Pension contributions	23.07%	21.99%	21.99%	18.76%	18.76%	18.76%	23.07%
Health contributions	2.71%	2.71%	2.20%	2.20%	2.71%	2.20%	2.20%
DC employer contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
PHF employer contributions	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

* First worked September 4, 2012 or later.

Depending on the plan selected, employee contributions range from 0% to 7.0% of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

Vicksburg Community Schools

Notes to Financial Statements

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2015, the District reported a liability of \$31,620,785 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net position liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2014, the District's proportion was .14356 percent.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the District recognized pension expense of \$2,256,887 at June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred (Inflows) of Resources</i>
Changes of assumptions	\$ 1,166,739	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(3,495,691)
District contributions subsequent to the measurement date	2,290,962	-
Total	\$ 3,457,701	\$ (3,495,691)

\$2,290,962, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net position liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

<i>Year ended June 30,</i>	
2016	\$ (494,921)
2017	\$ (494,921)
2018	\$ (494,921)
2019	\$ (844,189)

Vicksburg Community Schools

Notes to Financial Statements

Actuarial Assumptions

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation- 2.5%

Mortality assumptions - The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Female Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. The final rates used include no margin for future mortality improvement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. An assumption experience study is performed every five years. The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2008 to September 30, 2013. As a result of this actuarial experience study, the actuarial assumptions were adjusted to more closely reflect actual experience.

The long-term expected rate of return on pension plan investments - The rate was 8.0% (7.0% Pension Plus Plan) net of investment and administrative expenses was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<i>Investment Category</i>	<i>Target Allocation*</i>	<i>Long-Term Expected Real Rate of Return*</i>
Domestic Equity Pools	28.00%	4.80%
Alternate Investment Pools	18.00%	8.50%
International Equity	16.00%	6.10%
Fixed Income Pools	10.50%	1.50%
Real Estate and Infrastructure Pools	10.00%	5.30%
Absolute Return Pools	15.50%	6.30%
Short-Term Investment Pools	2.00%	-0.20%
Total	100.0%	

*Long-term rate of return does not include 2.5% inflation.

Vicksburg Community Schools

Notes to Financial Statements

Discount rate - The discount rate used to measure the total pension liability was 8.0% (7.0% for Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0%, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current rate:

	<u>1% Lower (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Higher (9.0%)</u>
District's proportionate share of the net pension liability	\$ 41,689,252	\$ 31,620,785	\$ 23,137,953

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2014 Comprehensive Annual Financial Report, available here: <http://michigan.gov/orsschools/O,1607,7-206-36585---,00.html>.

Other Post-Employment Benefits

Retirees have the option of health coverage, which is currently funded on a cash disbursement basis. Beginning in 2013, it is funded on a prefunded basis. A significant portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010, to contribute 3.0% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For each school year that begins on or after July 1, 2011, members shall contribute 3.0% of compensation into the health care funding account. Effective April 1, 2011, a court order eliminated this requirement. The court order is being appealed by the state of Michigan.

Public Act 300 of 2012 allows active members who earned service credit in the 12 months ended September 3, 2012, a voluntary election. Members can continue to contribute 3.0% of their compensation to keep the premium subsidy benefit, or they can elect the Personal Healthcare Fund. Members electing the Personal Healthcare Fund will establish a portable, tax-deferred fund that can be used for paying healthcare expenses in retirement. Member contributions are 2.0% of compensation with a 2.0% employer match contributed into a 401(k) account. Members who first work on or after September 4, 2012, are enrolled in the Personal Healthcare Fund.

Vicksburg Community Schools

Notes to Financial Statements

Employer Contributions

The District's post-employment healthcare contributions to MPSERS for the year ended June 30, 2015, were approximately \$335,496.

8. Risk Management and Benefits

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees, and natural disasters. The District does not consider the cost of general liability insurance to be economically justifiable, and participates in the MASB SET/SEG Risk Sharing Pool for liability, auto, property damage, errors and omissions, and workers' compensation insurance risks. The District pays an annual premium to the pool for its general insurance coverage. The pooling agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The pooling agreement allows the pool to make additional assessments to make the pool self-sustaining. There have been no such assessments in any of the past three fiscal years. It is not possible to estimate the amount of possible future assessments. The MASB SET/SEG has published its own financial report for the year ended June 30, 2015, which can be obtained from the Controller, MASB SET/SEG, 415 West Kalamazoo, Lansing, Michigan 48933.

The District participates with the Western Michigan Health Insurance Pool to provide health benefits to all eligible staff members. The West Michigan Health Insurance Pool is a self-insurance program with approximately 50 public entities pooling together to insure various groups of employees for health insurance including medical coverage, of which hospitalization is a component, and a prescription drug coverage. The pool pays the first \$200,000 of claims for each participant. These claims are paid out of a loss fund collected from member districts. Excess insurance has been purchased to cover individual and aggregate claims.

9. Bonded Construction Fund and Bond Compliance

The District's 2014 Building and Site Funds includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the District has complied with the applicable provisions of Section 1351a of the Revised School Code.

Vicksburg Community Schools

Notes to Financial Statements

10. New Accounting Standards

For the year ended June 30, 2015, the District implemented the following new pronouncements:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Summary

GASB Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

GASB Statement No. 71 addressed the issue of contributions made to the defined benefit pension plans after the measurement date for the year in which GASB Statement No. 68 is implemented. The effect is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual basis financial statements.

The restatement of the beginning of the year net position is as follows:

	<i>Governmental Activities</i>
Net position as previously stated July 1, 2014	\$ 8,813,638
Adoption of GASB Statement 68 & 71 Net Pension Liability	(33,638,855)
Deferred outflows	1,751,901
Net Position as Restated July 1, 2014	\$ (23,073,316)

Required Supplementary Information

Vicksburg Community Schools

Schedule of the District's Proportionate Share of the Net Pension Liability Michigan Public School Employees Retirement Plan (Amounts Were Determined as of September 30, of Each Fiscal Year)

<i>September 30,</i>	<i>2015</i>
District's proportion of net pension liability (%)	0.14356%
District's proportionate share of net pension liability	\$31,620,785
District's covered-employee payroll	\$12,601,034
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	250.94%
Plan fiduciary net position as a percentage of total pension liability	66.20%

Ultimately, 10 fiscal years will be displayed (which may be built prospectively starting from 2015).

Vicksburg Community Schools

Schedule of the District's Contributions Michigan Public School Employees Retirement Plan (Amounts Were Determined as of June 30, of Each Fiscal Year)

<i>June 30,</i>	<i>2015</i>
Statutorily required contributions	\$ 2,229,540
Contributions in relation to statutorily required contributions	2,859,704
Contribution deficiency (excess)	\$ (630,164)
District's covered-employee payroll	\$ 10,371,467
Contributions as a percentage of covered-employee payroll	27.57%

Ultimately, 10 fiscal years will be displayed (which may be built prospectively starting from 2014).

Vicksburg Community Schools

Notes to Required Supplementary Information

Changes of benefit terms - There were no changes of benefit terms in 2015.

Changes of assumptions - There were no changes of benefit assumptions in 2015.

Supplementary Information

Vicksburg Community Schools

Nonmajor Governmental Funds Combining Balance Sheet

<i>June 30, 2015</i>	<i>Special Revenue Fund</i>	<i>Debt Service Funds</i>			<i>Total</i>
	<i>Food Service</i>	<i>1991 Debt</i>	<i>2005 Debt</i>	<i>2014 Debt</i>	
Assets:					
Cash and investments	\$ 526,946	\$ 415,540	\$ 1,313	\$ 39,212	\$ 983,011
Due from other funds	39,707	-	141,285	-	180,992
Inventories	8,972	-	-	-	8,972
Total Assets	\$ 575,625	\$ 415,540	\$ 142,598	\$ 39,212	\$ 1,172,975
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,819	\$ 376	\$ -	\$ -	\$ 2,195
Due to other funds	148,105	15,092	-	-	163,197
Unearned revenue	16,223	-	-	-	16,223
Total Liabilities	166,147	15,468	-	-	181,615
Fund Balances:					
Nonspendable - Inventory	8,972	-	-	-	8,972
Restricted	400,506	400,072	-	39,212	839,790
Assigned to - Debt service	-	-	142,598	-	142,598
Total Fund Balances	409,478	400,072	142,598	39,212	991,360
Total Liabilities and Fund Balances	\$ 575,625	\$ 415,540	\$ 142,598	\$ 39,212	\$ 1,172,975

Vicksburg Community Schools

Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

<i>Year ended June 30, 2015</i>	<i>Special Revenue Fund</i>	<i>Debt Service Funds</i>				<i>Total</i>
	<i>Food Service</i>	<i>1991 Debt</i>	<i>2015 Debt</i>	<i>2007 Debt</i>	<i>2014 Debt</i>	
Revenues:						
Local sources:						
Property taxes	\$ -	\$ 2,734,105	\$ -	\$ -	\$ 751,992	\$ 3,486,097
Food sales	507,921	-	-	-	-	507,921
Other	2,172	7,780	11	-	742	10,705
State sources	39,421	-	-	-	-	39,421
Federal sources	577,566	-	-	-	-	577,566
Total Revenues	1,127,080	2,741,885	11	-	752,734	4,621,710
Expenditures:						
Food service activities	1,023,781	-	-	-	-	1,023,781
Principal payments on debt	-	1,358,864	190,000	100,000	615,000	2,263,864
Interest payments on debt	-	1,294,473	33,705	77,372	97,772	1,503,322
Costs of issuance	-	-	28,442	-	-	28,442
Other expenditures	-	28,448	-	-	750	29,198
Total Expenditures	1,023,781	2,681,785	252,147	177,372	713,522	4,848,607
Excess (Deficiency) of Revenues Over Expenditures	103,299	60,100	(252,136)	(177,372)	39,212	(226,897)
Other Financing Sources (Uses):						
Bonds issued	-	-	1,155,000	-	-	1,155,000
Payment to escrow agent	-	-	(1,376,558)	-	-	(1,376,558)
Transfers from other funds	-	-	191,285	177,372	-	368,657
Transfers to other funds	(73,000)	-	-	-	-	(73,000)
Total Other Financing Sources (Uses)	(73,000)	-	(30,273)	177,372	-	74,099
Changes in Fund Balance	30,299	60,100	(282,409)	-	39,212	(152,798)
Fund Balances, beginning of year	379,179	339,972	425,007	-	-	1,144,158
Fund Balances, end of year	\$ 409,478	\$ 400,072	\$ 142,598	\$ -	\$ 39,212	\$ 991,360

Vicksburg Community Schools

Agency Funds Statement of Changes in Assets and Liabilities

	<i>Balance, July 1, 2014</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, June 30, 2015</i>
Assets -				
Cash and investments	\$ 471,139	\$ 875,816	\$ 860,928	\$ 486,027
Liabilities -				
Due to student groups	\$ 471,139	\$ 875,816	\$ 860,928	\$ 486,027

Vicksburg Community Schools

Schedule of Bonded Indebtedness

	<i>1993 Capital Appreciation Bonds</i>		<i>2013 Refunding Bonds</i>		<i>2015 Refunding Bonds</i>		<i>2007 General Obligation</i>		<i>2014 General Obligation</i>		<i>Total</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2016	\$ 483,170	\$ 1,416,830	\$ 785,000	\$ 44,338	\$ 215,000	\$ 15,979	\$ 110,000	\$ 73,223	\$ 560,000	\$ 112,855	\$ 2,153,170	\$ 1,663,225
2017	497,322	1,602,678	675,000	36,448	225,000	12,398	120,000	68,657	355,000	110,073	1,872,322	1,830,254
2018	512,923	1,787,077	570,000	24,675	235,000	10,260	135,000	63,678	310,000	107,280	1,762,923	1,992,970
2019	525,000	1,975,000	470,000	14,700	240,000	7,440	150,000	58,075	90,000	105,123	1,475,000	2,160,338
2020	533,925	2,166,075	370,000	6,475	240,000	4,080	160,000	51,850	-	104,515	1,303,925	2,332,995
2021	-	-	-	-	-	-	175,000	45,050	925,000	95,727	1,100,000	140,777
2022	-	-	-	-	-	-	195,000	37,613	920,000	77,050	1,115,000	114,663
2023	-	-	-	-	-	-	210,000	29,325	920,000	56,580	1,130,000	85,905
2024	-	-	-	-	-	-	230,000	20,400	920,000	34,960	1,150,000	55,360
2025	-	-	-	-	-	-	250,000	10,625	920,000	11,960	1,170,000	22,585
	\$ 2,552,340	\$ 8,947,660	\$ 2,870,000	\$ 126,636	\$ 1,155,000	\$ 50,157	\$ 1,735,000	\$ 458,496	\$ 5,920,000	\$ 816,123	\$ 14,232,340	\$ 10,399,072