



Vicksburg Community Schools

Financial Statements and
Supplementary Information
Year Ended June 30, 2016

Vicksburg Community Schools

Financial Statements and Supplementary Information
Year Ended June 30, 2016

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, 2016, 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 from 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of 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, 2016, and the respective changes in financial position and the 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 described in Note 10 to the basic financial statements, the District implemented Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. 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 the 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 40 and 41 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 combining and individual fund financial statements and schedules, (the supplementary information), 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 24, 2016 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 24, 2016

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, 2016. 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, 2016, The District implemented Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.

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.

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.

Vicksburg Community Schools

Management's Discussion and Analysis

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, 2016 and 2015:

<i>June 30,</i>	<i>Governmental Activities</i>	
	2016	2015
Assets:		
Current assets	\$ 11,420,920	\$ 10,016,338
Capital assets, net	26,975,063	24,771,472
Total Assets	38,395,983	34,787,810
Deferred Outflows of Resources:		
Refunding of bonds	54,682	68,352
Pension-related	6,243,565	3,457,701
Total Assets and Deferred Outflows of Resources	44,694,230	38,313,863
Liabilities:		
Current liabilities	7,740,423	7,459,652
Noncurrent liabilities	19,075,063	17,778,938
Net pension liability	37,034,886	31,620,785
Total Liabilities	63,850,372	56,859,375
Deferred Inflows of Resources:		
Related to state aid funding for pension	1,011,823	-
Related to pensions	122,672	3,495,691
Total Liabilities and Deferred Inflows of Resources	64,984,867	60,355,066
Net Position:		
Net investment in capital assets	14,260,088	6,399,590
Restricted	909,817	685,055
Unrestricted (Deficit)	(35,460,542)	(29,125,848)
Total Net Position (Deficit)	\$ (20,290,637)	\$ (22,041,203)

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 \$20.3 million at June 30, 2016. Net investment in capital assets totaling a surplus of \$14.3 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 \$35.5 million was unrestricted.

Vicksburg Community Schools

Management's Discussion and Analysis

The \$35.5 million in unrestricted net deficit of governmental activities represents the *accumulated* results of all past years' operations and includes \$37.0 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 2016 and 2015:

<i>Year ended June 30,</i>	<i>Governmental Activities</i>	
	2016	2015
Revenue:		
Program revenue:		
Charges for services	\$ 912,768	\$ 939,503
Federal grants and entitlements	1,060,787	959,465
State categoricals	2,735,485	1,501,822
Other operating grants	377,435	889,042
General revenue:		
Property taxes	5,372,346	6,006,162
State foundation allowance	18,343,338	18,897,927
Other	1,014,388	97,770
Total Revenue	29,816,547	29,291,691
Functions/Program Expenses:		
Instruction	15,390,272	15,713,834
Support services	8,529,871	8,367,938
Community services	265,900	242,990
Food services	1,081,085	1,023,781
Athletics	558,688	584,514
Intergovernmental transfers	-	77,196
Interest on long-term debt	868,978	976,887
Bond issuance costs	32,085	28,442
Depreciation	1,339,102	1,243,996
Total Expenses	28,065,981	28,259,578
Increase in Net Position	1,750,566	1,032,113
Net Position, beginning of year	(22,041,203)	8,813,638
GASB No. 68 Adjustment	-	(31,886,954)
Restated Net Position (Deficit), beginning of year	(22,041,203)	(23,073,316)
Net Position (Deficit), end of year	\$ (20,290,637)	\$ (22,041,203)

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 \$28.1 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 \$4.2 million. We paid for the remaining "public benefit" portion of our governmental activities with \$5.4 million in taxes, \$18.3 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 \$1.75 million during fiscal 2016.

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 \$7.76 million, which is an increase of \$1.23 million from last year. Of that increase, \$0.85 million was the net result of the issuance of bonds and the associated drawdown of funds used for facility, technology, and security upgrades.

In the General Fund, our principal operating fund, the fund balance increased by \$0.24 million. This was \$0.23 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.

After reimbursement of indirect cost to the District's general fund, the fund balance in our Special Revenue Fund decreased slightly by \$0.2 million to \$0.39 million, reflecting an essentially balanced budget.

The combined Debt Service Funds showed an increase in fund balance of \$0.16 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 to account for the proceeds from the issuance of voter-approved bonds. The June 30, 2016 fund balance of \$4.0 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 2015-2016 General Fund original budget. Budgeted revenues were increased by \$0.4 million and budgeted expenditures and other financing uses were increased by \$0.57 million, primarily as a result of routine budgetary revisions over the course of the fiscal year.

Actual General Fund revenues were over the amended budget by \$75,892, which represents a variance of approximately 0.3%. Actual General Fund expenditures and other financing uses were \$151,852 below the amended budget, which represents a variance of approximately 0.6%.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2016, the District had \$27.0 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 \$2.2 million or 8.9% from last year.

<i>June 30,</i>	2016	2015
Land	\$ 147,402	\$ 147,402
Construction in progress	969,167	1,358,848
Buildings and building improvements	40,453,509	36,630,702
Buses and other vehicles	2,569,515	2,569,515
Furniture and equipment	4,913,117	4,803,550
	49,052,710	45,510,017
Less accumulated depreciation	22,077,647	20,738,545
Net Capital Assets	\$ 26,975,063	\$ 24,771,472

This year's additions of \$4.9 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 \$22.9 million in bonds outstanding versus \$21.2 million in the previous year—an increase of 7.9%. Those bonds consisted of the following:

<i>June 30,</i>	2016	2015
General obligation bonds	\$ 16,729,170	\$ 14,232,340
Accrued interest on capital appreciation bonds	6,158,676	6,985,731
	\$ 22,887,846	\$ 21,218,071

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 \$22.9 million is significantly below the statutorily imposed limit, which is approximately \$101.9 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 2016-2017 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 2017 fiscal year is calculated based on 10% and 90% of the February 2016 and October 2016 student counts, respectively. The 2016-2017 budget was adopted in June 2016, based on an estimate of students that would be enrolled in September 2016. 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 2016, the actual blended pupil count for 2016-2017 is slightly above the assumption of a 16-student decline used in the adopted budget.

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 2016-2017 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>June 30, 2016</i>	<i>Primary Government Governmental Activities</i>
Assets:	
Cash and investments (Note 3)	\$ 6,986,426
Accounts receivable	4,073,679
Inventories	14,319
Prepaid expenses	346,496
Total Current Assets	11,420,920
Noncurrent Assets - Capital assets, net of accumulated depreciation (Note 5)	26,975,063
Total Assets	38,395,983
Deferred Outflows of Resources:	
Related to pensions	6,243,565
Refunding of bonds	54,682
Total deferred outflows of resources	6,298,247
Total Assets and Deferred Outflows of Resources	44,694,230
Liabilities	
Current Liabilities:	
Accounts payable	1,004,738
Accrued payroll	2,577,132
Accrued interest	130,516
Unearned revenue	74,802
Current portion of long-term debt (Note 6)	3,953,235
Total Current Liabilities	7,740,423
Noncurrent Liabilities:	
Long-term debt (Note 6)	19,075,063
Net pension liability	37,034,886
Total noncurrent liabilities	56,109,949
Total liabilities	63,850,372
Deferred Inflows of Resources:	
Related to state aid funding for pension	1,011,823
Related to pensions	122,672
Total deferred inflows of resources	1,134,495
Total Liabilities and Deferred Inflows of Resources	64,984,867
Net Position:	
Net investment in capital assets	14,260,088
Restricted for debt service	516,389
Restricted for food service	393,428
Unrestricted (Deficit)	(35,460,542)
Total Net Position (Deficit)	\$ (20,290,637)

See accompanying notes to financial statements.

Vicksburg Community Schools

District-Wide Financial Statements Statement of Activities

<i>Year ended June 30, 2016</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	\$ 15,390,272	\$ 1,740	\$ 3,308,943	\$ (12,079,589)
Support services	8,529,871	22,555	117,360	(8,389,956)
Athletics	558,688	137,900	88,825	(331,963)
Community services	265,900	268,445	1,807	4,352
Food services	1,081,085	482,128	656,772	57,815
Bond issuance costs	32,085	-	-	(32,085)
Interest on long-term debt	868,978	-	-	(868,978)
Unallocated depreciation	1,339,102	-	-	(1,339,102)
Total Governmental Activities	\$ 28,065,981	\$ 912,768	\$ 4,173,707	(22,979,506)
General Revenues:				
Property taxes levied for general purposes				1,753,675
Property taxes levied for debt service				3,618,671
Unrestricted state aid				18,343,338
Investment earnings				5,093
Other				1,009,295
Total General Revenues				24,730,072
Change in Net Position				1,750,566
Net Position (Deficit), beginning of year				(22,041,203)
Net Position (Deficit), end of year				\$ (20,290,637)

See accompanying notes to financial statements.

Vicksburg Community Schools

Governmental Funds Balance Sheet

<i>June 30, 2016</i>	<i>General 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)	\$ 902,119	\$ 4,756,943	\$ 1,327,364	\$ 6,986,426
Accounts receivable	4,067,375	-	6,304	4,073,679
Due from other funds (Note 4)	155,839	-	44,855	200,694
Inventories	4,811	-	9,508	14,319
Prepaid expenditures	346,496	-	-	346,496
Total Assets	\$ 5,476,640	\$ 4,756,943	\$ 1,388,031	\$ 11,621,614
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 231,294	\$ 744,493	\$ 28,951	\$ 1,004,738
Accrued payroll	2,577,132	-	-	2,577,132
Due to other funds (Note 4)	44,855	-	155,839	200,694
Unearned revenue	58,134	-	16,668	74,802
Total Liabilities	2,911,415	744,493	201,458	3,857,366
Fund Balances:				
Nonspendable -				
Prepaid expenditures and inventories	351,307	-	9,508	360,815
Restricted for:				
Food service	-	-	383,920	383,920
Debt service	-	-	742,855	742,855
Capital projects	-	4,012,450	50,290	4,062,740
Unassigned	2,213,918	-	-	2,213,918
Total Fund Balances	2,565,225	4,012,450	1,186,573	7,764,248
Total Liabilities and Fund Balances	\$ 5,476,640	\$ 4,756,943	\$ 1,388,031	\$ 11,621,614

See accompanying notes to financial statements.

Vicksburg Community Schools

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

June 30, 2016

Total Fund Balances - Total Governmental Funds (from Page 17) \$ 7,764,248

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	\$ 49,052,710
Accumulated depreciation	<u>(22,077,647)</u>

Net capital assets 26,975,063

Deferred outflows are not available resources and, therefore,
not reported in the funds.

These assets consist of -

Deferred outflows related to pensions and refunding of bonds	6,298,247
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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:

Net pension liability	(37,034,886)
Bonds payable	(16,729,170)
Accrued interest on capital appreciation bonds	(6,158,676)
Premium on issuance of bonds	(52,937)
Other long term liability	(13,500)
Compensated absences	<u>(74,015)</u>

Total long-term liabilities (60,063,184)

Deferred inflows are not due and payable and, therefore, are
deferred in the funds.

These liabilities consist of -

Deferred inflows related to pensions	(1,134,495)
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Accrued interest payable on long-term debt (130,516)

Net Position (Deficit) of Governmental Activities (from Page 15) \$ (20,290,637)

See accompanying notes to financial statements.

Vicksburg Community Schools

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

<i>Year ended June 30, 2016</i>	<i>General Fund</i>	<i>2014 Building and Site Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:				
Local sources	\$ 2,392,859	\$ 3,857	\$ 4,197,259	\$ 6,593,975
State sources	21,024,453	-	54,370	21,078,823
Federal sources	450,265	-	610,522	1,060,787
Other	2,094,785	-	-	2,094,785
Total Revenues	25,962,362	3,857	4,862,151	30,828,370
Expenditures:				
Instruction	15,660,127	-	-	15,660,127
Supporting services	9,222,374	-	-	9,222,374
Community services	265,900	-	-	265,900
Food service activities	-	-	1,081,085	1,081,085
Debt retirement:				
Redemption of principal	253,112	-	2,153,170	2,406,282
Interest and fiscal charges	3,914	-	1,700,530	1,704,444
Bond issuance costs	-	32,085	-	32,085
Capital projects	-	3,774,795	104,725	3,879,520
Total Expenditures	25,405,427	3,806,880	5,039,510	34,251,817
Excess (Deficiency) of Revenues Over Expenditures	556,935	(3,803,023)	(177,359)	(3,423,447)
Other Financing Sources (Uses):				
Bonds issued	-	4,650,000	-	4,650,000
Transfers in	74,000	-	389,223	463,223
Transfers out	(389,223)	-	(74,000)	(463,223)
Total Other Financing Sources (Uses)	(315,223)	4,650,000	315,223	4,650,000
Change in Fund Balances	241,712	846,977	137,864	1,226,553
Fund Balances, beginning of year	2,323,513	3,165,473	1,048,709	6,537,695
Fund Balances, end of year	\$ 2,565,225	\$ 4,012,450	\$ 1,186,573	\$ 7,764,248

See accompanying notes to financial statements.

Vicksburg Community Schools

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

Year ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds (from Page 19)	\$ 1,226,553
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation expense:</p>	
Capital outlay	\$ 3,542,693
Depreciation expense	<u>(1,339,102)</u>
	2,203,591
Adjustments to net pension expense under GASB 68 is recorded in the Statement of Activities, but not in the governmental funds.	744,782
Repayment of accrued interest on capital appreciation bonds is an expenditure in the governmental funds, but not in the Statement of Activities.	1,416,830
Repayment of bond and note principal is an expenditure in the governmental funds, but not in the Statement of Activities.	2,406,282
Compensated absences are recorded in the Statement of Activities when incurred; they are not reported in governmental funds until paid.	9,215
State aid related to pension funding received after the plan measurement date is recorded in the following plan year; it is recorded in the governmental funds when received.	(1,011,823)
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.	(589,775)
Amortization of deferred outflows are reported in the Statement of Activities; it is not reported in the governmental funds.	(13,670)
Amortization of bond premiums are reported in the Statement of Activities; it is not reported in the governmental funds.	13,235
Accrual of other long-term liability.	(13,500)
Proceeds from issuance of bonds is an other financing source in the governmental funds, but not in the Statement of Activities.	(4,650,000)
Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.	8,846
Change in Net Position of Governmental Activities (from Page 16)	\$ 1,750,566

See accompanying notes to financial statements.

Vicksburg Community Schools

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

<i>Year ended June 30, 2016</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Local sources	\$ 2,272,115	\$ 2,361,934	\$ 2,392,859	\$ 30,925
State sources	20,742,597	20,971,035	21,024,453	53,418
Federal sources	414,330	474,987	450,265	(24,722)
Other	2,053,363	2,078,514	2,094,785	16,271
Total Revenues	25,482,405	25,886,470	25,962,362	75,892
Expenditures:				
Instruction:				
Basic programs	12,908,360	13,056,827	13,024,872	31,955
Added needs	2,388,001	2,546,630	2,521,001	25,629
Adult and continuing education	119,833	121,411	114,254	7,157
Total instruction	15,416,194	15,724,868	15,660,127	64,741
Support services:				
Pupil services	1,285,498	1,299,283	1,296,415	2,868
Instructional staff	861,995	1,014,530	1,007,667	6,863
General administration	479,155	490,490	473,460	17,030
School administration	1,470,111	1,532,211	1,529,819	2,392
Business services	422,070	483,319	472,364	10,955
Operations and maintenance	2,054,195	1,894,552	1,890,286	4,266
Transportation	1,326,878	1,366,525	1,363,430	3,095
Central services	588,035	645,574	630,245	15,329
Student athletics	570,029	583,852	558,688	25,164
Total support services	9,057,966	9,310,336	9,222,374	87,962

See accompanying notes to financial statements.

Vicksburg Community Schools

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

<i>Year ended June 30, 2016</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Expenditures (Concluded):				
Community services	\$ 259,494	\$ 266,049	\$ 265,900	\$ 149
Debt service - Interest and other	256,276	257,026	257,026	-
Total Expenditures	24,989,930	25,558,279	25,405,427	152,852
Other Financing Sources (Uses):				
Transfers in	75,000	75,000	74,000	(1,000)
Transfers out	(389,223)	(389,223)	(389,223)	-
Total Other Financing Sources (Uses)	(314,223)	(314,223)	(315,223)	(1,000)
Change in Fund Balance	178,252	13,968	241,712	227,744
Fund Balance, beginning of year	2,323,513	2,323,513	2,323,513	-
Fund Balance, end of year	\$ 2,501,765	\$ 2,337,481	\$ 2,565,225	\$ 227,744

See accompanying notes to financial statements.

Vicksburg Community Schools
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund

	<i>Student Activities Agency Fund</i>
<hr/>	
<i>June 30, 2016</i>	
<hr/>	
Assets -	
Cash and investments (Note 3)	\$ 460,488
<hr/>	
Liabilities -	
Due to student groups	\$ 460,488
<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 2014 Building and Site Fund is considered a major fund. The District's Building and Site Fund is considered a nonmajor fund.

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 acquisition 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, 2016.

Vicksburg Community Schools

Notes to Financial Statements

Deferred Outflows/Inflows of Resources

Deferred Outflows - In addition to assets, the statement of net position reports 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 five items that qualify for reporting in this category. They are the deferred charge on refunding and pension related items 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 related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows - In addition to liabilities, the statement of net position reports 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 three items that qualify for reporting in this category. They are restricted section 147c state aid and pension related items reported in the District-Wide Statement of Net Position. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The pension related items represent future resources arising from differences in the estimates used by the actuary to calculate the pension liability and the actual results.

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 Service Funds, and 2014 Building and Site Fund.

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, 2016 through October 24, 2016, the date the financial statements were available for issuance, for subsequent events requiring recognition or disclosure in the financial statements.

On July 25, 2016, the District entered into an installment purchase agreement for the acquisition of transportation equipment, due in three annual installments of \$265,484, including interest at 1.09%, through June 2019.

Vicksburg Community Schools

Notes to Financial Statements

On September 28, 2016, the District issued \$1,560,000 of general obligation bonds, the proceeds of which were used to advance refund \$1,505,000 of outstanding 2007 General Obligation Bonds. The new bonds will be due in annual installments of \$210,000 to \$465,000, plus interest at 1.30%, through May 2022. The net proceeds of \$1,531,959 (after payment of \$28,041 in issuance costs) plus an additional \$31,839 of debt service monies were used to purchase U.S. Government securities and were deposited into an irrevocable trust with an escrow agent until the May 1, 2017, at which time the 2007 bonds will be called and paid off. The advance refunding will reduce total debt service payments by \$210,735 which represents an economic gain of \$174,425.

On October 18, 2016, the District issued a \$750,000 State Aid Anticipation Note to provide funds for operating purposes during periods of low cash flow. The note bears interest at 0.89% and is due April 18, 2017.

No additional material recognizable events were identified.

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, 2016, the District did not incur expenditures in any function that exceeded the amounts budgeted in the General Fund.

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, 2016, the District's bank balances were \$7,473,874, of which \$7,223,874 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, 2016, are as follows:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
General Fund	\$ 155,839	\$ 44,855
Nonmajor Governmental Funds	44,855	155,839
	\$ 200,694	\$ 200,694

All balances are expected to be collected within one year.

Interfund transfers for the year ended June 30, 2016, were as follows:

	<i>Transfer In</i>	<i>Transfer Out</i>
General Fund	\$ 74,000	\$ 389,223
Nonmajor Governmental Funds	389,223	74,000
	\$ 463,223	\$ 463,223

The Food Service Fund transferred \$74,000 to the General Fund for reimbursement of indirect costs.

The General Fund transferred \$389,223 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, 2016:

	<i>Balance, July 1, 2015</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance, June 30, 2016</i>
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 147,402	\$ -	\$ -	\$ 147,402
Construction in progress	1,358,848	969,167	1,358,848	969,167
Capital assets being depreciated:				
Buildings and improvements	36,630,702	3,822,807	-	40,453,509
Furniture and equipment	4,803,550	109,567	-	4,913,117
Buses	2,569,515	-	-	2,569,515
Totals at historical cost	45,510,017	4,901,541	1,358,848	49,052,710
Less accumulated depreciation:				
Buildings and improvements	16,528,098	919,587	-	17,447,685
Furniture and equipment	2,717,494	254,213	-	2,971,707
Buses	1,492,953	165,302	-	1,658,255
Total accumulated depreciation	20,738,545	1,339,102	-	22,077,647
Net Capital Assets	\$ 24,771,472	\$ 3,562,439	\$ 1,358,848	\$ 26,975,063

Depreciation for the year ended June 30, 2016, was \$1.34 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, 2016:

	<i>Balance, July 1, 2015</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, June 30, 2016</i>	<i>Due Within One Year</i>
Bonds payable	\$ 14,232,340	\$ 4,650,000	\$ (2,153,170)	\$ 16,729,170	\$ 2,337,322
Bond premium	66,172	-	(13,235)	52,937	13,235
Compensated absences	83,230	-	(9,215)	74,015	-
Accrued interest on capital appreciation bonds	6,985,731	589,775	(1,416,830)	6,158,676	1,602,678
Installment purchase agreement	253,112	-	(253,112)	-	-
Other	-	13,500	-	13,500	-
	\$ 21,620,585	\$ 5,253,275	\$ (3,845,562)	\$ 23,028,298	\$ 3,953,235

Bonds payable at June 30, 2016, 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 0.70% to 2.60%.	\$ 5,360,000
2016 General Obligation - Unlimited Tax Bonds due in annual installments of \$115,000 to \$1,250,000 through May 2026; interest at 0.85% to 2.60%.	4,650,000
2013 Refunding Bonds due in annual installments of \$370,000 to \$675,000, through May 2020; interest at 1.75%.	2,085,000
1993 Capital Appreciation Bonds due in annual installments of \$2,100,000 to \$2,700,000, through May 2020; interest at 6.14% to 6.19%.	2,069,170
2007 General Obligation - Limited Tax Bonds due in annual installments of \$120,000 to \$250,000, through May 2025; interest at 4.15% to 4.25%.	1,625,000
2015 Refunding Bonds due in annual installments of \$225,000 to \$240,000, through May 2020; interest at 0.95% to 1.70%.	940,000
	\$ 16,729,170

The installment purchase agreement consisted 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 final payment was made as scheduled in 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 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>
2017	\$ 2,337,322	\$ 1,895,022	\$ 4,232,344
2018	2,077,923	2,057,583	4,135,506
2019	1,870,000	2,221,104	4,091,104
2020	1,703,925	2,388,890	4,092,815
2021	2,350,000	190,809	2,540,809
2022-2026	6,390,000	346,638	6,736,638
	\$ 16,729,170	\$ 9,100,046	\$ 25,829,216

7. Employee Retirement System - Defined Benefit Plan and Post-Retirement Benefits

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/orsschools/0,1607,7-206-36585-,00.html>

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. MPSERS also provides disability and survivor benefits to DB plan members.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPSERS who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Vicksburg Community Schools

Notes to Financial Statements

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Credited Service after the Transition Date times 1.5% times Final Average Compensation (FAC).

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times (FAC).

Option 4 - None (Member will receive benefit through a Defined Contribution plan).

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the Transition Date.

Member Contributions

The majority of the members currently participate on a contributory basis, under a variety of options "Benefits Provided". Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Vicksburg Community Schools

Notes to Financial Statements

Employer Contributions

Employer contributions to MPERS are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

The District's pension contributions for the year ended June 30, 2016 exceeded the required contribution total. Pension contributions were approximately \$3,300,000, with \$2,300,000 specifically for the Defined Benefit Plan. These amounts include Section 147 contributions also.

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

Pension Liabilities

At June 30, 2016, the District reported a liability of \$37,034,886 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014. 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, 2015, the District's proportion was 0.15163 percent.

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

For the year ended June 30, 2016, the District recognized pension expense of \$1,555,589 at June 30, 2016, 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	\$ 911,877	\$ -
Net difference between projected and actual earnings on pension plan investments	189,033	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,507,013	(2)
Differences between expected and actual experience	-	(122,670)
District contributions subsequent to the measurement date	3,635,642	-
State aid funding for pension	-	(1,011,823)
Total	\$ 6,243,565	\$ (1,134,495)

Vicksburg Community Schools

Notes to Financial Statements

\$3,635,642, 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, 2017.

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

<u>Year ended June 30,</u>	
2017	\$ 509,493
2018	\$ 509,493
2019	\$ 460,050
2020	\$ 1,006,215

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 - 2.1%

Mortality assumptions - The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 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, 2007 to September 30, 2012. 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.

Vicksburg Community Schools

Notes to Financial Statements

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%	5.90%
Alternate Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate and Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short-Term Investment Pools	2.00%	0.00%
Total	100.0%	

*Long-term rate of return does not include 2.1% inflation.

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% (7% for Pension Plus Plan), as well as what the District'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:

	<i>1% Lower (6.0% - 7.0%)</i>	<i>Discount Rate (7.0% - 8.0%)</i>	<i>1% Higher (8.0% - 9.0%)</i>
District's proportionate share of the net pension liability	\$ 47,747,462	\$ 37,034,886	\$ 28,003,746

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 2015 Comprehensive Annual Financial Report, available here: <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

Vicksburg Community Schools

Notes to Financial Statements

Payable to the Pension Plan

At year end the School District is current on all required pension plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability included in accrued payroll. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

Other Post-Employment Benefits

Introduction

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. Beginning fiscal year 2013, it is funded on a prefunded basis. MPSERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012, sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012, granted all active members of MPSERS, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after December 1, 2012.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Vicksburg Community Schools

Notes to Financial Statements

Employer Contributions

The District's post-employment healthcare contributions to MPSERS for the year ended June 30, 2016, were approximately \$670,000.

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, 2016, 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.

10. New Accounting Standards

For the year ended June 30, 2016, the District implemented the following new pronouncement:

GASB Statement No. 72, Fair Value Measurement and Application.

Summary

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 72 has no impact to the financial statements as the District has no investments meeting the definition of GASB Statement No. 72.

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)

	2015	2014
District's proportion of net pension liability (%)	0.15163%	0.14356%
District's proportionate share of net pension liability	\$37,034,886	\$ 31,620,785
District's covered-employee payroll	\$12,692,135	\$ 12,601,034
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	291.79%	250.94%
Plan fiduciary net position as a percentage of total pension liability	62.92%	66.20%

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

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>2016</i>	<i>2015</i>
Statutorily required contributions	\$ 2,300,371	\$ 2,131,936
Contributions in relation to statutorily required contributions	2,300,371	2,131,936
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 12,746,056	\$ 12,220,047
Contributions as a percentage of covered-employee payroll	18.05%	17.45%

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

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>Special Revenue Fund</i>	<i>Capital Projects Fund</i>	<i>Debt Service Funds</i>			
<i>June 30, 2016</i>	<i>Food Service</i>	<i>Building & Site</i>	<i>1991 Debt</i>	<i>2015 Debt</i>	<i>2014 Debt</i>	<i>Total</i>
Assets:						
Cash and investments	\$ 501,450	\$ 60,726	\$ 501,555	\$ 117,119	\$ 146,514	\$ 1,327,364
Accounts receivable	4,052	-	1,759	-	493	6,304
Due from other funds	44,855	-	-	-	-	44,855
Inventories	9,508	-	-	-	-	9,508
Total Assets	\$ 559,865	\$ 60,726	\$ 503,314	\$ 117,119	\$ 147,007	\$ 1,388,031
 Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 28,951	\$ -	\$ -	\$ -	\$ -	\$ 28,951
Due to other funds	120,818	10,436	19,282	-	5,303	155,839
Unearned revenue	16,668	-	-	-	-	16,668
Total Liabilities	166,437	10,436	19,282	-	5,303	201,458
 Fund Balances:						
Nonspendable - Inventory	9,508	-	-	-	-	9,508
Restricted:						
Food service	383,920	-	-	-	-	383,920
Capital projects	-	50,290	-	-	-	50,290
Debt service	-	-	484,032	117,119	141,704	742,855
Total Fund Balances	393,428	50,290	484,032	117,119	141,704	1,186,573
Total Liabilities and Fund Balances	\$ 559,865	\$ 60,726	\$ 503,314	\$ 117,119	\$ 147,007	\$ 1,388,031

Vicksburg Community Schools

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

Year ended June 30, 2016	Special Revenue Fund	Capital Projects Fund	Debt Service Funds				Total
	Food Service	Building & Site	1991 Debt	2015 Debt	2007 Debt	2014 Debt	
Revenues:							
Local sources:							
Property taxes	\$ -	\$ -	\$ 2,837,910	\$ -	\$ -	\$ 780,201	\$ 3,618,111
Food sales	466,726	-	-	-	-	-	466,726
Other	7,417	97,666	6,780	-	-	559	112,422
State sources	54,370	-	-	-	-	-	54,370
Federal sources	610,522	-	-	-	-	-	610,522
Total Revenues	1,139,035	97,666	2,844,690	-	-	780,760	4,862,151
Expenditures:							
Food service activities	1,081,085	-	-	-	-	-	1,081,085
Principal payments on debt	-	-	1,268,170	215,000	110,000	560,000	2,153,170
Interest payments on debt	-	-	1,461,168	15,979	73,223	112,855	1,663,225
Capital outlay	-	104,725	-	-	-	-	104,725
Other expenditures	-	-	31,392	500	-	5,413	37,305
Total Expenditures	1,081,085	104,725	2,760,730	231,479	183,223	678,268	5,039,510
Excess (Deficiency) of Revenues							
Over Expenditures	57,950	(7,059)	83,960	(231,479)	(183,223)	102,492	(177,359)
Other Financing Sources (Uses):							
Transfers from other funds	-	-	-	206,000	183,223	-	389,223
Transfers to other funds	(74,000)	-	-	-	-	-	(74,000)
Total Other Financing Sources (Uses)	(74,000)	-	-	206,000	183,223	-	315,223
Changes in Fund Balance	(16,050)	(7,059)	83,960	(25,479)	-	102,492	137,864
Fund Balances, beginning of year	409,478	57,349	400,072	142,598	-	39,212	1,048,709
Fund Balances, end of year	\$ 393,428	\$ 50,290	\$ 484,032	\$ 117,119	\$ -	\$ 141,704	\$ 1,186,573

Vicksburg Community Schools

Agency Funds Statement of Changes in Assets and Liabilities

	<i>Balance, July 1, 2015</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, June 30, 2016</i>
Assets -				
Cash and investments	\$ 486,027	\$ 1,039,374	\$ 1,064,913	\$ 460,488
Liabilities -				
Due to student groups	\$ 486,027	\$ 1,039,374	\$ 1,064,913	\$ 460,488

Vicksburg Community Schools
Schedule of Bonded Indebtedness

	1993 Capital Appreciation Bonds		2013 Refunding Bonds		2015 Refunding Bonds		2007 General Obligation		2014 General Obligation		2016 General Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 497,322	\$ 1,602,678	\$ 675,000	\$ 36,448	\$ 225,000	\$ 12,398	\$ 120,000	\$ 68,657	\$ 355,000	\$ 110,073	\$ 465,000	\$ 64,768	\$ 2,337,322	\$ 1,895,022
2018	512,923	1,787,077	570,000	24,675	235,000	10,260	135,000	63,678	310,000	107,280	315,000	64,613	2,077,923	2,057,583
2019	525,000	1,975,000	470,000	14,700	240,000	7,440	150,000	58,075	90,000	105,123	395,000	60,766	1,870,000	2,221,104
2020	533,925	2,166,075	370,000	6,475	240,000	4,080	160,000	51,850	-	104,515	400,000	55,895	1,703,925	2,388,890
2021	-	-	-	-	-	-	175,000	45,050	925,000	95,727	1,250,000	50,032	2,350,000	190,809
2022	-	-	-	-	-	-	195,000	37,613	920,000	77,050	750,000	31,495	1,865,000	146,158
2023	-	-	-	-	-	-	210,000	29,325	920,000	56,580	580,000	18,670	1,710,000	104,575
2024	-	-	-	-	-	-	230,000	20,400	920,000	34,960	250,000	9,450	1,400,000	64,810
2025	-	-	-	-	-	-	250,000	10,625	920,000	11,960	115,000	5,520	1,285,000	28,105
2026	-	-	-	-	-	-	-	-	-	-	130,000	2,990	130,000	2,990
	\$ 2,069,170	\$ 7,530,830	\$ 2,085,000	\$ 82,298	\$ 940,000	\$ 34,178	\$ 1,625,000	\$ 385,273	\$ 5,360,000	\$ 703,268	\$ 4,650,000	\$ 364,199	\$ 16,729,170	\$ 9,100,046