



Vicksburg Community Schools

Financial Statements

Year Ended June 30, 2011

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Vicksburg Community Schools

Contents

Independent Auditors' Report	3
Management's Discussion and Analysis	4 - 8
Basic Financial Statements:	
District-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of Fund Balances of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	13
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures, Other Financing Uses, and Changes in Fund Balance - Budget and Actual - General Fund	15 and 16
Fiduciary Fund -	
Statement of Fiduciary Assets and Liabilities	17
Notes to Financial Statements	18 - 26
 <u>Supplementary Information</u>	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	27
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	28
Statement of Changes in Assets and Liabilities - Agency Funds	29
Schedule of Bonded Indebtedness	30



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Independent Auditors' Report

Board of Education
Vicksburg Community Schools
Vicksburg, Michigan

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, 2011, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2011, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 9 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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 Combining and Individual Fund Financial Statements and Schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BDO USA, LLP

Certified Public Accountants

October 24, 2011

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, 2011. 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 those 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 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.

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 Assets 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 assets - the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets - 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 Assets 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 Assets and the Statement of Activities and governmental funds in a reconciliation.

Vicksburg Community Schools

Management's Discussion and Analysis (Continued)

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.

The District as a Whole

Recall that the Statement of Net Assets provided the perspective of the District as a whole. The following provides a summary of the District's net assets as of June 30, 2011 and 2010:

<i>June 30,</i>	<i>Governmental Activities</i>	
	<i>2011</i>	<i>2010</i>
Assets:		
Current assets	\$ 8,554,914	\$ 7,939,975
Capital assets, net	25,415,100	25,790,229
Bond issue costs, net of amortization	291,664	333,331
Total Assets	34,261,678	34,063,535
Liabilities:		
Current liabilities	6,463,117	5,793,635
Noncurrent liabilities	21,077,666	22,724,749
Total Liabilities	27,540,783	28,518,384
Net Assets:		
Invested in capital assets - net of related debt	2,343,070	1,219,348
Restricted	255,266	400,516
Unrestricted	4,122,559	3,925,287
Total Net Assets	\$ 6,720,895	\$ 5,545,151

The above analysis focuses on the net assets. The change in net assets of the District's governmental activities is discussed below. The District's net assets totaled \$6.7 million at June 30, 2011. Capital assets, net of related debt totaling a surplus of \$2.3 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 assets are reported separately to show legal constraints from debt covenants and enabling legislation limiting the District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$4.1 million was unrestricted.

The \$4.1 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net assets 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 assets from year-to-year.

Vicksburg Community Schools

Management's Discussion and Analysis (Continued)

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 assets for fiscal years 2011 and 2010:

<i>June 30,</i>	<i>Governmental Activities</i>	
	<i>2011</i>	<i>2010</i>
Revenue:		
Program revenue:		
Charges for services	\$ 1,006,654	\$ 994,757
Federal grants and entitlements	1,633,593	1,261,755
State categoricals	997,811	989,825
Other operating grants	997,024	1,106,399
General revenue:		
Property taxes	4,744,921	4,791,021
State foundation allowance	16,130,419	15,997,901
Unrestricted federal - ARRA	300,510	724,498
Other	146,978	515,603
Total Revenue	25,957,910	26,381,759
Functions/Program Expenses:		
Instruction	12,255,595	12,292,055
Support services	8,248,137	8,292,874
Community services	278,249	269,763
Food services	905,336	903,100
Athletics	534,571	534,182
Intergovernmental transfers	63,020	81,670
Interest on long-term debt	1,352,683	1,451,304
Depreciation	1,144,575	1,118,872
Total Expenses	24,782,166	24,943,820
Increase in Net Assets	1,175,744	1,437,939
Net Assets, beginning of year	5,545,151	4,107,212
Net Assets, end of year	\$ 6,720,895	\$ 5,545,151

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$24.8 million. Certain activities were partially funded from those who benefited from the programs with charges for services of \$1.0 million or by other governments and organizations that subsidized certain programs with grants and contributions of \$3.6 million. We paid for the remaining "public benefit" portion of our governmental activities with \$4.7 million in taxes, \$16.1 million in unrestricted state aid, \$.3 million in unrestricted federal - ARRA, and with our other revenues such as interest and general entitlements.

The District experienced an increase in net assets of \$1.2 million during fiscal 2011.

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.

Vicksburg Community Schools

Management's Discussion and Analysis (Continued)

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 \$4.7 million, which is an increase of \$0.1 million from last year.

In the General Fund, our principal operating fund, the fund balance increased by \$0.7 million to \$2.8 million. The increase was primarily due to watching spending and staying within budget. This increase was slightly better than 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 was stable at \$0.3 million, primarily as a result of controlling costs.

The Debt Service Funds showed a decrease in fund balance of \$0.2 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.

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 2010-2012 General Fund original budget. Budgeted revenues were increased by \$0.8 million and budgeted expenditures and other financing uses were increased by \$0.6 million, primarily as a result of additional federal funding which was awarded during the year and slightly better than expected enrollment.

Budgeted General Fund revenues were under the actual results by \$0.1 million, which represents a variance of approximately 0.4%. Actual General Fund expenditures were \$0.3 million below the amended budget, which represents a variance of approximately 1.6%.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2011, the District had \$25.4 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of \$0.4 million or 1.4% from last year.

<i>June 30,</i>	<i>2011</i>	<i>2010</i>
Land	\$ 147,402	\$ 147,402
Buildings and building improvements	35,356,772	34,784,976
Buses and other vehicles	2,097,725	1,980,400
Furniture and equipment	4,455,293	4,419,107
	42,057,192	41,331,885
Less accumulated depreciation	16,642,092	15,541,656
Net Capital Assets	\$ 25,415,100	\$ 25,790,229

This year's additions of \$0.8 million related primarily to building repairs and renovations, school bus replacements, and technology upgrades. Detailed information about capital assets may be found in Note 5 to the financial statements.

Vicksburg Community Schools

Management's Discussion and Analysis (Concluded)

Debt

At the end of this year, the District had \$23.4 million in bonds outstanding versus \$24.9 million in the previous year—a decrease of 6.0%. Those bonds consisted of the following:

<i>June 30,</i>	<i>2011</i>	<i>2010</i>
General obligation bonds	\$ 15,413,545	\$ 17,155,017
Durant non-plaintiff bonds	39,698	58,205
	15,453,243	17,213,222
Accrued interest on capital appreciation bonds	7,910,451	7,690,990
	\$ 23,363,694	\$ 24,904,212

The District's general obligation bond rating is AA-. 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 \$23.4 million is significantly below the statutorily imposed limit, which is approximately \$95 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 2011-2012 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 2012 fiscal year is calculated based on 10% and 90% of the February 2011 and September 2011 student counts, respectively. The 2011-2012 budget was adopted in June 2011, based on an estimate of students that would be enrolled in September 2011. Approximately 89% 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 actual student count for September 2011, the actual blended pupil count for 2011-2012 is approximately 50 students below the assumption used in developing the 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-ratio of state aid will occur. No revenue contingency has been included in the District's preliminary 2011-2012 budget.

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 S. Kalamazoo Avenue
Vicksburg, Michigan 49097

Vicksburg Community Schools

District-Wide Financial Statements Statement of Net Assets

	<i>Primary Government Governmental Activities</i>
<i>June 30, 2011</i>	
Assets:	
Cash and investments (Note 3)	\$ 4,400,839
Accounts receivable	4,075,092
Inventories	15,937
Prepaid expenses	63,046
Total Current Assets	8,554,914
Noncurrent Assets:	
Bond issue costs, net of amortization	291,664
Capital assets, net of accumulated depreciation (Note 5)	25,415,100
Total Noncurrent Assets	25,706,764
Total Assets	34,261,678
Liabilities	
Current Liabilities:	
Accounts payable	828,073
Notes payable	1,400,000
Accrued payroll liabilities	1,471,125
Accrued interest	207,810
Unearned revenue	141,721
Current portion of long-term debt (Note 6)	2,414,388
Total Current Liabilities	6,463,117
Noncurrent Liabilities - Long-term debt (Note 6)	21,077,666
Total Liabilities	27,540,783
Net Assets:	
Invested in capital assets, net of related debt	2,343,070
Restricted for debt service	255,266
Unrestricted	4,122,559
Total Net Assets	\$ 6,720,895

See accompanying notes to financial statements.

Vicksburg Community Schools

District-Wide Financial Statements Statement of Activities

<i>Year ended June 30, 2011</i>	<i>Expenses</i>	<i>Program Revenues</i>		<i>Net (Expenses)</i>
		<i>Charges for</i>	<i>Operating</i>	<i>Revenue and</i>
		<i>Services</i>	<i>Grants and</i>	<i>Changes in</i>
			<i>Contributions</i>	<i>Net Assets</i>
				<i>Total</i>
Functions/Programs:				
Primary government -				
Governmental activities:				
Instruction	\$ 12,255,595	\$ 1,200	\$ 3,066,624	\$ (9,187,771)
Support services	8,248,137	18,272	-	(8,229,865)
Athletics	534,571	160,047	66,873	(307,651)
Community services	278,249	340,193	4,210	66,154
Food services	905,336	486,942	490,721	72,327
Intergovernmental transfers	63,020	-	-	(63,020)
Interest on long-term debt	1,352,683	-	-	(1,352,683)
Unallocated depreciation	1,144,575	-	-	(1,144,575)
Total Governmental Activities	\$ 24,782,166	\$ 1,006,654	\$ 3,628,428	(20,147,084)
General Revenues:				
Property taxes levied for general purposes				2,485,921
Property taxes levied for debt service				2,259,000
Unrestricted state aid				16,130,419
Unrestricted federal revenue - ARRA				300,510
Investment earnings				8,829
Other				138,149
Total General Revenues				21,322,828
Change in Net Assets				1,175,744
Net Assets, beginning of year				5,545,151
Net Assets, end of year				\$ 6,720,895

See accompanying notes to financial statements.

Vicksburg Community Schools

Governmental Funds Balance Sheet

<i>June 30, 2011</i>	<i>General Fund</i>	<i>Building and Site Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:				
Cash and investments (Note 3)	\$ 2,313,768	\$ 851,968	\$ 1,235,103	\$ 4,400,839
Accounts receivable	4,032,619	40,073	2,400	4,075,092
Due from other funds (Note 4)	221,183	-	308,734	529,917
Inventories	7,041	-	8,896	15,937
Prepaid expenditures	63,046	-	-	63,046
Total Assets	\$ 6,637,657	\$ 892,041	\$ 1,555,133	\$ 9,084,831
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 766,953	\$ 61,120	\$ -	\$ 828,073
Notes payable	1,400,000	-	-	1,400,000
Accrued payroll liabilities	1,471,125	-	-	1,471,125
Accrued interest	4,829	-	-	4,829
Due to other funds (Note 4)	81,643	165,000	283,274	529,917
Deferred revenue	129,343	-	12,378	141,721
Total Liabilities	3,853,893	226,120	295,652	4,375,665
Fund Balances:				
Nonspendable -				
Prepaid expenditures and inventories	70,087	-	8,896	78,983
Restricted	-	-	745,373	745,373
Assigned to:				
Debt service	-	-	505,212	505,212
Capital projects	-	665,921	-	665,921
Budgeted use of fund balance for 11/12	501,311	-	-	501,311
Unassigned	2,212,366	-	-	2,212,366
Total Fund Balances	2,783,764	665,921	1,259,481	4,709,166
Total Liabilities and Fund Balances	\$ 6,637,657	\$ 892,041	\$ 1,555,133	\$ 9,084,831

See accompanying notes to financial statements.

Vicksburg Community Schools

Governmental Funds

Reconciliation of Fund Balances of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

June 30, 2011

Total Fund Balances - Total Governmental Funds (from Page 11)	\$ 4,709,166
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

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

These assets consist of:

Capital assets, at cost	\$ 42,057,192	
Accumulated depreciation	(16,642,092)	
Net capital assets		25,415,100

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 -

Bond issuance costs, net	291,664
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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:

Bonds payable	(15,453,243)	
Accrued interest on capital appreciation bonds	(7,910,451)	
Other	(24,000)	
Compensated absences	(104,360)	
Total long-term liabilities		(23,492,054)

Accrued interest payable on long-term debt	(202,981)
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Net Assets of Governmental Activities (from Page 9)	\$ 6,720,895
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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, 2011</i>	<i>General Fund</i>	<i>Building and Site Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:				
Local sources	\$ 2,269,548	\$ 630,022	\$ 3,054,804	\$ 5,954,374
State sources	17,068,126	-	60,104	17,128,230
Federal sources	1,487,532	-	446,571	1,934,103
Other	941,203	-	-	941,203
Total Revenues	21,766,409	630,022	3,561,479	25,957,910
Expenditures:				
Instruction	12,131,293	-	-	12,131,293
Supporting services	8,686,348	-	-	8,686,348
Community services	278,249	-	-	278,249
Food service activities	-	-	905,336	905,336
Debt retirement:				
Redemption of principal	-	-	1,759,979	1,759,979
Interest and fiscal charges	39,190	-	1,061,647	1,100,837
Capital projects	-	1,028,812	-	1,028,812
Total Expenditures	21,135,080	1,028,812	3,726,962	25,890,854
Excess (Deficiency) of Revenues over Expenditures	631,329	(398,790)	(165,483)	67,056
Other Financing Sources (Uses):				
Transfers in	69,077	-	-	69,077
Transfers out	-	-	(69,077)	(69,077)
Total Other Financing Sources (Uses)	69,077	-	(69,077)	-
Change in Fund Balances	700,406	(398,790)	(234,560)	67,056
Fund Balances, beginning of year	2,083,358	1,064,711	1,494,041	4,642,110
Fund Balances, end of year	\$ 2,783,764	\$ 665,921	\$ 1,259,481	\$ 4,709,166

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, 2011

Net Change in Fund Balances - Total Governmental Funds (from Page 13)	\$	67,056
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	\$	769,446
Depreciation expense		(1,144,575)
		(375,129)
Repayment of accrued interest on capital appreciation bonds is an expenditure in the governmental funds, but not in the Statement of Activities.		523,528
Repayment of bond and note principal is an expenditure in the governmental funds, but not in the Statement of Activities.		1,759,979
Compensated absences are recorded in the Statement of Activities when incurred; they are not reported in governmental funds until paid.		(12,316)
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.		(742,989)
Amortization of bond issue costs is recorded in the Statement of Activities when incurred; it is not reported in the governmental funds.		(41,667)
Accrual of other long-term liability.		(12,000)
Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.		9,282
Change in Net Assets of Governmental Activities (from Page 10)	\$	1,175,744

See accompanying notes to financial statements.

Vicksburg Community Schools

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

<i>Year ended June 30, 2011</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Local sources	\$ 2,119,770	\$ 2,142,999	\$ 2,269,548	\$ 126,549
State sources	17,237,270	17,091,902	17,068,126	(23,776)
Federal sources	441,315	1,519,150	1,487,532	(31,618)
Other	1,043,905	928,550	941,203	12,653
Total Revenues	20,842,260	21,682,601	21,766,409	83,808
Expenditures:				
Instruction:				
Basic programs	9,693,748	10,001,571	9,919,220	82,351
Added needs	2,243,710	2,193,552	2,128,689	64,863
Adult and continuing education	87,547	89,127	83,384	5,743
Total instruction	12,025,005	12,284,250	12,131,293	152,957
Support services:				
Pupil services	1,166,861	1,054,068	1,061,073	(7,005)
Instructional staff	767,958	978,236	900,331	77,905
General administration	507,589	496,694	485,490	11,204
School administration	1,229,140	1,276,326	1,267,069	9,257
Business services	417,395	402,685	395,348	7,337
Operations and maintenance	1,995,362	2,097,721	2,069,241	28,480
Transportation	1,487,830	1,584,157	1,548,740	35,417
Central services	426,707	442,511	424,485	18,026
Student athletics	449,160	527,023	534,571	(7,548)
Total support services	8,448,002	8,859,421	8,686,348	173,073

See accompanying notes to financial statements.

Vicksburg Community Schools

Statement of Revenues, Expenditures, Other Financing Uses, and Changes in Fund Balance - Budget and Actual - General Fund (Concluded)

<i>Year ended June 30, 2011</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Expenditures (Concluded):				
Community services	\$ 276,846	\$ 296,456	\$ 278,249	\$ 18,207
Payments to other governmental units	86,708	-	-	-
Debt service - Interest and other	39,400	47,250	39,190	8,060
Total Expenditures	20,875,961	21,487,377	21,135,080	352,297
Other Financing Sources (Uses):				
Transfers in	50,000	70,000	69,077	(923)
Transfers out	(11,000)	-	-	-
Total Other Financing Sources	39,000	70,000	69,077	(923)
Change in Fund Balance	5,299	265,224	700,406	435,182
Fund Balance, beginning of year	2,083,358	2,083,358	2,083,358	-
Fund Balance, end of year	\$ 2,088,657	\$ 2,348,582	\$ 2,783,764	\$ 435,182

See accompanying notes to financial statements.

Vicksburg Community Schools

Statement of Fiduciary Assets and Liabilities Fiduciary Fund

	<i>Student Activities Agency Fund</i>
<i>June 30, 2011</i>	
Assets -	
Cash and investments (Note 3)	\$ 412,993
Liabilities -	
Due to student groups	\$ 412,993

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 four-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 18-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 fund balance have been excluded from the District's financial statements.

Basis of Presentation

District-wide financial statements: The Statement of Net Assets 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.

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.

Vicksburg Community Schools

Notes to Financial Statements (Continued)

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 Funds: 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 Funds: Capital Projects Funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities.

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.

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 Assets

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.

Vicksburg Community Schools

Notes to Financial Statements (Continued)

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, 2011.

Other Assets - Bond sale costs, premiums, and discounts are deferred and amortized over the life of the related bonds in the District-wide financial statements.

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 Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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.

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.

Vicksburg Community Schools

Notes to Financial Statements (Continued)

Restricted fund balance - restricted for specific purposes imposed by grantors, bondholders, constitutional provisions, or enabling legislation. The District reports restricted fund balance in the Debt Funds and the Food Service 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 General fund, Building and Site Fund, and 2005 Debt Service 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.

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.

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, 2011, 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>
Pupil services	\$ 1,054,068	\$ 1,061,073	\$ (7,005)
Athletics	\$ 527,023	\$ 534,571	\$ (7,548)

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.

Vicksburg Community Schools

Notes to Financial Statements (Continued)

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, 2011, the District's bank balances were \$4,981,529, of which \$4,731,529 was uninsured and uncollateralized.

The Federal Deposit Insurance Corporation (FDIC) general deposit insurance rules provide \$250,000 of insurance per account. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act provides separate and unlimited deposit insurance coverage for accounts that meet the definition of a noninterest-bearing transaction account.

Credit Risk

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations.

State statutes authorize the District to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances, and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Pool Act and mutual funds composed entirely of the above investments.

The District had no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. At June 30, 2011, none of the District's investments were subject to concentration of credit risk.

4. *Interfund Transactions*

Interfund receivables and payables at June 30, 2011, are as follows:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
General Fund	\$ 221,183	\$ 81,643
Building and Site Fund	-	165,000
Nonmajor Governmental Funds	308,734	283,274
	<u>\$ 529,917</u>	<u>\$ 529,917</u>

Interfund transfers as of June 30, 2011, were as follows:

	<i>Transfer In</i>	<i>Transfer Out</i>
General Fund	\$ 69,077	\$ -
Nonmajor Governmental Funds	-	(69,077)
	<u>\$ 69,077</u>	<u>\$ (69,077)</u>

Vicksburg Community Schools

Notes to Financial Statements (Continued)

5. Capital Assets

The following summarizes capital asset activity for the year ended June 30, 2011.

	<i>Balance, July 1, 2010</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance, June 30, 2011</i>
Governmental Activities:				
Capital assets not depreciated - Land	\$ 147,402	\$ -	\$ -	\$ 147,402
Capital assets being depreciated:				
Buildings and improvements	34,784,976	571,796	-	35,356,772
Furniture and equipment	4,419,107	36,186	-	4,455,293
Buses	1,980,400	161,464	44,139	2,097,725
Totals at historical cost	40,851,384	769,446	44,139	42,057,192
Less accumulated depreciation:				
Buildings and improvements	12,211,843	816,082	-	13,027,925
Furniture and equipment	2,084,547	179,853	-	2,264,400
Buses	1,245,266	148,640	44,139	1,349,767
Total accumulated depreciation	14,603,485	1,144,575	44,139	16,642,092
Net Capital Assets	\$ 26,247,899	\$ (375,129)	\$ -	\$ 25,415,100

Depreciation for the year ended June 30, 2011, was \$1.1 million. The District determined it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

6. Long-Term Debt

The following is a summary of changes in long-term debt for the District for the year ended June 30, 2011:

	<i>Balance, July 1, 2010</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, June 30, 2011</i>	<i>Due Within One Year</i>
Bonds payable	\$ 17,155,017	\$ -	\$ (1,741,472)	\$ 15,413,545	\$ 1,754,472
Durant non-plaintiff bond	58,205	-	(18,507)	39,698	19,388
Compensated absences	92,044	12,316	-	104,360	-
Accrued interest on capital appreciation bonds	7,690,990	742,989	(523,528)	7,910,451	640,528
Other	12,000	12,000	-	24,000	-
	\$ 26,492,719	\$ 767,305	\$ (2,283,507)	\$ 23,492,054	\$ 2,414,388

Vicksburg Community Schools

Notes to Financial Statements (Continued)

Bonds payable at June 30, 2011, are comprised of the following individual issues:

2007 General Obligation - Limited Tax Bonds due in annual installments of \$50,000 to \$250,000 plus interest, through May 2025; interest at 4.00% to 4.25%.	\$ 2,055,000
2005 General Obligation - Limited Tax Bonds due in annual installments of \$170,000 to \$250,000 plus interest, through May 2021; interest at 3.50% to 3.75%.	2,075,000
2003 Refunding Bonds due in annual installments of \$425,000 to \$1,160,000 plus interest, through May 2020; interest at 2.00% to 5.00%.	7,055,000
2000 Facility Improvement Bonds due in annual installment of \$125,000 plus interest, through May 2012; interest at 5.00%.	125,000
1993 Capital Appreciation Bonds due in annual installments of \$950,000 to \$2,700,000, including interest, through May 2020; interest at 5.35% to 6.10%.	4,103,545
	\$ 15,413,545

The Durant Non-Plaintiff Bond consists of a \$39,698 School Improvement Bond, Series 1998, with interest at 4.76%; final payment due May 15, 2013. This bond payment is included in the table below.

This bond, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the state of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for this bond.

This bond is a self-liquidating bond, is not a general obligation of the District, and does not constitute an indebtedness of the District within any constitutional or statutory limitations. This bond is payable both as principal and interest solely from the State Aid payments described in the preceding paragraph and is recorded as a liability of the District as required by the state of Michigan. The state of Michigan ceased State Aid payments seven years ago and, therefore, the District has not made any principal or interest payments since that time. These bonds have a schedule of repayment but no repayment is required until funds are provided by the state of Michigan.

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, even though the interest is not paid until maturity.

Debt Service Requirements

The annual requirements to service the bonds outstanding 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>
2012	\$ 1,773,860	\$ 1,120,304	\$ 2,894,164
2013	1,793,429	1,206,034	2,999,463
2014	1,649,750	1,410,367	3,060,117
2015	1,608,864	1,535,615	3,144,479
2016	1,563,170	1,666,925	3,230,095
2017-2021	6,179,170	8,176,203	14,355,373
2022-2025	885,000	97,963	982,963
	\$ 15,453,243	\$ 15,213,411	\$ 30,666,654

Vicksburg Community Schools

Notes to Financial Statements (Continued)

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 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 by contacting the Michigan Public School Employees' Retirement System, P.O. Box 30171, Lansing, Michigan 48909.

The regular retirement benefit is based on a member's years of credit 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.

Pension Reform 2010

On May 9, 2010, the governor signed Public Act 75 of 2010 into law. As a result, any member of MPERS who became a member after June 30, 2010, is a Pension Plus member. The Pension Plus Plan pairs a guaranteed retirement income (defined benefit) with a flexible and transferable retirement savings (defined contribution) account.

Funding Policy

Basic Plan members make no contributions. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990, contribute a permanently fixed rate of 3.9% of gross wages. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 and December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3.0% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later, including Pension Plus Plan members contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits. Employer contributions to MPERS are determined on an actuarial basis using the entry age normal actuarial cost method for both pension benefits and OPEB. The rates for the year ended June 30, 2011, were 16.94% from July 1, 2010 through September 30, 2010. From October 1, 2010 through October 31, 2010, the rates were 19.41% and 17.91% for the Pension Plus Plan. From November 1, 2010 through June 30, 2011, rates were 20.66% and 19.16% for the Pension Plus Plan. In addition, the District is required to match 50% up to 1% of the employee's contribution in the Pension Plus Plan. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the current and two preceding years were as follows:

<i>Year ended June 30,</i>	<i>Employer Contribution</i>
2011	\$ 2,355,254
2010	\$ 2,081,637
2009	\$ 2,187,934

Vicksburg Community Schools

Notes to Financial statements (Concluded)

Other Post Employment Benefits

Retirees have the option of health coverage, which is currently funded on a cash disbursement basis. A significant portion of the premium is paid by MPERS, 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 MPERS 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.

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 for 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, 2011, which can be obtained from the Controller, MASB SET/SEG, 415 West Kalamazoo, Lansing, Michigan 48933.

The District joined the West Michigan Health Insurance Pool to provide health benefits to approximately 20 non-bargaining staff and approximately 60 unionized support staff members. The West Michigan Health Insurance Pool is a self insurance program with 34 districts 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 \$150,000 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. New Pronouncement

In 2011, the District implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The pronouncement changes the classifications of fund balance and provides a new definition for special revenue funds. As a result, the Athletics Fund no longer qualifies as a special revenue fund and has been included in the General Fund for the year ended June 30, 2011.

Supplementary Information

Vicksburg Community Schools

Nonmajor Governmental Funds Combining Balance Sheet

	<i>Special Revenue Fund</i>	<i>Debt Service Funds</i>				
<i>June 30, 2011</i>	<i>Food Service</i>	<i>1991 Debt</i>	<i>2000 Debt</i>	<i>2005 Debt</i>	<i>2007 Debt</i>	<i>Total</i>
Assets:						
Cash and investments	\$ 464,452	\$ 209,997	\$ 220,442	\$ 340,212	\$ -	\$ 1,235,103
Accounts receivable	2,400	-	-	-	-	2,400
Due from other funds	81,311	62,423	-	165,000	-	308,734
Inventories	8,896	-	-	-	-	8,896
Total Assets	\$ 557,059	\$ 272,420	\$ 220,442	\$ 505,212	\$ -	\$ 1,555,133
Liabilities and Fund Balances						
Liabilities:						
Due to other funds	\$ 220,851	\$ -	\$ 62,423	\$ -	\$ -	\$ 283,274
Deferred revenue	12,378	-	-	-	-	12,378
Total Liabilities	233,229	-	62,423	-	-	295,652
Fund Balances:						
Nonspendable - Inventory	8,896	-	-	-	-	8,896
Restricted	314,934	272,420	158,019			745,373
Assigned to - Debt service	-	-	-	505,212	-	505,212
Total Fund Balances	323,830	272,420	158,019	505,212	-	1,259,481
Total Liabilities and Fund Balances	\$ 557,059	\$ 272,420	\$ 220,442	\$ 505,212	\$ -	\$ 1,555,133

Vicksburg Community Schools

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

	Special Revenue Fund	Debt Service Funds				
Year ended June 30, 2011	Food Service	1991 Debt	2000 Debt	2005 Debt	2007 Debt	Total
Revenues:						
Local sources:						
Property taxes	\$ -	\$2,259,001	\$ -	\$ 165,000	\$ 128,163	\$ 2,552,164
Food sales	488,607	-	-	-	-	488,607
Other	4,316	7,540	685	1,492	-	14,033
State sources	38,825	21,279	-	-	-	60,104
Federal sources	446,571	-	-	-	-	446,571
Total Revenues	978,319	2,287,820	685	166,492	128,163	3,561,479
Expenditures:						
Food service activities	905,336	-	-	-	-	905,336
Principal payments on debt	-	1,394,979	160,000	165,000	40,000	1,759,979
Interest payments on debt	-	867,936	14,250	86,535	88,163	1,056,884
Other expenditures	-	3,722	841	200	-	4,763
Total Expenditures	905,336	2,266,637	175,091	251,735	128,163	3,726,962
Other Financing Use -						
Transfers to other funds	69,077	-	-	-	-	69,077
Total Expenditures and Other Financing Use	974,413	2,266,637	175,091	251,735	128,163	3,796,039
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Use						
	3,906	21,183	(174,406)	(85,243)	-	(234,560)
Fund Balances, beginning of year						
	319,924	251,237	332,425	590,455	-	1,494,041
Fund Balances, end of year	\$323,830	\$ 272,420	\$158,019	\$ 505,212	\$ -	\$ 1,259,481

Vicksburg Community Schools

Agency Funds Statement of Changes in Assets and Liabilities

	<i>Balance, July 1, 2010</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, June 30, 2011</i>
<hr/>				
Assets -				
Cash and investments	\$ 374,546	\$ 731,794	\$ 693,347	\$ 412,993
<hr/>				
Liabilities -				
Due to student groups	\$ 374,546	\$ 731,794	\$ 693,347	\$ 412,993
<hr/>				

		<i>1993</i>		<i>Durant Non-Plaintiff</i>		<i>2000</i>	
		<i>Capital Appreciation</i>		<i>School Improvement</i>		<i>Facility Improvement</i>	
		<i>Bonds</i>		<i>Bonds</i>		<i>Bonds</i>	
		<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2012	\$	309,472	\$ 640,528	\$ 19,388	\$ 1,890	\$ 125,000	\$ 6,250
2013		353,119	796,881	20,310	967	-	-
2014		429,750	1,070,250	-	-	-	-
2015		458,864	1,241,136	-	-	-	-
2016		483,170	1,416,830	-	-	-	-
2017		497,322	1,602,678	-	-	-	-
2018		512,923	1,787,077	-	-	-	-
2019		525,000	1,975,000	-	-	-	-
2020		533,925	2,166,075	-	-	-	-
2021		-	-	-	-	-	-
2022		-	-	-	-	-	-
2023		-	-	-	-	-	-
2024		-	-	-	-	-	-
2025		-	-	-	-	-	-
		\$ 4,103,545	\$ 12,696,455	\$ 39,698	\$ 2,857	\$ 125,000	\$ 6,250

Vicksburg Community Schools

Schedule of Bonded Indebtedness

<i>2003 Refunding Bonds</i>		<i>2005 General Obligation</i>		<i>2007 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>
\$ 1,100,000	\$ 304,786	\$ 170,000	\$ 80,348	\$ 50,000	\$ 86,502	\$ 1,773,860	\$ 1,120,304
1,160,000	249,786	180,000	73,973	80,000	84,427	1,793,429	1,206,034
945,000	191,786	185,000	67,223	90,000	81,108	1,649,750	1,410,367
860,000	156,822	190,000	60,285	100,000	77,372	1,608,864	1,535,615
770,000	123,712	200,000	53,160	110,000	73,223	1,563,170	1,666,925
685,000	92,912	210,000	45,460	120,000	68,657	1,512,322	1,809,707
600,000	65,169	220,000	37,375	135,000	63,678	1,467,923	1,953,299
510,000	40,268	230,000	28,685	150,000	58,075	1,415,000	2,102,028
425,000	18,594	240,000	19,600	160,000	51,850	1,358,925	2,256,119
-	-	250,000	10,000	175,000	45,050	425,000	55,050
-	-	-	-	195,000	37,613	195,000	37,613
-	-	-	-	210,000	29,325	210,000	29,325
-	-	-	-	230,000	20,400	230,000	20,400
-	-	-	-	250,000	10,625	250,000	10,625
\$ 7,055,000	\$ 1,243,835	\$2,075,000	\$476,109	\$2,055,000	\$787,905	\$15,453,243	\$ 15,213,411