



Vicksburg Community Schools

Financial Statements
Year Ended June 30, 2012

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

Financial Statements
Year Ended June 30, 2012

Vicksburg Community Schools

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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, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2012, 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 5 through 9 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.

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. The accompanying Combining and Individual Fund Financial Statements and Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 information 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 9, 2012

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, 2012. 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, 2012 and 2011:

<u>June 30,</u>	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Assets:		
Current assets	\$ 8,273,786	\$ 8,554,914
Capital assets, net	24,786,147	25,415,100
Bond issue costs, net of amortization	249,997	291,664
Total Assets	33,309,930	34,261,678
Liabilities:		
Current liabilities	6,841,993	6,463,117
Noncurrent liabilities	19,179,755	21,077,666
Total Liabilities	26,021,748	27,540,783
Net Assets:		
Invested in capital assets - net of related debt	3,346,840	2,343,070
Restricted	386,810	255,266
Unrestricted	3,554,532	4,122,559
Total Net Assets	\$ 7,288,182	\$ 6,720,895

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 \$7.3 million at June 30, 2012. Capital assets, net of related debt totaling a surplus of \$3.3 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 \$3.6 million was unrestricted.

The \$3.6 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 2012 and 2011:

<i>June 30,</i>	<i>Governmental Activities</i>	
	<i>2012</i>	<i>2011</i>
Revenue:		
Program revenue:		
Charges for services	\$ 1,064,384	\$ 1,006,654
Federal grants and entitlements	982,460	1,633,593
State categoricals	1,062,866	997,811
Other operating grants	913,333	997,024
General revenue:		
Property taxes	4,671,163	4,744,921
State foundation allowance	15,789,744	16,130,419
Unrestricted federal - ARRA	-	300,510
Other	179,732	146,978
Total Revenue	24,663,682	25,957,910
Functions/Program Expenses:		
Instruction	12,188,287	12,255,595
Support services	7,648,411	8,248,137
Community services	279,674	278,249
Food services	941,811	905,336
Athletics	524,442	534,571
Intergovernmental transfers	67,163	63,020
Interest on long-term debt	1,285,503	1,352,683
Depreciation	1,161,104	1,144,575
Total Expenses	24,096,395	24,782,166
Increase in Net Assets	567,287	1,175,744
Net Assets, beginning of year	6,720,895	5,545,151
Net Assets, end of year	\$ 7,288,182	\$ 6,720,895

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$24.1 million. Certain activities were partially funded from those who benefited from the programs with charges for services of \$1.1 million or by other governments and organizations that subsidized certain programs with grants and contributions of \$3.0 million. We paid for the remaining "public benefit" portion of our governmental activities with \$4.7 million in taxes, \$15.8 million in unrestricted state aid, and with our other revenues such as interest and general entitlements.

The District experienced an increase in net assets of \$0.6 million during fiscal 2012.

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 \$4.2 million, which is a decrease of \$0.5 million from last year.

In the General Fund, our principal operating fund, the fund balance decreased by \$0.1 million to \$2.7 million. This decrease 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 2011-2012 General Fund original budget. Budgeted revenues were increased by \$0.15 million and budgeted expenditures and other financing uses were decreased by \$0.2 million, primarily as a result of routine budgetary revisions over the course of the fiscal year.

Budgeted General Fund revenues were under the actual results by \$27,000, which represents a variance of approximately 0.1%. Actual General Fund expenditures were \$0.2 million below the amended budget, which represents a variance of approximately 0.9%.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2012, the District had \$24.8 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of \$0.6 million or 2.5% from last year.

<i>June 30,</i>	<i>2012</i>	<i>2011</i>
Land	\$ 147,402	\$ 147,402
Buildings and building improvements	35,809,785	35,356,772
Buses and other vehicles	2,105,725	2,097,725
Furniture and equipment	4,526,431	4,455,293
	42,589,343	42,057,192
Less accumulated depreciation	17,803,196	16,642,092
Net Capital Assets	\$ 24,786,147	\$ 25,415,100

This year's additions of \$0.5 million related primarily to building improvements and renovations, 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 (Concluded)

Debt

At the end of this year, the District had \$21.7 million in bonds outstanding versus \$23.4 million in the previous year—a decrease of 7.3%. Those bonds consisted of the following:

<i>June 30,</i>	<i>2012</i>	<i>2011</i>
General obligation bonds	\$ 13,659,073	\$ 15,413,545
Durant non-plaintiff bonds	20,310	39,698
	13,679,383	15,453,243
Accrued interest on capital appreciation bonds	8,009,921	7,910,451
	\$ 21,689,304	\$ 23,363,694

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 \$21.7 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 7 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 2012-2013 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 2013 fiscal year is calculated based on 10% and 90% of the February 2012 and September 2012 student counts, respectively. The 2012-2013 budget was adopted in June 2012, based on an estimate of students that would be enrolled in September 2012. 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 preliminary student count for September 2012, the actual blended pupil count for 2012-2013 is approximately 53 students above 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-ration of state aid will occur. No revenue contingency has been included in the District's preliminary 2012-2013 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, 2012</i>	
Assets:	
Cash and investments (Note 3)	\$ 4,928,546
Accounts receivable	3,197,539
Inventories	14,731
Prepaid expenses	132,970
Total Current Assets	8,273,786
Noncurrent Assets:	
Bond issue costs, net of amortization	249,997
Capital assets, net of accumulated depreciation (Note 5)	24,786,147
Total Noncurrent Assets	25,036,144
Total Assets	33,309,930
Liabilities	
Current Liabilities:	
Accounts payable	770,654
Notes payable (Note 6)	2,000,000
Accrued payroll liabilities	1,103,088
Accrued interest	194,661
Unearned revenue	183,280
Current portion of long-term debt (Note 7)	2,590,310
Total Current Liabilities	6,841,993
Noncurrent Liabilities - Long-term debt (Note 7)	19,179,755
Total Liabilities	26,021,748
Net Assets:	
Invested in capital assets, net of related debt	3,346,840
Restricted for debt service	42,086
Restricted for food service	344,724
Unrestricted	3,554,532
Total Net Assets	\$ 7,288,182

See accompanying notes to financial statements.

Vicksburg Community Schools

District-Wide Financial Statements Statement of Activities

<i>Year ended June 30, 2012</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	\$ 12,188,287	\$ 1,470	\$ 2,350,357	\$ (9,836,460)
Support services	7,648,411	20,585	54,698	(7,573,128)
Athletics	524,442	151,518	33,995	(338,929)
Community services	279,674	363,260	1,824	85,410
Food services	941,811	527,551	517,785	103,525
Intergovernmental transfers	67,163	-	-	(67,163)
Interest on long-term debt	1,285,503	-	-	(1,285,503)
Unallocated depreciation	1,161,104	-	-	(1,161,104)
Total Governmental Activities	\$ 24,096,395	\$ 1,064,384	\$ 2,958,659	(20,073,352)
General Revenues:				
Property taxes levied for general purposes				2,416,101
Property taxes levied for debt service				2,255,062
Unrestricted state aid				15,789,744
Investment earnings				8,559
Other				171,173
Total General Revenues				20,640,639
Change in Net Assets				567,287
Net Assets, beginning of year				6,720,895
Net Assets, end of year				\$ 7,288,182

See accompanying notes to financial statements.

Vicksburg Community Schools

Governmental Funds Balance Sheet

<i>June 30, 2012</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)	\$ 3,790,927	\$ 455,750	\$ 681,869	\$ 4,928,546
Accounts receivable	3,195,828	-	1,711	3,197,539
Due from other funds (Note 4)	74,399	157,904	458,659	690,962
Inventories	4,981	-	9,750	14,731
Prepaid expenditures	132,970	-	-	132,970
Total Assets	\$ 7,199,105	\$ 613,654	\$ 1,151,989	\$ 8,964,748
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 770,654	\$ -	\$ -	\$ 770,654
Notes payable	2,000,000	-	-	2,000,000
Accrued payroll liabilities	1,103,088	-	-	1,103,088
Accrued interest	5,343	-	-	5,343
Due to other funds (Note 4)	450,587	165,000	75,375	690,962
Deferred revenue	171,248	-	12,032	183,280
Total Liabilities	4,500,920	165,000	87,407	4,753,327
Fund Balances:				
Nonspendable -				
Prepaid expenditures and inventories	137,951	-	9,750	147,701
Restricted	-	-	549,728	549,728
Assigned to:				
Debt service	-	-	505,104	505,104
Capital projects	-	448,654	-	448,654
Budgeted use of fund balance for 12/13	708,227	-	-	708,227
Unassigned	1,852,007	-	-	1,852,007
Total Fund Balances	2,698,185	448,654	1,064,582	4,211,421
Total Liabilities and Fund Balances	\$ 7,199,105	\$ 613,654	\$ 1,151,989	\$ 8,964,748

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, 2012

Total Fund Balances - Total Governmental Funds (from Page 12) \$ 4,211,421

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	\$ 42,589,343
Accumulated depreciation	<u>(17,803,196)</u>

Net capital assets	24,786,147
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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	249,997
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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	(13,679,383)
Accrued interest on capital appreciation bonds	(8,009,921)
Compensated absences	<u>(80,761)</u>

Total long-term liabilities	(21,770,065)
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Accrued interest payable on long-term debt	<u>(189,318)</u>
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Net Assets of Governmental Activities (from Page 10) \$ 7,288,182

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, 2012</i>	<i>General Fund</i>	<i>Building and Site Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:				
Local sources	\$ 2,646,449	\$ 19,942	\$ 3,177,925	\$ 5,844,316
State sources	16,789,518	-	63,092	16,852,610
Federal sources	506,490	-	475,970	982,460
Other	902,996	81,300	-	984,296
Total Revenues	20,845,453	101,242	3,716,987	24,663,682
Expenditures:				
Instruction	12,211,886	-	-	12,211,886
Supporting services	8,410,495	-	-	8,410,495
Community services	279,674	-	-	279,674
Payments to other governmental units	67,163	-	-	67,163
Food service activities	-	-	941,811	941,811
Debt retirement:				
Redemption of principal	-	-	1,773,860	1,773,860
Interest and fiscal charges	35,276	-	1,122,753	1,158,029
Capital projects	-	318,509	-	318,509
Total Expenditures	21,004,494	318,509	3,838,424	25,161,427
Deficiency of Revenues Over Expenditures	(159,041)	(217,267)	(121,437)	(497,745)
Other Financing Sources (Uses):				
Transfers in	73,462	-	27,206	100,668
Transfers out	-	-	(100,668)	(100,668)
Total Other Financing Sources (Uses)	73,462	-	(73,462)	-
Change in Fund Balances	(85,579)	(217,267)	(194,899)	(497,745)
Fund Balances, beginning of year	2,783,764	665,921	1,259,481	4,709,166
Fund Balances, end of year	\$ 2,698,185	\$ 448,654	\$ 1,064,582	\$ 4,211,421

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, 2012

Net Change in Fund Balances - Total Governmental Funds (from Page 14) \$ (497,745)

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	\$ 532,151	
Depreciation expense	<u>(1,161,104)</u>	(628,953)

Repayment of accrued interest on capital appreciation bonds is an expenditure in the governmental funds, but not in the Statement of Activities. 640,528

Repayment of bond and note principal is an expenditure in the governmental funds, but not in the Statement of Activities. 1,773,860

Compensated absences are recorded in the Statement of Activities when incurred; they are not reported in governmental funds until paid. 23,599

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. (739,998)

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. 24,000

Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid. 13,663

Change in Net Assets of Governmental Activities (from Page 11) \$ 567,287

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, 2012</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Local sources	\$ 2,640,976	\$ 2,607,847	\$ 2,646,449	\$ 38,602
State sources	16,951,030	16,789,935	16,789,518	(417)
Federal sources	425,822	530,958	506,490	(24,468)
Other	648,550	889,397	902,996	13,599
Total Revenues	20,666,378	20,818,137	20,845,453	27,316
Expenditures:				
Instruction:				
Basic programs	9,915,413	9,959,356	9,938,675	20,681
Added needs	2,104,048	2,227,053	2,180,101	46,952
Adult and continuing education	85,000	94,096	93,110	986
Total instruction	12,104,461	12,280,505	12,211,886	68,619
Support services:				
Pupil services	1,098,572	1,115,935	1,096,256	19,679
Instructional staff	802,933	700,477	698,174	2,303
General administration	502,269	515,757	505,817	9,940
School administration	1,302,203	1,304,860	1,275,686	29,174
Business services	412,440	452,103	452,770	(667)
Operations and maintenance	2,145,565	1,996,652	1,993,321	3,331
Transportation	1,479,331	1,466,773	1,402,701	64,072
Central services	449,700	463,778	461,328	2,450
Student athletics	506,500	524,594	524,442	152
Total support services	8,699,513	8,540,929	8,410,495	130,434

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, 2012</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Expenditures (Concluded):				
Community services	\$ 292,205	\$ 275,239	\$ 279,674	\$ (4,435)
Payments to other governmental units	91,510	70,029	67,163	2,866
Debt service - Interest and other	45,000	29,916	35,276	(5,360)
Total Expenditures	21,232,689	21,196,618	21,004,494	192,124
Other Financing Sources -				
Transfers in	65,000	65,000	73,462	8,462
Change in Fund Balance	(501,311)	(313,481)	(85,579)	227,902
Fund Balance, beginning of year	2,783,764	2,783,764	2,783,764	-
Fund Balance, end of year	\$ 2,282,453	\$ 2,470,283	\$ 2,698,185	\$ 227,902

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, 2012</i>	
<hr/>	
Assets -	
Cash and investments (Note 3)	\$ 364,863
<hr/>	
Liabilities -	
Due to student groups	\$ 364,863
<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 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 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 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 Fund: Special Revenue Funds are used to account for revenue sources that are restricted to expenditures for specified purposes. The District operates one special revenue fund: Food Service.

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

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

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, 2012.

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.

Subsequent Events - Management has evaluated subsequent events through October 9, 2012, the date the financial statements were available to be issued. Based on that evaluation, there were no matters identified that had a significant impact on the financial statements as presented.

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, 2012, 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>
Business services	\$	452,103	\$	452,770	\$ (667)
Community services	\$	275,239	\$	279,674	\$ (4,435)
Debt service	\$	29,916	\$	35,276	\$ (5,360)

The fund balance was sufficient to cover the excess expenditures.

Vicksburg Community Schools

Notes to Financial Statements (Continued)

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, 2012, the District's bank balances were \$5,536,395, of which \$5,286,395 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, 2012, none of the District's investments were subject to concentration of credit risk.

4. *Interfund Transactions*

Interfund receivables and payables at June 30, 2012, are as follows:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
General Fund	\$ 74,399	\$ 450,587
Building and Site Fund	157,904	165,000
Nonmajor Governmental Funds	458,659	75,375
	<u>\$ 690,962</u>	<u>\$ 690,962</u>

All balances are expected to be collected within one year.

Vicksburg Community Schools

Notes to Financial Statements (Continued)

Interfund transfers for the year ended June 30, 2012, were as follows:

	<i>Transfer In</i>	<i>Transfer Out</i>
General Fund	\$ 73,462	\$ -
Nonmajor Governmental Funds	27,206	100,668
	<u>\$ 100,668</u>	<u>\$ 100,668</u>

The 2000 Debt Fund transferred \$27,206 to the 1991 Debt Fund due to the completion of the 2000 Debt Fund and the Food Service Fund transferred \$73,462 to the General Fund for reimbursement of indirect costs.

5. *Capital Assets*

The following summarizes capital asset activity for the year ended June 30, 2012.

	<i>Balance, July 1, 2011</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance, June 30, 2012</i>
Governmental Activities:				
Capital assets not depreciated - Land	\$ 147,402	\$ -	\$ -	\$ 147,402
Capital assets being depreciated:				
Buildings and improvements	35,356,772	453,013	-	35,809,785
Furniture and equipment	4,455,293	71,138	-	4,526,431
Buses	2,097,725	8,000	-	2,105,725
Totals at historical cost	42,057,192	532,151	-	42,589,343
Less accumulated depreciation:				
Buildings and improvements	13,027,925	858,225	-	13,886,150
Furniture and equipment	2,264,400	173,684	-	2,438,084
Buses	1,349,767	129,195	-	1,478,962
Total accumulated depreciation	16,642,092	1,161,104	-	17,803,196
Net Capital Assets	\$ 25,415,100	\$ (628,953)	\$ -	\$ 24,786,147

Depreciation for the year ended June 30, 2012, was \$1.2 million. The District determined it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

6. *Note Payable*

In July 2011, the District borrowed \$2,000,000 through issuance of state aid notes, due August 2012. The balance of \$2,000,000 was paid off in August 2012.

Vicksburg Community Schools

Notes to Financial Statements (Continued)

7. Long-Term Debt

The following is a summary of changes in long-term debt for the District for the year ended June 30, 2012:

	<i>Balance, July 1, 2011</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, June 30, 2012</i>	<i>Due Within One Year</i>
Bonds payable	\$ 15,413,545	\$ -	\$ (1,754,472)	\$ 13,659,073	\$ 1,773,119
Durant non-plaintiff bond	39,698	-	(19,388)	20,310	20,310
Compensated absences	104,360	-	(23,599)	80,761	-
Accrued interest on capital appreciation bonds	7,910,451	739,998	(640,528)	8,009,921	796,881
Other	24,000	12,000	(36,000)	-	-
	\$ 23,492,054	\$ 751,998	\$ (2,473,987)	\$ 21,770,065	\$ 2,590,310

Bonds payable at June 30, 2012, are comprised of the following individual issues:

2007 General Obligation - Limited Tax Bonds due in annual installments of \$80,000 to \$250,000 plus interest, through May 2025; interest at 4.00% to 4.25%.	\$ 2,005,000
2005 General Obligation - Limited Tax Bonds due in annual installments of \$180,000 to \$250,000 plus interest, through May 2021; interest at 3.50% to 3.75%.	1,905,000
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%.	5,955,000
1993 Capital Appreciation Bonds due in annual installments of \$1,150,000 to \$2,700,000, including interest, through May 2020; interest at 5.35% to	3,794,073
	\$ 13,659,073

The Durant Non-Plaintiff Bond consists of a \$20,310 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.

Vicksburg Community Schools

Notes to Financial statements (Concluded)

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>
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	1,512,322	1,809,707	3,322,029
2018-2022	4,861,848	6,404,109	11,265,957
2023-2025	690,000	60,350	750,350
	\$ 13,679,383	\$ 14,093,107	\$27,772,490

8. *Employee Retirement System - Defined Benefit Plan*

Plan Description

The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the nine-member board of the MPSERS. The MPSERS 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 MPSERS was established by Public Act 136 of 1945 and currently operates under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. 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 MPSERS 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.

Vicksburg Community Schools

Notes to Financial statements (Concluded)

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits. Employer contributions to MPSERS 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, 2012, were 19.16% to 20.66% through September 30, 2011. From October 1, 2011 through June 30, 2012, rates ranged from 23.23% to 24.46%. 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 MPSERS Board of Trustees. The District contributions to MPSERS for the current and two preceding years were as follows:

<i>Year ended June 30,</i>	<i>Employer Contribution</i>
2012	\$ 2,837,671
2011	\$ 2,355,254
2010	\$ 2,081,637

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 MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010, to contribute 3.0% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For each school year that begins on or after July 1, 2012, members shall contribute 3.0% of compensation into the health care funding account. Effective April 1, 2012, a court order eliminated this requirement. The court order is being appealed by the state of Michigan.

9. 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, 2012, 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.

Supplementary Information

Vicksburg Community Schools

Nonmajor Governmental Funds Combining Balance Sheet

	<i>Special Revenue Fund</i>	<i>Debt Service Funds</i>				
<i>June 30, 2012</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	\$ 387,369	\$ 203,507	\$ 1,237	\$ 89,756	\$ -	\$ 681,869
Accounts receivable	1,711	-	-	-	-	1,711
Due from other funds	41,814	1,497	-	415,348	-	458,659
Inventories	9,750	-	-	-	-	9,750
Total Assets	\$ 440,644	\$ 205,004	\$ 1,237	\$ 505,104	\$ -	\$ 1,151,989
Liabilities and Fund Balances						
Liabilities:						
Due to other funds	\$ 74,138	\$ -	\$ 1,237	\$ -	\$ -	\$ 75,375
Deferred revenue	12,032	-	-	-	-	12,032
Total Liabilities	86,170	-	1,237	-	-	87,407
Fund Balances:						
Nonspendable - Inventory	9,750	-	-	-	-	9,750
Restricted	344,724	205,004	-	-	-	549,728
Assigned to - Debt service	-	-	-	505,104	-	505,104
Total Fund Balances	354,474	205,004	-	505,104	-	1,064,582
Total Liabilities and Fund Balances	\$ 440,644	\$ 205,004	\$ 1,237	\$ 505,104	\$ -	\$ 1,151,989

Vicksburg Community Schools

Nonmajor Governmental Funds

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

	<i>Special Revenue Fund</i>	<i>Debt Service Funds</i>				
<i>Year ended June 30, 2012</i>	<i>Food Service</i>	<i>1991 Debt</i>	<i>2000 Debt</i>	<i>2005 Debt</i>	<i>2007 Debt</i>	<i>Total</i>
Revenues:						
Local sources:						
Property taxes	\$ -	\$2,248,088	\$ -	\$ 250,348	\$ 136,502	\$ 2,634,938
Food sales	525,541	-	-	-	-	525,541
Other	2,592	14,000	437	417	-	17,446
State sources	41,814	21,278	-	-	-	63,092
Federal sources	475,970	-	-	-	-	475,970
Total Revenues	1,045,917	2,283,366	437	250,765	136,502	3,716,987
Other Financing Source -						
Transfers from other funds	-	27,206	-	-	-	27,206
Total Revenues and Other Financing Source	1,045,917	2,310,572	437	250,765	136,502	3,744,193
Expenditures:						
Food service activities	941,811	-	-	-	-	941,811
Principal payments on debt	-	1,428,860	125,000	170,000	50,000	1,773,860
Interest payments on debt	-	947,204	6,250	80,348	86,502	1,120,304
Other expenditures	-	1,924	-	525	-	2,449
Total Expenditures	941,811	2,377,988	131,250	250,873	136,502	3,838,424
Other Financing Use -						
Transfers to other funds	73,462	-	27,206	-	-	100,668
Total Expenditures and Other Financing Use	1,015,273	2,377,988	158,456	250,873	136,502	3,939,092
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Use						
	30,644	(67,416)	(158,019)	(108)	-	(194,899)
Fund Balances, beginning of year						
	323,830	272,420	158,019	505,212	-	1,259,481
Fund Balances, end of year	\$ 354,474	\$ 205,004	\$ -	\$ 505,104	\$ -	\$ 1,064,582

Vicksburg Community Schools

Agency Funds

Statement of Changes in Assets and Liabilities

	<i>Balance, July 1, 2011</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, June 30, 2012</i>
Assets -				
Cash and investments	\$ 412,993	\$ 750,504	\$ 798,634	\$ 364,863
Liabilities -				
Due to student groups	\$ 412,993	\$ 750,504	\$ 798,634	\$ 364,863

Vicksburg Community Schools

Schedule of Bonded Indebtedness

	<i>1993 Capital Appreciation Bonds</i>		<i>Durant Non-Plaintiff 1998 School Improvement Bonds</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
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	-	-	-	-
	\$ 3,794,073	\$ 12,055,927	\$ 20,310	\$ 967

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>
\$ 1,160,000	\$ 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
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\$ 5,955,000	\$ 939,049	\$1,905,000	\$395,761	\$2,005,000	\$701,403	\$13,679,383	\$ 14,093,107
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