

# **Vicksburg Community Schools**

## **Financial Statements**

**Year Ended June 30, 2008**



**Vicksburg Community Schools**

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**Financial Statements**

**Year Ended June 30, 2008**

# Vicksburg Community Schools

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# 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, the discretely presented component unit (cash basis), each major fund, and the aggregate remaining fund information of Vicksburg Community Schools (the District), as of and for the year ended June 30, 2008, 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.

As described in Note 1, the financial statements of the Vicksburg Community Schools Foundation, the discretely presented component unit, were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit (cash basis), the major funds, and the aggregate remaining fund information of the District, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America and on the basis of accounting described in Note 1.



In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2008, 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 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 on Pages 5 through 12 is not a required part of the 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 Combining and Individual Fund Statements and Schedules 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 Seidman, LLP*

Certified Public Accountants

October 27, 2008

# Vicksburg Community Schools

## Management's Discussion and Analysis

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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, 2008. 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 fund – the General 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.

# Vicksburg Community Schools

## Management's Discussion and Analysis (Continued)

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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, Athletics, and Auditorium Funds are examples) 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.

### *The District as Trustee – Reporting the District's Fiduciary Responsibilities*

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

# Vicksburg Community Schools

## Management's Discussion and Analysis (Continued)

### 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, 2008 and 2007:

<i>June 30,</i>	<i>Governmental Activities</i>	
	<i>2008</i>	<i>2007</i>
<b>Assets:</b>		
Current assets	\$ 6,930,450	\$ 6,715,423
Capital assets, net	27,027,208	25,694,739
Bond issue costs, net of amortization	416,665	458,332
<b>Total Assets</b>	<b>34,374,323</b>	32,868,494
<b>Liabilities:</b>		
Current liabilities	4,696,178	5,147,986
Noncurrent liabilities	25,838,366	25,028,514
<b>Total Liabilities</b>	<b>30,534,544</b>	30,176,500
<b>Net Assets (Deficit):</b>		
Invested in capital assets - net of related debt	(242,316)	(1,035,981)
Restricted	421,544	395,956
Unrestricted	3,660,551	3,332,019
<b>Total Net Assets</b>	<b>\$ 3,839,779</b>	\$ 2,691,994

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 \$3,839,779 at June 30, 2008. Capital assets, net of related debt totaling a deficit of \$242,316, 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 \$3,660,551 was unrestricted.

# Vicksburg Community Schools

## Management's Discussion and Analysis (Continued)

The \$3.7 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.

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 2008 and 2007:

<i>June 30,</i>	<i>Governmental Activities</i>	
	<i>2008</i>	<i>2007</i>
<b>Revenue:</b>		
Program revenue:		
Charges for services	\$ 1,085,077	\$ 1,037,964
Federal grants and entitlements	637,562	729,693
State categoricals	932,062	863,063
Other operating grants	1,037,951	962,354
General revenue:		
Property taxes	4,701,215	4,524,411
State foundation allowance	17,431,167	17,596,477
Other	415,227	410,506
<b>Total Revenue</b>	<b>26,240,261</b>	<b>26,124,468</b>
<b>Functions/Program Expenses:</b>		
Instruction	12,408,458	12,619,466
Support services	8,320,675	8,586,400
Community services	276,257	270,447
Food services	900,542	941,719
Athletics	500,545	544,858
Auditorium	13,565	17,073
Intergovernmental transfers	120,779	214,932
Interest on long-term debt	1,526,699	1,397,588
Depreciation	1,024,956	1,435,293
<b>Total Expenses</b>	<b>25,092,476</b>	<b>26,027,776</b>
<b>Increase in Net Assets</b>	<b>1,147,785</b>	<b>96,692</b>
<b>Net Assets, beginning of year</b>	<b>2,691,994</b>	<b>2,595,302</b>
<b>Net Assets, end of year</b>	<b>\$ 3,839,779</b>	<b>\$ 2,691,994</b>

# Vicksburg Community Schools

## Management's Discussion and Analysis (Continued)

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As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$25.1 million. Certain activities were partially funded from those who benefited from the programs with charges for services of \$1,085,077 or by other governments and organizations that subsidized certain programs with grants and contributions of \$2,607,575. We paid for the remaining “public benefit” portion of our governmental activities with \$4,701,215 in taxes, \$17,431,167 in unrestricted state aid, and with our other revenues such as interest and general entitlements.

The District experienced an increase in net assets of \$1,147,785.

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

### **The District's Funds**

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

As the District completed this year, the governmental funds reported a combined fund balance of \$4,480,100, which is an increase of \$359,224 from last year.

In the General Fund, our principal operating fund, the fund balance decreased by \$98,046 to \$2,682,206. The decrease was primarily due to a decline in our enrollment combined with increases in certain costs, including employee compensation. This decrease was consistent with the District's budget.

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

Our Special Revenue Funds increased fund balance by \$52,636 to \$360,282, primarily as a result of increased revenues in all three of our Special Revenue Funds.

# Vicksburg Community Schools

## Management's Discussion and Analysis (Continued)

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Combined, the Debt Service Funds showed an increase of \$378,908. 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 at year-end. The fund balances of the Debt Service Funds are reserved 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 2007-2008 General Fund original budget. Budgeted revenues were increased by \$465,116 and budgeted expenditures and other financing uses were increased by \$453,637, as a result of the increase to the District's per-pupil funding from the state of Michigan, and other revisions in the normal course of business.

The amount of transfers to other funds established in the amended budget was \$770,301 and represents support provided by the General Fund to other functions.

Actual general fund revenues exceeded the amended budget by \$24,918, which represents a variance of approximately 0.1%. Actual general fund expenditures were \$72,967 below the amended budget, which represents a variance of approximately 0.3%.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

As of June 30, 2008, the District had \$40,513,350 invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of \$1,332,469, or 5.2% from last year.

# Vicksburg Community Schools

## Management's Discussion and Analysis (Continued)

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<i>June 30,</i>	<i>2008</i>	<i>2007</i>
Land	\$ 147,402	\$ 147,402
Buildings and building improvements	34,275,831	32,026,220
Buses and other vehicles	1,734,202	1,636,387
Furniture and equipment	4,355,915	4,345,915
	40,513,350	38,155,924
Less accumulated depreciation	13,486,142	12,461,185
<b>Net Capital Assets</b>	<b>\$ 27,027,208</b>	<b>\$ 25,694,739</b>

# Vicksburg Community Schools

## Management's Discussion and Analysis (Continued)

This year's additions of \$2,357,426 related primarily to energy conservation improvements throughout the District's facilities. Detailed information about capital assets can be found in Note 5 to the financial statements.

### *Debt*

At the end of this year, the District had \$27,686,189 in bonds outstanding versus \$27,189,052 in the previous year—an increase of 1.8%. Those bonds consisted of the following:

<i>June 30,</i>	<i>2008</i>	<i>2007</i>
General obligation bonds	\$ 20,618,329	\$ 20,639,857
Durant non-plaintiff bonds	178,920	178,920
	<b>20,797,249</b>	20,818,777
Accrued interest on capital appreciation bonds	<b>6,888,940</b>	6,370,275
	<b>\$ 27,686,189</b>	\$ 27,189,052

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 \$27,686,189 is significantly below the statutorily imposed limit, which is approximately \$62,000,000.

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 2008-2009 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 2009 fiscal year is calculated based on 25% and 75% of the February 2008 and September 2008 student counts, respectively. The 2008-2009 budget was adopted in June 2008, based on an estimate of students that would be enrolled in September 2008. 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 2008, the actual blended pupil count for 2008-2009 is approximately 50 students below the assumption used in developing the budget.

# Vicksburg Community Schools

## Management's Discussion and Analysis (Concluded)

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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 2008-2009 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>June 30, 2008</i>	<u>Primary Government</u>	<u>Discretely Presented Component Unit - Cash Basis</u>
	<i>Governmental Activities</i>	<i>Vicksburg Community Schools Foundation</i>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and investments (Note 3)	\$ 3,288,798	\$ 81,746
Accounts receivable	3,604,274	-
Beneficial interest held in assets by the Kalamazoo Community Foundation - Restricted	-	569,672
Due from other governmental unit	-	6,233
Prepaid expenses	7,925	-
Inventories	29,453	-
<b>Total Current Assets</b>	<b>6,930,450</b>	<b>657,651</b>
<b>Noncurrent Assets:</b>		
Bond issue costs, net of amortization	416,665	-
Capital assets, net of accumulated depreciation (Note 5)	27,027,208	-
<b>Total Noncurrent Assets</b>	<b>27,443,873</b>	<b>-</b>
<b>Total Assets</b>	<b>34,374,323</b>	<b>657,651</b>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts payable	798,243	-
Accrued payroll liabilities	1,591,408	-
Accrued interest	243,964	-
Unearned revenue	60,699	-
Current portion of long-term debt (Note 6)	2,001,864	-
<b>Total Current Liabilities</b>	<b>4,696,178</b>	<b>-</b>
<b>Noncurrent Liabilities - Long-term debt (Note 6)</b>	<b>25,838,366</b>	<b>-</b>
<b>Total Liabilities</b>	<b>30,534,544</b>	<b>-</b>

See accompanying notes to financial statements.

# Vicksburg Community Schools

## District-Wide Financial Statements Statement of Net Assets (Concluded)

<i>June 30, 2008</i>	<i>Primary Government</i>	<i>Discretely Presented Component Unit - Cash Basis</i>
	<i>Governmental Activities</i>	<i>Vicksburg Community Schools Foundation</i>
<b>Net Assets (Deficit):</b>		
Invested in capital assets, net of related debt	\$ (242,316)	\$ -
Restricted for Vicksburg Community Schools Foundation	-	657,651
Restricted for debt service	421,544	-
Unrestricted	3,660,551	-
<b>Total Net Assets</b>	<b>\$ 3,839,779</b>	<b>\$ 657,651</b>

*See accompanying notes to financial statements.*

<i>Year ended June 30, 2008</i>	<i>Expenses</i>	<i>Program Revenues</i>	
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>
<b>Functions/Programs:</b>			
Primary government -			
Governmental activities:			
Instruction	\$ 12,408,458	\$ 2,225	\$ 2,220,400
Support services	8,320,675	38,371	-
Community services	276,257	313,934	-
Food services	900,542	580,810	377,675
Athletics	500,545	136,794	8,000
Auditorium	13,565	12,943	1,500
Intergovernmental transfers	120,779	-	-
Interest on long-term debt	1,526,699	-	-
Unallocated depreciation	1,024,956	-	-
<b>Total Governmental Activities</b>	<b>\$ 25,092,476</b>	<b>\$ 1,085,077</b>	<b>\$ 2,607,575</b>
<b>Component Unit -</b>			
Vicksburg Community Schools Foundation	\$ 53,941	\$ -	\$ 79,078

**General Revenues:**

Property taxes levied for general purposes  
Property taxes levied for debt service  
Unrestricted state aid  
Investment earnings (loss)  
Other

**Total General Revenues**

**Change in Net Assets**

**Net Assets, beginning of year**

**Net Assets, end of year**

# Vicksburg Community Schools

## District-Wide Financial Statements Statement of Activities

<i>Net (Expenses) Revenue and Changes in Net Assets</i>	
<i>Total</i>	<i>Discretely Presented Component Unit - Cash Basis</i>
\$ (10,185,833)	\$ -
(8,282,304)	-
37,677	-
57,943	-
(355,751)	-
878	-
(120,779)	-
(1,526,699)	-
(1,024,956)	-
<u>(21,399,824)</u>	<u>-</u>
-	25,137
2,502,059	-
2,199,156	-
17,431,167	-
144,629	(87,837)
270,598	-
<u>22,547,609</u>	<u>(87,837)</u>
1,147,785	(62,700)
<u>2,691,994</u>	<u>720,351</u>
<u>\$ 3,839,779</u>	<u>\$ 657,651</u>

See accompanying notes to financial statements.

# Vicksburg Community Schools

## Governmental Funds Balance Sheet

<i>June 30, 2008</i>	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>			
Cash and investments (Note 3)	\$ 1,487,863	\$ 1,800,935	\$ 3,288,798
Accounts receivable	3,554,832	49,442	3,604,274
Due from other funds (Note 4)	399,176	686,414	1,085,590
Prepaid expenditures	7,925	-	7,925
Inventories	19,339	10,114	29,453
<b>Total Assets</b>	<b>\$ 5,469,135</b>	<b>\$ 2,546,905</b>	<b>\$ 8,016,040</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 735,614	\$ 62,629	\$ 798,243
Accrued payroll liabilities	1,591,408	-	1,591,408
Due to other funds (Note 4)	410,540	675,050	1,085,590
Deferred revenue	49,367	11,332	60,699
<b>Total Liabilities</b>	<b>2,786,929</b>	<b>749,011</b>	<b>3,535,940</b>
<b>Fund Balances:</b>			
Reserved:			
Prepaid and inventories	27,264	10,114	37,378
Capital outlay	-	11,343	11,343
Unreserved:			
Designated:			
Bus purchases	234,897	-	234,897
Technology replacement	75,000	-	75,000
Repairs and capital improvements	150,000	-	150,000
Professional development	145,746	-	145,746
Projected 2008-2009 budget shortfall	587,643	-	587,643
Debt service	-	1,325,036	1,325,036
Undesignated, reported in:			
General Fund	1,461,656	-	1,461,656
Special Revenue Funds	-	350,168	350,168
Capital Projects Funds	-	101,233	101,233
<b>Total Fund Balances</b>	<b>2,682,206</b>	<b>1,797,894</b>	<b>4,480,100</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,469,135</b>	<b>\$ 2,546,905</b>	<b>\$ 8,016,040</b>

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 Statement of Net Assets

*June 30, 2008*

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<b>Total Fund Balances - Total Governmental Funds</b> (from Page 16)	<b>\$ 4,480,100</b>
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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	\$ 40,513,350
Accumulated depreciation	<u>(13,486,142)</u>

Net capital assets	<b>27,027,208</b>
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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	416,665
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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	(20,797,249)
Accrued interest on capital appreciation bonds	(6,888,940)
Compensated absences	(102,795)
Other	<u>(51,246)</u>

Total long-term liabilities	<b>(27,840,230)</b>
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Accrued interest payable on long-term debt	<b>(243,964)</b>
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<b>Net Assets of Governmental Activities</b>	<b>\$ 3,839,779</b>
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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, 2008</i>	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues:</b>			
Local sources	\$ 2,104,889	\$ 3,984,152	\$ 6,089,041
State sources	18,344,721	48,809	18,393,530
Federal sources	308,696	328,866	637,562
Other	1,120,128	-	1,120,128
<b>Total Revenues</b>	<b>21,878,434</b>	<b>4,361,827</b>	<b>26,240,261</b>
<b>Expenditures:</b>			
Instruction	12,427,390	-	12,427,390
Supporting services	8,381,753	-	8,381,753
Community services	276,257	-	276,257
Payments to other governmental units	120,779	-	120,779
Food service activities	-	900,542	900,542
Athletics activities	-	500,545	500,545
Auditorium activities	-	13,565	13,565
Debt retirement:			
Redemption of principal	-	2,221,528	2,221,528
Interest and fiscal charges	-	897,519	897,519
Bond issuance cost	-	45,131	45,131
Capital projects	-	2,296,028	2,296,028
<b>Total Expenditures</b>	<b>21,206,179</b>	<b>6,874,858</b>	<b>28,081,037</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>672,255</b>	<b>(2,513,031)</b>	<b>(1,840,776)</b>
<b>Other Financing Sources (Uses):</b>			
Issuance of bonds	-	2,200,000	2,200,000
Transfers in	-	782,301	782,301
Transfers out	(770,301)	(12,000)	(782,301)
<b>Total Other Financing Sources (Uses)</b>	<b>(770,301)</b>	<b>2,970,301</b>	<b>2,200,000</b>
<b>Change in Fund Balances</b>	<b>(98,046)</b>	<b>457,270</b>	<b>359,224</b>
<b>Fund Balances, beginning of year</b>	<b>2,780,252</b>	<b>1,340,624</b>	<b>4,120,876</b>
<b>Fund Balances, end of year</b>	<b>\$ 2,682,206</b>	<b>\$ 1,797,894</b>	<b>\$ 4,480,100</b>

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 Statement of Activities

*Year ended June 30, 2008*

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**Net Change in Fund Balances - Total Governmental Funds (from Page 18)      \$    359,224**

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

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

Capital outlay	\$ 2,357,426	
Depreciation expense	<u>(1,024,957)</u>	<b>1,332,469</b>

Repayment of accrued interest on capital appreciation bonds is an expenditure in the governmental funds, but not in the Statement of Activities. **173,472**

Repayment of bond and note principal is an expenditure in the governmental funds, but not in the Statement of Activities. **2,221,528**

Compensated absences is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid. **32,089**

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. **(692,137)**

Amortization of bond issue costs is recorded in the Statement of Activities when incurred; it is not reported in the governmental funds. **(41,666)**

Issuance of bonds is a revenue in the governmental funds, but not in the Statement of Activities. **(2,200,000)**

Issuance of other long-term liability. **(13,477)**

Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid. **(23,717)**

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**Change in Net Assets of Governmental Activities      \$ 1,147,785**

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*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, 2008</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
<b>Revenues:</b>				
Local sources	\$ 2,001,750	\$2,074,988	\$ 2,104,889	\$ <b>29,901</b>
State sources	17,986,650	18,342,077	18,344,721	<b>2,644</b>
Federal sources	375,000	326,549	308,696	<b>(17,853)</b>
Other	1,025,000	1,109,902	1,120,128	<b>10,226</b>
<b>Total Revenues</b>	<b>21,388,400</b>	<b>21,853,516</b>	<b>21,878,434</b>	<b>24,918</b>
<b>Expenditures:</b>				
Instruction:				
Basic programs	10,117,244	10,240,948	10,197,931	<b>43,017</b>
Added needs	1,979,942	2,174,898	2,127,214	<b>47,684</b>
Adult and continuing education	99,768	105,825	102,245	<b>3,580</b>
<b>Total instruction</b>	<b>12,196,954</b>	<b>12,521,671</b>	<b>12,427,390</b>	<b>94,281</b>
Support services:				
Pupil services	1,203,508	1,173,715	1,173,686	<b>29</b>
Instructional staff	890,393	764,197	771,053	<b>(6,856)</b>
General administration	474,539	515,575	515,973	<b>(398)</b>
School administration	1,276,221	1,313,120	1,298,084	<b>15,036</b>
Business services	470,830	443,451	443,248	<b>203</b>
Operations and maintenance	2,145,189	2,264,269	2,290,966	<b>(26,697)</b>
Transportation	1,325,176	1,381,647	1,351,882	<b>29,765</b>
Central services	500,623	529,334	536,861	<b>(7,527)</b>
<b>Total support services</b>	<b>8,286,479</b>	<b>8,385,308</b>	<b>8,381,753</b>	<b>3,555</b>
<b>Community services</b>	<b>282,377</b>	<b>285,234</b>	<b>276,257</b>	<b>8,977</b>

*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, 2008</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
<b>Expenditures (Concluded):</b>				
Payments to other governmental units	\$ 115,000	\$ 86,933	\$ 120,779	\$ (33,846)
<b>Total Expenditures</b>	20,880,810	21,279,146	21,206,179	<b>72,967</b>
<b>Other Financing Uses -</b>				
Transfers out	(715,000)	(770,301)	(770,301)	-
<b>Change in Fund Balance</b>	(207,410)	(195,931)	(98,046)	<b>97,885</b>
<b>Fund Balance, beginning of year</b>	2,780,252	2,780,252	2,780,252	-
<b>Fund Balance, end of year</b>	\$ 2,572,842	\$ 2,584,321	\$ 2,682,206	<b>\$ 97,885</b>

*See accompanying notes to financial statements.*

# Vicksburg Community Schools

## Statement of Fiduciary Assets and Liabilities Fiduciary Fund

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	<i>Student Activities Agency Fund</i>
<hr/>	
<i>June 30, 2008</i>	
<hr/>	
<b>Assets -</b>	
Cash and investments (Note 3)	\$ 424,004
<hr/>	
<b>Liabilities -</b>	
Due to student groups	\$ 424,004
<hr/>	

*See accompanying notes to financial statements.*

# Vicksburg Community Schools

## Notes to Financial Statements

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### 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, the following entity has been included in this report.

The Vicksburg Community Schools Foundation (the Foundation) is a legally separate, tax-exempt component unit of Vicksburg Community Schools. 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 is considered a component unit of the District and is discretely presented in the District's financial statements. The Foundation's financial statements have been prepared on the cash basis of accounting. Donations, contributions, and pledges are recognized as revenue when received and expenditures are recognized when paid.

# Vicksburg Community Schools

## Notes to Financial Statements (Continued)

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During the year ended June 30, 2008, the Foundation distributed \$12,765 to the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 301 South Kalamazoo Avenue, Vicksburg, Michigan 49097.

### ***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.

### **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:

# Vicksburg Community Schools

## Notes to Financial Statements (Continued)

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*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 three special revenue funds: Food Service, Athletics, and Auditorium.

*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.

# Vicksburg Community Schools

## Notes to Financial Statements (Continued)

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### 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.

**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

**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.

# Vicksburg Community Schools

## Notes to Financial Statements (Continued)

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**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.

**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.

# Vicksburg Community Schools

## Notes to Financial Statements (Continued)

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, 2008, the District incurred expenditures, which were in excess of the amounts budgeted as follows:

	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
Athletics	\$ 492,300	\$ 512,545	\$ (20,245)
1991 Debt Service	\$ 1,940,186	\$ 1,954,661	\$ (14,475)
2000 Debt Service	\$ 277,250	\$ 280,675	\$ (3,425)
2007 Energy Conservation Improvement	\$ 2,194,523	\$ 2,205,343	\$ (10,820)

Revenues were sufficient to cover the excess expenditures.

### 3. Cash and Investments

#### *Deposits*

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

#### *Custodial Credit Risk Related to Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for mitigating custodial credit risk. At June 30, 2008, \$471,384 of the District's bank balances of \$571,384 were exposed to custodial credit risk as follows:

<u>Uninsured and uncollateralized</u>	<u>\$ 471,384</u>
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# Vicksburg Community Schools

## Notes to Financial Statements (Continued)

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### *Investments*

At June 30, 2008, the District had the following investments:

Money market funds with no maturity	\$	391
Municipal investment funds with no maturity		3,667,658
<b>Total</b>	<b>\$</b>	<b>3,668,049</b>

### *Interest Rate Risk*

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### *Custodial Credit Risk Related to Investments*

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. At June 30, 2008, the District had no investments that were subject to custodial credit risk.

### *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. At June 30, 2008, the District's investments were not rated.

# Vicksburg Community Schools

## Notes to Financial Statements (Continued)

### *Concentration of Credit Risk*

The District places no limit on the amount the District may invest in any one issuer. At June 30, 2008, none of the District's investments were subject to concentration of credit risk.

### **4. Interfund Transactions**

Interfund receivables and payables at June 30, 2008, are as follows:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
General Fund	\$ 399,176	\$ 410,540
Nonmajor Governmental Funds	686,414	675,050
	<u>\$ 1,085,590</u>	<u>\$ 1,085,590</u>

Interfund transfers as of June 30, 2008, were as follows:

	<i>Transfer In</i>	<i>Transfer Out</i>
General Fund	\$ -	\$ 770,301
Nonmajor Governmental Funds	782,301	12,000
	<u>\$ 782,301</u>	<u>\$ 782,301</u>

# Vicksburg Community Schools

## Notes to Financial Statements (Continued)

### 5. Capital Assets

The following summarizes capital asset activity for the year ended June 30, 2008.

	<i>Balance July 1, 2007</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance, June 30, 2008</i>
<b>Governmental Activities:</b>				
Capital assets not depreciated -				
Land	\$ 147,402	\$ -	\$ -	\$ 147,402
Capital assets being depreciated:				
Buildings and improvements	32,026,220	2,249,611	-	34,275,831
Furniture and equipment	4,345,915	10,000	-	4,355,915
Buses	1,636,387	97,815	-	1,734,202
<b>Totals at historical cost</b>	<b>38,155,924</b>	<b>2,357,426</b>	<b>-</b>	<b>40,513,350</b>
Less accumulated depreciation:				
Buildings and improvements	9,952,494	675,896	-	10,628,390
Furniture and equipment	1,544,109	216,913	-	1,761,022
Buses	964,582	132,148	-	1,096,730
<b>Total accumulated depreciation</b>	<b>12,461,185</b>	<b>1,024,957</b>	<b>-</b>	<b>13,486,142</b>
<b>Net Capital Assets</b>	<b>\$25,694,739</b>	<b>\$ 1,332,469</b>	<b>\$ -</b>	<b>\$ 27,027,208</b>

Depreciation for the year ended June 30, 2008, was \$1,024,957. The District determined it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

# Vicksburg Community Schools

## Notes to Financial Statements (Continued)

### 6. Long-Term Debt

The following is a summary of changes in long-term debt for the District for the year ended June 30, 2008:

	<i>Balance, July 1, 2007</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, June 30, 2008</i>	<i>Due Within One Year</i>
Bonds payable	\$ 20,639,857	\$ 2,200,000	\$ (2,221,528)	\$ 20,618,329	\$ 1,743,020
Durant non-plaintiff bond	178,920	-	-	178,920	16,864
Compensated absences	134,884	-	(32,089)	102,795	-
Accrued interest on capital appreciation bonds	6,370,275	692,137	(173,472)	6,888,940	241,980
Other	37,769	13,477	-	51,246	-
	<b>\$ 27,361,705</b>	<b>\$ 2,905,614</b>	<b>\$ (2,427,089)</b>	<b>\$ 27,840,230</b>	<b>\$ 2,001,864</b>

Bonds payable at June 30, 2008, are comprised of the following individual issues:

2007 General Obligation - Limited Tax Bonds due in annual installments of \$25,000 to \$250,000 plus interest, through May 2025; interest at 4.00% to 4.25%.	<b>\$ 2,155,000</b>
2005 General Obligation - Limited Tax Bonds due in annual installments of \$150,000 to \$250,000 plus interest, through May 2015; interest at 3.50% to 3.75%.	<b>2,550,000</b>
2003 Refunding Bonds due in annual installments of \$425,000 to \$1,200,000 plus interest, through May 2020; interest at 2.0% to 5.0%.	<b>10,450,000</b>
2000 Facility Improvement Bonds due in annual installments of \$125,000 to \$210,000 plus interest, through May 2012; interest at 5.0%.	<b>685,000</b>
1993 Capital Appreciation Bonds due in annual installments of \$400,000 to \$2,700,000, including interest, through May 2020; interest at 5.35% to 6.10%.	<b>4,778,329</b>
	<b>\$ 20,618,329</b>

# Vicksburg Community Schools

## Notes to Financial Statements (Continued)

The Durant Non-Plaintiff Bond consists of a \$178,920 School Improvement Bond, Series 1998, due in annual installments of \$21,279 to \$142,969 through May 15, 2013; interest at 4.76%. No payments were required during 2008.

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 record as a liability of the District as required by the state of Michigan.

The 1993 bond issue consisted of capital appreciation bonds. The bonds appreciate in value over time to \$21,850,000. 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 and notes outstanding to maturity including both principal and interest are as follows:

Bonds:

<i>Year ending June</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 1,759,884	\$ 902,803	\$ <b>2,662,687</b>
2010	1,824,143	1,040,109	<b>2,864,252</b>
2011	1,759,979	1,056,884	<b>2,816,863</b>
2012	1,773,860	1,120,304	<b>2,894,164</b>
2013	1,793,429	1,206,034	<b>2,999,463</b>
2014-2018	7,802,029	8,375,913	<b>16,177,942</b>
2019-2023	3,603,925	4,480,135	<b>8,084,060</b>
2024-2025	480,000	31,025	<b>511,025</b>
	<b>\$ 20,797,249</b>	<b>\$ 18,213,207</b>	<b>\$ 39,010,456</b>

# Vicksburg Community Schools

## Notes to Financial Statements (Continued)

### 7. Employee Retirement System – Defined Benefit Plan

#### *Plan Description*

The District contributed 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 provides retirement benefits and postretirement benefits for health, dental, and vision. The MPERS was established by Public Act of 136 of 1945 and currently operates under the provision 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 Schools Employees' Retirement System, P.O. Box 30026, Lansing, Michigan 48909.

#### *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 January 1, 1990, or later and returning members who did not work between January 1, 1987, and December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008, were 17.74% from July 1, 2007, through September 30, 2007, and 16.72% from October 1, 2007, through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District's contributions to MPERS for the current and two preceding years were as follows:

<i>Year ended June 30,</i>	<i>Employer Contribution</i>
2008	\$ 2,236,174
2007	\$ 2,375,713
2006	\$ 2,185,464

# Vicksburg Community Schools

## Notes to Financial statements (Concluded)

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During the fiscal year ended June 30, 2007, the state of Michigan chose to revalue the assets of the MPSERS as part of Public Act 6 of 2007, to help avoid a late-year cut to school funding. The revaluation resulted in a lower effective retirement rate for the year, as the District received a credit from MPSERS in the amount of \$376,398. The District's contribution amount for the year ended June 30, 2007, in the preceding chart reflects the reduction in retirement expenditures as a result of the credit.

### *Other Post Employment Benefits*

Retirees have the option of health, dental, and vision coverage, which is funded on a cash basis by the employers. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

## **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, 2008, which can be obtained from the Controller, MASB SET/SEG, 415 West Kalamazoo, Lansing, Michigan 48933.

On January 31, 2006, the District joined the West Michigan Health Insurance Pool to provide health benefits to approximately 30 non-bargaining staff members. The West Michigan Health Insurance Pool is a self insurance program with 29 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 \$100,000 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.

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*Special Revenue Funds*

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<i>June 30, 2008</i>	<i>Food Service</i>	<i>Athletics</i>	<i>Auditorium</i>
<b>Assets:</b>			
Cash and investments	\$ 497,931	\$ 75,487	\$ 45,524
Accounts receivable	-	4,025	-
Due from other funds	91,982	-	-
Inventories	10,114	-	-
<b>Total Assets</b>	<b>\$ 600,027</b>	<b>\$ 79,512</b>	<b>\$ 45,524</b>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 8,623	\$ -	\$ -
Due to other funds	298,970	45,856	-
Deferred revenue	11,332	-	-
<b>Total Liabilities</b>	<b>318,925</b>	<b>45,856</b>	<b>-</b>
 <b>Fund Balances:</b>			
Reserved:			
Inventories	10,114	-	-
Capital outlay	-	-	-
Unreserved:			
Designated for debt service	-	-	-
Undesignated	270,988	33,656	45,524
<b>Total Fund Balances</b>	<b>281,102</b>	<b>33,656</b>	<b>45,524</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 600,027</b>	<b>\$ 79,512</b>	<b>\$ 45,524</b>

# Vicksburg Community Schools

## Nonmajor Governmental Funds Combining Balance Sheet

<i>Debt Service Funds</i>				<i>Capital Projects Funds</i>		
<i>1991 Debt</i>	<i>2000 Debt</i>	<i>2005 Debt</i>	<i>2007 Debt</i>	<i>Building and Site</i>	<i>2007 Energy Conservation Improvement</i>	<i>Total</i>
\$ 124,223	\$ 365,556	\$ 472,658	\$ -	\$ 154,207	\$ 65,349	<b>\$ 1,800,935</b>
-	-	45,417	-	-	-	<b>49,442</b>
381,863	24,569	188,000	-	-	-	<b>686,414</b>
-	-	-	-	-	-	<b>10,114</b>
<b>\$ 506,086</b>	<b>\$ 390,125</b>	<b>\$ 706,075</b>	<b>\$ -</b>	<b>\$ 154,207</b>	<b>\$ 65,349</b>	<b>\$ 2,546,905</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,006	<b>\$ 62,629</b>
20,475	256,775	-	-	52,974	-	<b>675,050</b>
-	-	-	-	-	-	<b>11,332</b>
<b>20,475</b>	<b>256,775</b>	<b>-</b>	<b>-</b>	<b>52,974</b>	<b>54,006</b>	<b>749,011</b>
-	-	-	-	-	-	<b>10,114</b>
-	-	-	-	-	11,343	<b>11,343</b>
485,611	133,350	706,075	-	-	-	<b>1,325,036</b>
-	-	-	-	101,233	-	<b>451,401</b>
<b>485,611</b>	<b>133,350</b>	<b>706,075</b>	<b>-</b>	<b>101,233</b>	<b>11,343</b>	<b>1,797,894</b>
<b>\$ 506,086</b>	<b>\$ 390,125</b>	<b>\$ 706,075</b>	<b>\$ -</b>	<b>\$ 154,207</b>	<b>\$ 65,349</b>	<b>\$ 2,546,905</b>

***Special Revenue Funds***

<b><i>Year ended June 30, 2008</i></b>	<b><i>Food Service</i></b>	<b><i>Athletics</i></b>	<b><i>Auditorium</i></b>
<b>Revenues:</b>			
Local sources:			
Property taxes	\$ -	\$ -	\$ -
Food sales	580,811	-	-
Admissions	-	102,259	4,258
Other	14,748	44,822	12,215
State sources	48,809	-	-
Federal sources	328,866	-	-
<b>Total Revenues</b>	<b>973,234</b>	<b>147,081</b>	<b>16,473</b>
<b>Other Financing Sources:</b>			
Proceeds from issuance of bonds	-	-	-
Transfers from other funds	-	342,500	-
<b>Total Revenues and Other Financing Sources</b>	<b>973,234</b>	<b>489,581</b>	<b>16,473</b>
<b>Expenditures:</b>			
Food service activities	900,542	-	-
Athletic activities	-	500,545	-
Auditorium activities	-	-	13,565
Principal payments on debt	-	-	-
Interest payments on debt	-	-	-
Capital outlay	-	-	-
Bond issuance costs	-	-	-
Other expenditures	-	-	-
<b>Total Expenditures</b>	<b>900,542</b>	<b>500,545</b>	<b>13,565</b>
<b>Other Financing Use -</b>			
Transfers to other funds	-	12,000	-
<b>Total Expenditures and Other Financing Use</b>	<b>900,542</b>	<b>512,545</b>	<b>13,565</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Use</b>			
	72,692	(22,964)	2,908
<b>Fund Balances, beginning of year</b>	<b>208,410</b>	<b>56,620</b>	<b>42,616</b>
<b>Fund Balances, end of year</b>	<b>\$ 281,102</b>	<b>\$ 33,656</b>	<b>\$ 45,524</b>

# Vicksburg Community Schools

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

<i>Debt Service Funds</i>				<i>Capital Projects Funds</i>		<i>Total</i>
<i>1991 Debt</i>	<i>2000 Debt</i>	<i>2005 Debt</i>	<i>2007 Debt</i>	<i>Building and Site</i>	<i>2007 Energy Conservation Improvement</i>	
\$1,847,293	\$ 351,862	\$ 905,353	\$ -	\$ -	\$ -	<b>\$ 3,104,508</b>
-	-	-	-	-	-	<b>580,811</b>
-	-	-	-	-	-	<b>106,517</b>
52,955	6,136	44,555	-	199	16,686	<b>192,316</b>
-	-	-	-	-	-	<b>48,809</b>
-	-	-	-	-	-	<b>328,866</b>
1,900,248	357,998	949,908	-	199	16,686	<b>4,361,827</b>
-	-	-	-	-	2,200,000	<b>2,200,000</b>
-	-	177,000	112,801	150,000	-	<b>782,301</b>
1,900,248	357,998	1,126,908	112,801	150,199	2,216,686	<b>7,344,128</b>
-	-	-	-	-	-	<b>900,542</b>
-	-	-	-	-	-	<b>500,545</b>
-	-	-	-	-	-	<b>13,565</b>
1,296,528	230,000	650,000	45,000	-	-	<b>2,221,528</b>
636,158	45,750	120,910	67,476	-	-	<b>870,294</b>
-	-	-	-	135,816	2,160,212	<b>2,296,028</b>
-	-	-	-	-	45,131	<b>45,131</b>
21,975	4,925	-	325	-	-	<b>27,225</b>
1,954,661	280,675	770,910	112,801	135,816	2,205,343	<b>6,874,858</b>
-	-	-	-	-	-	<b>12,000</b>
1,954,661	280,675	770,910	112,801	135,816	2,205,343	<b>6,886,858</b>
(54,413)	77,323	355,998	-	14,383	11,343	<b>457,270</b>
540,024	56,027	350,077	-	86,850	-	<b>1,340,624</b>
\$ 485,611	\$ 133,350	\$ 706,075	\$ -	\$ 101,233	\$ 11,343	<b>\$ 1,797,894</b>

# Vicksburg Community Schools

## Statement of Changes in Assets and Liabilities Agency Funds

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	<i>Balance, July 1, 2007</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, June 30, 2008</i>
<b>Assets -</b>				
Cash and investments	\$ 329,769	\$ 719,075	\$ 624,840	<b>\$ 424,004</b>
<b>Liabilities -</b>				
Due to student groups	\$ 329,769	\$ 719,075	\$ 624,840	<b>\$ 424,004</b>

<b>1993</b>		<b>Durant Non-Plaintiff</b>		<b>2000</b>		<b>2003</b>			
<b>Capital Appreciation Bonds</b>		<b>1998</b>		<b>Facility Improvement</b>		<b>Refunding Bonds</b>			
<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>		
2009	\$ 158,020	\$ 241,980	\$ 16,864	\$ 4,415	\$ 210,000	\$ 34,250	\$ 1,200,000	\$ 433,436	
2010	240,292	409,708	103,851	39,118	190,000	23,750	1,095,000	385,436	
2011	276,472	523,528	18,507	2,772	160,000	14,250	1,100,000	341,636	
2012	309,472	640,528	19,388	1,890	125,000	6,250	1,100,000	304,786	
2013	353,119	796,881	20,310	967	-	-	1,160,000	249,786	
2014	429,750	1,070,250	-	-	-	-	945,000	191,786	
2015	458,864	1,241,136	-	-	-	-	860,000	156,822	
2016	483,170	1,416,830	-	-	-	-	770,000	123,712	
2017	497,322	1,602,678	-	-	-	-	685,000	92,912	
2018	512,923	1,787,077	-	-	-	-	600,000	65,169	
2019	525,000	1,975,000	-	-	-	-	510,000	40,268	
2020	533,925	2,166,075	-	-	-	-	425,000	18,594	
2021	-	-	-	-	-	-	-	-	
2022	-	-	-	-	-	-	-	-	
2023	-	-	-	-	-	-	-	-	
2024	-	-	-	-	-	-	-	-	
2025	-	-	-	-	-	-	-	-	
<b>\$ 4,778,329</b>		<b>\$ 13,871,671</b>		<b>\$ 685,000</b>		<b>\$ 78,500</b>		<b>\$ 10,450,000</b>	
		<b>\$ 2,404,343</b>							

# Vicksburg Community Schools

## Schedule of Bonded Indebtedness

<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>
\$ 150,000	\$ 98,160	\$ 25,000	\$ 90,562	\$ 1,759,884	\$ 902,803
160,000	92,535	35,000	89,562	1,824,143	1,040,109
165,000	86,535	40,000	88,163	1,759,979	1,056,884
170,000	80,348	50,000	86,502	1,773,860	1,120,304
180,000	73,973	80,000	84,427	1,793,429	1,206,034
185,000	67,223	90,000	81,108	1,649,750	1,410,367
190,000	60,285	100,000	77,372	1,608,864	1,535,615
200,000	53,160	110,000	73,223	1,563,170	1,666,925
210,000	45,460	120,000	68,657	1,512,322	1,809,707
220,000	37,375	135,000	63,678	1,467,923	1,953,299
230,000	28,685	150,000	58,075	1,415,000	2,102,028
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
<b>\$ 2,550,000</b>	<b>\$ 753,339</b>	<b>\$ 2,155,000</b>	<b>\$ 1,056,192</b>	<b>\$ 20,797,249</b>	<b>\$ 18,213,207</b>

