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# Vicksburg Community Schools

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**Financial Report  
with Supplemental Information  
June 30, 2018**

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## **Independent Auditor's Report**

To the Board of Education  
Vicksburg Community Schools

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining information of Vicksburg Community Schools (the "School District") as of and for the ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Vicksburg Community Schools' basic financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining information of Vicksburg Community Schools as of June 30, 2018 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matter***

As discussed in Note 2 to the basic financial statements, as of July 1, 2017, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The School District's unrestricted net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

To the Board of Education  
Vicksburg Community Schools

**Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedule, and the pension and OPEB system schedules of funding progress and employer contributions 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, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Vicksburg Community Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018 on our consideration of Vicksburg Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering Vicksburg Community Schools' internal control over financial reporting and compliance.



October 16, 2018

This section of Vicksburg Community Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the School 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 financial statements. These statements are organized so the reader can understand Vicksburg Community Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund and 2014 Building and Site Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

#### **Management's Discussion and Analysis (MD&A) (Required Supplemental Information)**

##### **Basic Financial Statements**

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

##### **Required Supplemental Information**

Budgetary Information for General Fund

Schedule of the School District's Proportionate Share of the Net Pension Liability and Other Postemployment Benefits (OPEB) Liability

Schedule of Pension Contributions and OPEB Contributions

##### **Other Supplemental Information**

### ***Reporting the School District as a Whole - Government-wide Financial Statements***

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

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

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support 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 School District's Most Significant Funds - Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School 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 that 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).

#### **Governmental Funds**

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an 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 School District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations.

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

The School District is the trustee, or fiduciary, for its Student Activities Funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School 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 School District as a Whole

The statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2018 and 2017:

	Governmental Activities	
	2018	2017
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 11.1	\$ 7.6
Capital assets	28.7	28.6
Total assets	39.8	36.2
<b>Deferred Outflows of Resources</b>	10.9	6.5
<b>Liabilities</b>		
Current liabilities	8.7	7.4
Noncurrent liabilities	16.3	15.9
Net pension liability	40.9	38.5
Net OPEB liability	14.0	-
Total liabilities	79.9	61.8
<b>Deferred Inflows of Resources</b>	4.3	1.3
<b>Net Position</b>		
Net investment in capital assets	15.1	14.6
Restricted	0.6	0.5
Unrestricted	(49.2)	(35.5)
Total net position	<u>\$ (33.5)</u>	<u>\$ (20.4)</u>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(33.5) million at June 30, 2018. Net investment in capital assets, totaling \$15.1 million, compares the original cost, less depreciation of the School 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 comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(49.2) million) was unrestricted.

The \$(49.2) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations, net of the pension and OPEB liabilities. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

## Vicksburg Community Schools

### Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2018 and 2017.

	Governmental Activities	
	2018	2017
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 0.9	\$ 0.9
Operating grants	7.3	6.5
General revenue:		
Taxes	5.6	5.5
State aid not restricted to specific purposes	18.2	17.9
Other	0.2	0.4
Total revenue	32.2	31.2
<b>Expenses</b>		
Instruction	16.5	16.3
Support services	10.0	10.7
Athletics	0.6	0.6
Food services	1.1	1.1
Community services	0.5	0.4
Debt service	0.7	0.7
Depreciation expense (unallocated)	1.7	1.5
Total expenses	31.1	31.3
<b>Change in Net Position</b>	1.1	(0.1)
<b>Net Position</b> - Beginning of year, as previously reported	(20.4)	(20.3)
<b>Cumulative Effect of Change in Accounting Principle</b>	(14.2)	-
<b>Net Position</b> - Beginning of year	(34.6)	(20.3)
<b>Net Position</b> - End of year	\$ (33.5)	\$ (20.4)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$31.1 million. Certain activities were partially funded from those who benefited from the programs (\$0.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7.3 million). We paid for the remaining "public benefit" portion of our governmental activities with \$5.6 million in taxes, \$18.2 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 75. This standard required the inclusion of the School District's proportionate share of the Michigan Public School Employees' Retirement System (MPERS) plan obligations within the School District's financial statements, effective July 1, 2017. The effect of the adoption of this statement was to decrease July 1, 2017 beginning net position by \$14.2 million and to include the net OPEB liability and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the retirement plan were required to adopt this new standard.



## Vicksburg Community Schools

### Management's Discussion and Analysis (Continued)

The School District experienced an increase in net position of \$1.1 million.

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

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

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$6.9 million, which is an increase of \$2.4 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance remained stable with prior years, showing a net decrease of \$428. General Fund balance is available to fund costs related to allowable school operating purposes.

The fund balance of our special revenue fund, the Food Service Fund, increased by approximately \$16,000 as a result of higher utilization of free/reduced food programs and lower capital outlay.

Combined, the fund balance of our debt service funds increased by approximately \$55,000. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are reserved since they can only be used to pay debt service obligations.

Combined, the fund balance of our capital project funds increased by \$2.4 million. Construction expenditures and technology upgrades related to the 2016 and 2018 bond issues totaled approximately \$1.9 million. The construction project is estimated to be approximately 25 percent complete at the end of the year. Fund balances increased, as the School District issued \$4.2 million in new voter-approved bonds during the current year. These bonds were issued in accordance with state law and will be used to fund remodeling and the purchase of new equipment.

#### **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2018. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were significant revisions made to the 2017-2018 General Fund original budget. Budgeted revenue was increased by \$0.8 million due to an unexpected change in certain categorical revenue from the state and an unanticipated increase in foundation allowance payments due to actual student enrollment greater than original estimates.

Budgeted expenditures were also increased by \$0.7 million to account for the increases in salaries and purchased professional services resulting from the School District's revised operating plan due to the fluctuations in revenue.

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

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

As of June 30, 2018, the School District had \$28.7 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$38,000 from last year.

# Vicksburg Community Schools

## Management's Discussion and Analysis (Continued)

	2018	2017
Land	\$ 147,402	\$ 147,402
Construction in progress	1,000,225	58,082
Buildings and improvements	24,622,144	25,072,956
Furniture and equipment	1,591,626	1,807,798
Buses and other vehicles	1,311,952	1,549,440
Total capital assets - Net of accumulated depreciation	<u>\$ 28,673,349</u>	<u>\$ 28,635,678</u>

The additions of approximately \$1.7 million included vehicles, cafeteria equipment, technology, and building renovations.

Several major capital projects are planned for the 2018-2019 fiscal year. We anticipate capital additions will be approximately \$0.5 million greater than the previous year. We present more detailed information about our capital assets in the notes to the financial statements.

### **Debt**

At the end of this year, the School District had \$16.5 million in bonds outstanding versus \$14.4 million in the previous year - a change of 14.6 percent. Those bonds consisted of the following:

	2018	2017
General obligation bonds	\$ 16,478,925	\$ 14,446,848

The School District's general obligation bond rating continues to be A. The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt" (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding debt obligation of \$16.5 million is classified as qualified debt and is not subject to the statutorily imposed debt limit.

Other obligations include accrued vacation pay, sick leave, installment purchases and accreted interest on capital appreciation bonds. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District's 2018-2019 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 2018-2019 budget was adopted in June 2018, based on an estimate of students who will enroll in September 2018. Approximately 75.0 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2018 school year, we anticipate that the fall student count will be approximately 35 students above the estimates used in creating the 2018-2019 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the School 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 revenue to fund its appropriation to the School District. The State periodically holds a revenue-estimating conference to estimate revenue. Based on the results of the most recent conference, the state estimates funds are sufficient to fund the appropriation, including a foundation allowance increase of \$240 per pupil.

### **Contacting the School District's Management**

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

# Vicksburg Community Schools

## Statement of Net Position

June 30, 2018

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents (Note 4)	\$ 1,446,812
Receivables:	
Accounts receivable	72,528
Due from other governments	4,150,646
Inventories	31,208
Prepaid expenses	537,070
Restricted assets (Note 4)	4,854,839
Capital assets: (Note 6)	
Assets not subject to depreciation	1,147,627
Assets subject to depreciation - Net	<u>27,525,722</u>
Total assets	39,766,452
<b>Deferred Outflows of Resources</b>	
Deferred charges on bond refunding (Note 8)	63,690
Deferred pension costs (Note 10)	10,021,162
Deferred OPEB costs (Note 10)	<u>771,628</u>
Total deferred outflows of resources	10,856,480
<b>Liabilities</b>	
Accounts payable	1,162,557
Accrued payroll and other liabilities	2,986,236
Unearned revenue (Note 5)	82,509
Noncurrent liabilities:	
Due within one year (Note 8)	4,394,906
Due in more than one year (Note 8)	16,261,959
Net pension liability (Note 10)	40,945,958
Net OPEB liability (Note 10)	<u>14,002,597</u>
Total liabilities	79,836,722
<b>Deferred Inflows of Resources</b>	
Revenue in support of pension contributions made subsequent to the report date (Note 10)	1,642,142
Deferred pension cost reductions (Note 10)	2,184,745
Deferred OPEB cost reductions (Note 10)	<u>473,389</u>
Total deferred inflows of resources	<u>4,300,276</u>
<b>Net Position</b>	
Net investment in capital assets	15,133,887
Restricted - Debt service	581,684
Unrestricted	<u>(49,229,637)</u>
Total net position	<u><u>\$ (33,514,066)</u></u>

# Vicksburg Community Schools

## Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	\$ 16,468,865	\$ -	\$ 5,587,987	\$ (10,880,878)
Support services	9,998,078	17,094	1,015,394	(8,965,590)
Athletics	582,205	76,339	-	(505,866)
Food services	1,108,653	482,872	683,859	58,078
Community services	498,111	365,602	693	(131,816)
Interest	665,018	-	-	(665,018)
Other	87,244	-	-	(87,244)
Depreciation expense (unallocated) (Note 6)	1,721,780	-	-	(1,721,780)
Total primary government	<b>\$ 31,129,954</b>	<b>\$ 941,907</b>	<b>\$ 7,287,933</b>	(22,900,114)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				1,797,512
Property taxes, levied for debt service				3,813,371
State aid not restricted to specific purposes				18,169,062
Interest and investment earnings				23,223
Gain on sale of capital assets				3,130
Other				211,665
Total general revenue				<u>24,017,963</u>
<b>Change in Net Position</b>				1,117,849
<b>Net Position - Beginning of year, as previously reported</b>				(20,443,667)
<b>Cumulative Effect of Change in Accounting Principle (Note 2)</b>				<u>(14,188,248)</u>
<b>Net Position - Beginning of year</b>				<u>(34,631,915)</u>
<b>Net Position - End of year</b>				<b><u>\$ (33,514,066)</u></b>

# Vicksburg Community Schools

## Governmental Funds Balance Sheet

June 30, 2018

	General Fund	2014 Building and Site Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents (Note 4)	\$ 944,708	\$ -	\$ 502,104	\$ 1,446,812
Receivables:				
Accounts receivable	70,018	795	1,715	72,528
Due from other governments	4,150,646	-	-	4,150,646
Due from other funds (Note 7)	147,780	-	56,466	204,246
Inventories	21,057	-	10,151	31,208
Prepaid expenses	536,050	-	1,020	537,070
Restricted assets (Note 4)	-	4,194,718	660,121	4,854,839
	<u>\$ 5,870,259</u>	<u>\$ 4,195,513</u>	<u>\$ 1,231,577</u>	<u>\$ 11,297,349</u>
Total assets				
<b>Liabilities</b>				
Accounts payable	\$ 256,113	\$ 903,242	\$ 3,202	\$ 1,162,557
Due to other funds (Note 7)	56,466	965	146,815	204,246
Accrued payroll and other liabilities	2,902,090	-	28,716	2,930,806
Unearned revenue (Note 5)	64,353	-	18,156	82,509
	<u>3,279,022</u>	<u>904,207</u>	<u>196,889</u>	<u>4,380,118</u>
Total liabilities				
<b>Deferred Inflows of Resources - Unavailable revenue (Note 5)</b>				
	<u>18,114</u>	<u>-</u>	<u>-</u>	<u>18,114</u>
Total liabilities and deferred inflows of resources	<u>3,297,136</u>	<u>904,207</u>	<u>196,889</u>	<u>4,398,232</u>
<b>Fund Balances</b>				
Nonspendable:				
Inventories	21,057	-	10,151	31,208
Prepaid expenses	536,050	-	1,020	537,070
Restricted:				
Debt service	-	-	637,114	637,114
Capital projects	-	3,291,306	-	3,291,306
Food service	-	-	370,475	370,475
Assigned:				
Budgeted use of fund balance in subsequent year	55,736	-	-	55,736
Capital improvements	-	-	15,928	15,928
Unassigned	<u>1,960,280</u>	<u>-</u>	<u>-</u>	<u>1,960,280</u>
Total fund balances	<u>2,573,123</u>	<u>3,291,306</u>	<u>1,034,688</u>	<u>6,899,117</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,870,259</u>	<u>\$ 4,195,513</u>	<u>\$ 1,231,577</u>	<u>\$ 11,297,349</u>

# Vicksburg Community Schools

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

<b>Fund Balances Reported in Governmental Funds</b>	\$ 6,899,117
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	28,673,349
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	18,114
Deferred inflows and outflows related to bond refundings are not reported in the funds	63,690
Bonds payable, accrued interest on capital appreciation bonds, and premiums/discounts on issuance of bonds are not due and payable in the current period and are not reported in the funds	(20,583,997)
Accrued interest is not due and payable in the current period and is not reported in the funds	(55,430)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(72,868)
Net pension liability and related deferred inflows and outflows	(33,109,541)
Net OPEB liability and related deferred inflows and outflows	(13,704,358)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	(1,642,142)
<b>Net Position of Governmental Activities</b>	<b><u>\$ (33,514,066)</u></b>

# Vicksburg Community Schools

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended June 30, 2018**

	General Fund	2014 Building and Site Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 2,475,301	\$ 7,639	\$ 4,318,002	\$ 6,800,942
State sources	22,285,308	-	47,561	22,332,869
Federal sources	348,190	-	636,298	984,488
Interdistrict sources	2,115,709	-	-	2,115,709
Total revenue	27,224,508	7,639	5,001,861	32,234,008
<b>Expenditures</b>				
Current:				
Instruction	15,926,264	-	-	15,926,264
Support services	9,460,822	-	-	9,460,822
Athletics	571,558	-	-	571,558
Food services	-	-	1,088,471	1,088,471
Community services	484,884	-	-	484,884
Debt service:				
Principal	259,790	-	2,152,923	2,412,713
Interest	10,227	-	2,014,184	2,024,411
Other	-	57,694	29,550	87,244
Capital outlay	156,361	1,842,646	72,971	2,071,978
Total expenditures	26,869,906	1,900,340	5,358,099	34,128,345
<b>Excess of Revenue Over (Under) Expenditures</b>	354,602	(1,892,701)	(356,238)	(1,894,337)
<b>Other Financing Sources (Uses)</b>				
Face value of debt issued (Note 8)	-	4,185,000	-	4,185,000
Proceeds from sale of capital assets	3,130	-	-	3,130
Premium on debt issued (Note 8)	-	159,657	-	159,657
Transfers in (Note 7)	62,120	-	420,280	482,400
Transfers out (Note 7)	(420,280)	-	(62,120)	(482,400)
Discount on debt issued (Note 8)	-	(33,212)	-	(33,212)
Total other financing sources	(355,030)	4,311,445	358,160	4,314,575
<b>Net Change in Fund Balances</b>	(428)	2,418,744	1,922	2,420,238
<b>Fund Balances - Beginning of year</b>	2,573,551	872,562	1,032,766	4,478,879
<b>Fund Balances - End of year</b>	<u>\$ 2,573,123</u>	<u>\$ 3,291,306</u>	<u>\$ 1,034,688</u>	<u>\$ 6,899,117</u>

## Vicksburg Community Schools

### Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2018

<b>Net Change in Fund Balance Reported in Governmental Funds</b>	<b>\$ 2,420,238</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	1,759,451
Depreciation expense	(1,721,780)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	18,114
Revenue in support of pension contributions made subsequent to the measurement date	(441,111)
Issuing debt, installment notes payable, and other liabilities provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net position	(4,324,709)
Repayment of bond principal, installment notes, and accreted interest on capital appreciation bonds, are expenditures in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	3,815,736
Interest expense is recognized in the government-wide statements as it accrues	(16,628)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(391,462)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 1,117,849</u></b>



# Vicksburg Community Schools

## Fiduciary Funds Statement of Fiduciary Assets and Liabilities

June 30, 2018

	Student Activities Agency Fund
<b>Assets</b>	
Cash and cash equivalents (Note 4)	\$ 541,957
Receivables - Accounts receivable	10,181
Total assets	<u>\$ 552,138</u>
<b>Liabilities - Due to student groups</b>	<u>\$ 552,138</u>

June 30, 2018

### Note 1 - Nature of Business

Vicksburg Community Schools (the "School District") is a school district in the State of Michigan that provides educational services to students.

### Note 2 - Significant Accounting Policies

#### ***Accounting and Reporting Principles***

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the School District:

#### ***Reporting Entity***

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

#### ***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue 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. The statements also present schedules reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### ***Fund Accounting***

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund types:

#### **Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The School District reports the following funds as major governmental funds:

**Note 2 - Significant Accounting Policies (Continued)**

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The 2014 Building and Site Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for remodeling and acquiring new equipment. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following nonmajor fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes and derived from sales to customers and dedicated grants from federal and state sources. The School District's special revenue fund is the Food Service Fund. Any operating deficit generated by these activities is the responsibility of the General Fund.
- Debt service funds (1991 Debt, 2007 Debt, 2014 Debt, and 2015 Debt) are used to record tax, interest, other revenue for payment of interest and principal, and other expenditures on the School District's bond issues.
- The Building and Site Fund is a nonbonded capital projects fund used to account for resources specifically designed for remodeling and improvements to facilities.

**Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. The School District maintains an Student Activities Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students and accounted for on the accrual basis.

**Interfund Activity**

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as amounts due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated, so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated, so that only the net amount is included as transfers in the governmental activities column.

**Basis of Accounting**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

**Note 2 - Significant Accounting Policies (Continued)**

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as deferred inflows of resources.

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

***Specific Balances and Transactions***

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with maturities of three months or less when acquired. Investments are stated at fair value.

**Inventories and Prepaid Expenses**

Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses in both government-wide and fund financial statements.

**Restricted Assets**

The unspent bond proceeds and related interest of the bonded capital projects funds are required to be set aside for construction. In addition, the unspent property taxes levied in the debt service funds are required to be set aside for future bond principal and interest payments. These cash balances have been classified as restricted assets.

**Capital Assets**

Capital assets, which include land, buildings and improvements, furniture and equipment, and buses and other vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with initial individual costs of more than \$5,000 and estimated useful lives in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repairs and maintenance that do not add value to the value or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	10 to 40 years
Furniture and equipment	5 to 20 years
Buses and other vehicles	10 to 15 years

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The debt service funds are generally used to liquidate governmental long-term debt.

**Note 2 - Significant Accounting Policies (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The School District has deferred outflows of resources related to deferred charges on refundings and deferred pension plan and OPEB expenses.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The School District has deferred inflows related to revenue in support of pension payments made subsequent to the measurement date, deferred pension and OPEB plan costs, and unavailable revenue received more than 60 days subsequent to the measurement date.

**Net Position**

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Net Position Flow Assumption**

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions**

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District can establish limitations on the use of resources through either commitments (committed fund balance) or assignments (assigned fund balance).

June 30, 2018

**Note 2 - Significant Accounting Policies (Continued)**

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can commit fund balance by passing a resolution. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the assistant superintendent to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Property Tax Revenue**

Property taxes are assessed as of December 31, and approximately one-half of the related property taxes become a lien on July 1 of the following year. Tax collections are forwarded to the School District as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the School District by June 30. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

**Grants and Contributions**

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital acquisition purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

**Pension and Other Postemployment Benefit (OPEB) Plan**

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

June 30, 2018

**Note 2 - Significant Accounting Policies (Continued)****Compensated Absences (Vacation and Sick Leave)**

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for known employee terminations as of year end. Generally, the funds that report employees' compensation are used to liquidate these obligations. Unpaid sick leave is not paid to employees upon termination. Unused vacation days are paid to employees for unused days up to twice their yearly allowance at the time of severance from employment.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Adoption of New Accounting Pronouncement**

As of July 1, 2017, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System OPEB Plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

In accordance with the statement, the School District has reported a net OPEB liability of \$14,769,637, deferred outflows of financial resources for OPEB contributions of \$1,028,315 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from state aid in support of OPEB contributions of \$446,926 that was received subsequent to the measurement date, as the effects of this change in accounting principles on the School District's net position as of July 1, 2017.

**Upcoming Accounting Pronouncements**

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021.

**Note 3 - Stewardship, Compliance, and Accountability**

***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and special revenue fund, except that the budget statement presentation is different from the basic financial statements due to capital outlay being budgeted functionally. All annual appropriations lapse at fiscal 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 School 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, the budget was amended in a legally permissible manner. The School District changed budgeted amounts during the year in response to state aid and other funding changes.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

***Excess of Expenditures Over Appropriations in Budgeted Funds***

The School District did not have significant expenditure budget variances.

***Capital Projects Fund Compliance***

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

**Note 4 - Deposits and Investments**

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

The School District has designated two banks for the deposit of its funds.

The School District's bank deposits are subject to custodial credit of risk, which is examined in more detail below:

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had \$6,679,447 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.



**Note 5 - Unavailable/Unearned Revenue**

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2018, the School District had \$18,114 of unavailable revenue related to grant receivables received more than 60 days subsequent to year end, and \$82,509 of unearned revenue, primarily related to grant and categorical aid payments received prior to meeting all eligibility requirements.

**Note 6 - Capital Assets**

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 147,402	\$ -	\$ -	\$ -	\$ 147,402
Construction in progress	58,082	(58,082)	1,000,225	-	1,000,225
Subtotal	205,484	(58,082)	1,000,225	-	1,147,627
Capital assets being depreciated:					
Buildings and improvements	43,611,924	58,082	710,995	-	44,381,001
Furniture and equipment	5,036,493	-	48,231	-	5,084,724
Buses and other vehicles	3,043,297	-	-	(58,898)	2,984,399
Subtotal	51,691,714	58,082	759,226	(58,898)	52,450,124
Accumulated depreciation:					
Buildings and improvements	18,538,968	-	1,219,889	-	19,758,857
Furniture and equipment	3,228,695	-	264,403	-	3,493,098
Buses and other vehicles	1,493,857	-	237,488	(58,898)	1,672,447
Subtotal	23,261,520	-	1,721,780	(58,898)	24,924,402
Net capital assets being depreciated	28,430,194	58,082	(962,554)	-	27,525,722
Net capital assets	<u>\$ 28,635,678</u>	<u>\$ -</u>	<u>\$ 37,671</u>	<u>\$ -</u>	<u>\$ 28,673,349</u>

Depreciation was not charged to activities, as the School District considers its assets to impact multiple activities and allocation is not practical.

**Construction Commitments**

The School District has active construction projects at year end. The projects include the 2014 bond issue and the related project. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
2014 Bond Issue Project	<u>\$ 1,292,330</u>	<u>\$ 864,420</u>

June 30, 2018

**Note 7 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Fund Due To	Primary Government			Total
	Fund Due From			
	General Fund	2014 Building and Site Fund	Nonmajor Funds	
General Fund	\$ -	\$ 965	\$ 146,815	\$ 147,780
Nonmajor Funds	56,466	-	-	56,466
<b>Total</b>	<b>\$ 56,466</b>	<b>\$ 965</b>	<b>\$ 146,815</b>	<b>\$ 204,246</b>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor funds	\$ 420,280
Nonmajor funds	General Fund	62,120
	<b>Total</b>	<b>\$ 482,400</b>

The Food Service Fund transferred \$62,120 to the General Fund for reimbursement of indirect costs. The General Fund transferred \$420,280 to the 2005 Debt Service Fund and the 2007 Debt Service Fund for the purposes of making debt principal and interest payments.

**Note 8 - Long-term Debt**

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable					
General obligations	\$ 14,446,848	\$ 4,185,000	\$ (2,152,923)	\$ 16,478,925	\$ 2,130,000
Unamortized bond premiums	39,702	159,657	(13,235)	186,124	30,975
Unamortized bond discounts	-	(33,212)	-	(33,212)	(3,690)
<b>Total bonds payable</b>	<b>14,486,550</b>	<b>4,311,445</b>	<b>(2,166,158)</b>	<b>16,631,837</b>	<b>2,157,285</b>
Installment purchase agreements	522,411	-	(259,790)	262,621	262,621
Other obligations	27,000	13,500	(40,500)	-	-
Accreted interest on capital appreciation bonds	5,065,562	411,054	(1,787,077)	3,689,539	1,975,000
Compensated absences	84,628	-	(11,760)	72,868	-
<b>Total governmental activities long-term debt</b>	<b>\$ 20,186,151</b>	<b>\$ 4,735,999</b>	<b>\$ (4,265,285)</b>	<b>\$ 20,656,865</b>	<b>\$ 4,394,906</b>

June 30, 2018

**Note 8 - Long-term Debt (Continued)**

**General Obligation Bonds and Contracts**

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. General obligations outstanding at June 30, 2018 are as follows:

Purpose	Remaining Annual Installments	Interest Rate(s) (Percent)	Maturing	Outstanding
1993 Building & Site Capital Appreciation Bonds	\$525,000-\$533,925	6.10	May 1, 2020	\$ 1,058,925
2013 Refunding Bonds	\$370,000-\$470,000	1.75	May 1, 2020	840,000
2014 Building & Site Bonds, Series I	\$90,000-\$925,000	1.35 - 2.60	November 1, 2024	4,695,000
2015 Refunding Bonds	\$240,000	1.40 - 1.70	May 1, 2020	480,000
2016 Building & Site Bonds, Series II	\$115,000-\$1,250,000	1.15 - 2.30	May 1, 2026	3,870,000
2016 Refunding Bonds	\$210,000-\$465,000	1.30	May 1, 2022	1,350,000
2018 Building & Site Bonds, Series III	\$100,000-\$1,085,000	3.00 - 4.00	May 1, 2027	4,185,000
Total governmental activities				<u>\$ 16,478,925</u>

The installment purchase agreements consisted of 2016 purchase agreements for buses totaling \$780,334, due in annual installments of \$265,484, including interest at 1.09 percent through June 15, 2019.

At June 30, 2018, the School District had deferred outflows of \$63,690 related to deferred charges on bond refunding.

**Debt Service Requirements to Maturity**

Annual debt service requirements to maturity for the above bonds obligations are as follows:

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2019	\$ 2,130,000	\$ 2,299,589	\$ 4,429,589
2020	1,928,925	2,476,010	4,404,935
2021	2,735,000	277,884	3,012,884
2022	2,735,000	229,440	2,964,440
2023	2,100,000	173,600	2,273,600
2024-2027	4,850,000	263,280	5,113,280
Total	<u>\$ 16,478,925</u>	<u>\$ 5,719,803</u>	<u>\$ 22,198,728</u>

Subsequent to year end, the School District borrowed \$750,000 in state aid notes at a rate of 2.15 percent, maturing on August 20, 2019.

June 30, 2018

**Note 9 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries (workers' compensation); and natural disasters. The School 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 risks. The School 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, 2018, which can be obtained from the Controller, MASB SET/SEG, 415 West Kalamazoo Street, Lansing, Michigan 48933.

The School District participates with the West Michigan Health Insurance Pool to provide health benefits to all eligible staff members. The West Michigan Health Insurance Pool is a self-insurance program with approximately 90 public entities pooling together to insure various groups of employees for health insurance, including medical coverage, of which hospitalization is a component, and prescription drug coverage. The pool pays the first \$600,000 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.

**Note 10 - Michigan Public School Employees' Retirement System*****Plan Description***

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain School District employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools> or by writing to the office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

***Benefits Provided***

Benefit provisions of the defined benefit (DB) pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced to 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

June 30, 2018

**Note 10 - Michigan Public School Employees' Retirement System (Continued)**

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years in which investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

**Contributions**

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

The School District's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
October 1, 2016 - June 30, 2017	13.54% - 19.74%	7.42% - 7.67%

June 30, 2018

**Note 10 - Michigan Public School Employees' Retirement System (Continued)**

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

The School District's required and actual contributions to the plan for the year ended year ended June 30, 2018 were \$4,428,063, which includes the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual contributions include an allocation of \$1,642,142 in revenue received from the State of Michigan, and remitted to the System, to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended year ended June 30, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the School District received under Section 147c(2) of the State Aid Act, which the School District then remitted as a contribution to the plan.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2018 were \$1,020,779, which includes the School District's contributions required for those members with a defined contribution benefit.

***Net Pension Liability***

At June 30, 2018, the School District reported a liability of \$40,945,958 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the School District's proportion was 0.1580 percent and 0.1542 percent, respectively.

***Net OPEB Liability***

At June 30, 2018, the School District reported a liability of \$14,002,597, for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the School District's proportion was 0.1581 percent.

June 30, 2018

**Note 10 - Michigan Public School Employees' Retirement System (Continued)**

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

For the year ended June 30, 2018, the School District recognized pension expense of \$4,956,942, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 355,848	\$ (200,913)
Changes in assumptions	4,485,955	-
Net difference between projected and actual earnings on pension plan investments	-	(1,957,486)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	1,750,333	(26,346)
The School District's contributions to the plan subsequent to the measurement date	3,429,026	-
Total	\$ 10,021,162	\$ (2,184,745)

The \$1,642,142 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2019	\$ 1,458,778
2020	2,032,769
2021	898,760
2022	17,084
Total	\$ 4,407,391

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2018, the School District recognized OPEB expense of \$936,748.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2018

**Note 10 - Michigan Public School Employees' Retirement System (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (149,086)
Net difference between projected and actual earnings on OPEB plan investments	-	(324,303)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	660	-
Employer contributions to the plan subsequent to the measurement date	770,968	-
Total	<u>\$ 771,628</u>	<u>\$ (473,389)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2019	\$ (114,248)
2020	(114,248)
2021	(114,248)
2022	(114,248)
2023	(15,737)
Total	<u>\$ (472,729)</u>

**Actuarial Assumptions**

The total pension and total OPEB liability as of September 30, 2017 is based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension and OPEB liability was determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	7.00% - 7.50%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.50%	Net of investment expenses based on the groups
Salary increases	3.50% - 12.30%	Including wage inflation of 3.50%
Healthcare cost trend rate	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00 - 7.50 percent as of September 30, 2017, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that School District's contributions will be made at statutorily required rates.



June 30, 2018

**Note 10 - Michigan Public School Employees' Retirement System (Continued)**

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.60 %
Private equity pools	18.00	8.70
International equity pools	16.00	7.20
Fixed-income pools	10.50	(0.10)
Real estate and infrastructure pools	10.00	4.20
Real return, opportunistic, and absolute pools	15.50	5.00
Short-term investment pools	2.00	(0.90)
Total	100.00 %	

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05 percent and 7.15 percent, respectively. As a result, the actuarial computed employer contributions, the net pension liability, and net OPEB liability will increase for the measurement period ended September 30, 2018.

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

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.00 - 6.50%)	Current Discount Rate (7.00 - 7.50%)	1 Percent Increase (8.00 - 8.50%)
Net pension liability of the School District	\$ 53,338,964	\$ 40,945,958	\$ 30,511,836

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 16,401,088	\$ 14,002,597	\$ 11,967,029

June 30, 2018

**Note 10 - Michigan Public School Employees' Retirement System (Continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the net OPEB liability of the School District, calculated using the current healthcare cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 11,858,317	\$ 14,002,597	\$ 16,437,277

***Pension Plan and OPEB Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

***Payable to the Pension Plan***

At June 30, 2018, the School District reported amounts payable of \$584,233 and \$123,193 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

**Note 11 - Tax Abatements**

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities, villages, and townships within the boundaries of the School District. Industrial facilities tax exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2018, the School District's property tax revenue was reduced by \$140,885 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the school aid formula. The School District received \$105,664 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the debt service millages. There are no abatements granted by the School District.

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## Required Supplemental Information

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# Vicksburg Community Schools

## Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 2,404,629	\$ 2,437,196	\$ 2,475,301	\$ 38,105
State sources	21,403,409	22,264,575	22,285,308	20,733
Federal sources	343,000	397,082	348,190	(48,892)
Intergovernmental	2,290,976	2,113,430	2,115,709	2,279
Total revenue	26,442,014	27,212,283	27,224,508	12,225
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	13,234,384	13,284,704	13,247,423	(37,281)
Added needs	2,618,165	2,844,646	2,776,886	(67,760)
Adult/Continuing education	106,404	16,064	-	(16,064)
Support services:				
Pupil	1,268,151	1,317,804	1,345,149	27,345
Instructional staff	1,196,410	1,215,532	1,212,745	(2,787)
General administration	500,412	597,035	626,676	29,641
School administration	1,593,741	1,652,919	1,643,457	(9,462)
Business	427,572	450,547	438,129	(12,418)
Operations and maintenance	1,934,157	2,038,024	2,093,157	55,133
Pupil transportation services	1,426,920	1,405,241	1,404,253	(988)
Central	650,296	750,506	747,955	(2,551)
Athletics	593,075	581,064	571,558	(9,506)
Community services	379,549	490,277	492,501	2,224
Debt service	266,235	265,485	270,017	4,532
Total expenditures	26,195,471	26,909,848	26,869,906	(39,942)
<b>Excess of Revenue Over Expenditures</b>	246,543	302,435	354,602	52,167
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	-	3,130	3,130
Transfers in	75,000	75,000	62,120	(12,880)
Transfers out	(435,280)	(420,280)	(420,280)	-
Total	(360,280)	(345,280)	(355,030)	(9,750)
<b>Net Change in Fund Balance</b>	(113,737)	(42,845)	(428)	42,417
<b>Fund Balance - Beginning of year</b>	2,573,551	2,573,551	2,573,551	-
<b>Fund Balance - End of year</b>	<u>\$ 2,459,814</u>	<u>\$ 2,530,706</u>	<u>\$ 2,573,123</u>	<u>\$ 42,417</u>

## Vicksburg Community Schools

### Required Supplemental Information Schedule of the School District's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	Last Four Plan Years			
	Plan Years Ended September 30			
	2017	2016	2015	2014
School District's proportion of the net pension liability	0.15801 %	0.15422 %	0.15163 %	0.14356 %
School District's proportionate share of the net pension liability	\$ 40,945,958	\$ 38,476,546	\$ 37,034,886	\$ 31,620,785
School District's covered employee payroll	\$ 13,353,753	\$ 13,166,315	\$ 12,692,135	\$ 12,601,034
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	306.63 %	292.23 %	291.79 %	250.94 %
Plan fiduciary net position as a percentage of total pension liability	63.93 %	63.01 %	62.92 %	66.20 %

## Vicksburg Community Schools

### Required Supplemental Information Schedule of Pension Contributions Michigan Public School Employees' Retirement Plan

	<b>Last Four Fiscal Years Years Ended June 30</b>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 4,063,482	\$ 3,678,708	\$ 2,300,371	\$ 2,131,936
Contributions in relation to the statutorily required contribution	<u>4,063,482</u>	<u>3,678,708</u>	<u>2,300,371</u>	<u>2,131,936</u>
<b>Contribution Deficiency</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>School District's Covered Employee Payroll</b>	\$ 13,415,426	\$ 13,130,947	\$ 12,746,056	\$ 12,220,047
<b>Contributions as a Percentage of Covered Employee Payroll</b>	30.29 %	28.02 %	18.05 %	17.45 %

## Vicksburg Community Schools

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### Required Supplemental Information Schedule of the School District's Proportionate Share of the Net OPEB Liability Michigan Public School Employees' Retirement System

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	<b>Last Plan Year</b>
	<b>Plan Year Ended September 30</b>
	<u>2017</u>
School District's proportion of the net OPEB liability	0.15812 %
School District's proportionate share of the net OPEB liability	\$ 14,002,597
School District's covered employee payroll	\$ 13,353,753
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	104.86 %
Plan fiduciary net position as a percentage of total OPEB liability	36.53 %

## Vicksburg Community Schools

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### Required Supplemental Information Schedule of OPEB Contributions Michigan Public School Employees' Retirement System

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	<b>Last Fiscal Year</b>
	<b>Year Ended June 30</b>
	<u>2018</u>
Statutorily required contribution	\$ 968,959
Contributions in relation to the statutorily required contribution	<u>968,959</u>
<b>Contribution Deficiency</b>	<b><u>\$ -</u></b>
<b>School District's Covered Employee Payroll</b>	<b>\$ 13,415,426</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>7.22 %</b>



June 30, 2018

### ***Pension Information***

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

### **Benefit Changes**

There were no changes of benefit terms in 2017.

### **Changes in Assumptions**

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent to 7.00 percent to 7.50 percent based on the group.

### **Covered Payroll**

The employers' covered payroll to be reported in the required supplemental information is defined by GASB Statement No. 82, *Pension Issues - An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based, and by GASB Statement No. 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

### ***OPEB Information***

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

### **Benefit Changes**

There were no changes of benefit terms in 2017.

### **Changes in Assumptions**

There were no changes of benefit assumptions in 2017.

### **Covered Payroll**

The employers' covered payroll to be reported in the required supplemental information is defined by GASB Statement No. 82, *Pension Issues - An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based, and by GASB Statement No. 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

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## Other Supplemental Information

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**Vicksburg Community Schools**

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

**June 30, 2018**

	Special Revenue	Debt Service Funds				Capital Projects	Total
	Fund					Fund	
	Food Service	1991 Debt	2007 Debt	2014 Debt	2015 Debt	Building and Site	
<b>Assets</b>							
Cash and cash equivalents	\$ 486,176	\$ -	\$ -	\$ -	\$ -	\$ 15,928	\$ 502,104
Receivables	1,329	301	-	85	-	-	1,715
Due from other funds	56,466	-	-	-	-	-	56,466
Inventories	10,151	-	-	-	-	-	10,151
Prepaid expenses	1,020	-	-	-	-	-	1,020
Restricted assets	-	497,588	-	128,767	33,766	-	660,121
<b>Total assets</b>	<b>\$ 555,142</b>	<b>\$ 497,889</b>	<b>\$ -</b>	<b>\$ 128,852</b>	<b>\$ 33,766</b>	<b>\$ 15,928</b>	<b>\$ 1,231,577</b>
<b>Liabilities</b>							
Accounts payable	\$ 3,202	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,202
Due to other funds	123,422	23,393	-	-	-	-	146,815
Accrued payroll and other liabilities	28,716	-	-	-	-	-	28,716
Unearned revenue	18,156	-	-	-	-	-	18,156
<b>Total liabilities</b>	<b>173,496</b>	<b>23,393</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>196,889</b>
<b>Fund Balances</b>							
Nonspendable:							
Inventories	10,151	-	-	-	-	-	10,151
Prepaid expenses	1,020	-	-	-	-	-	1,020
Restricted:							
Debt service	-	474,496	-	128,852	33,766	-	637,114
Food service	370,475	-	-	-	-	-	370,475
Assigned - Capital improvements	-	-	-	-	-	15,928	15,928
<b>Total fund balances</b>	<b>381,646</b>	<b>474,496</b>	<b>-</b>	<b>128,852</b>	<b>33,766</b>	<b>15,928</b>	<b>1,034,688</b>
<b>Total liabilities and fund balances</b>	<b>\$ 555,142</b>	<b>\$ 497,889</b>	<b>\$ -</b>	<b>\$ 128,852</b>	<b>\$ 33,766</b>	<b>\$ 15,928</b>	<b>\$ 1,231,577</b>

# Vicksburg Community Schools

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

**Year Ended June 30, 2018**

	Special Revenue	Debt Service Funds				Capital Projects	Total
	Fund	1991 Debt	2007 Debt	2014 Debt	2015 Debt	Fund	
	Food Service					Building and Site	
<b>Revenue</b>							
Local sources	\$ 484,809	\$ 2,997,284	\$ -	\$ 833,975	\$ 212	\$ 1,722	\$ 4,318,002
State sources	47,561	-	-	-	-	-	47,561
Federal sources	636,298	-	-	-	-	-	636,298
Total revenue	1,168,668	2,997,284	-	833,975	212	1,722	5,001,861
<b>Expenditures</b>							
Current:							
Food service	1,088,471	-	-	-	-	-	1,088,471
Debt service:							
Principal	-	1,082,923	210,000	625,000	235,000	-	2,152,923
Interest	-	1,811,753	20,280	171,892	10,259	-	2,014,184
Other	-	25,360	-	3,690	500	-	29,550
Capital outlay	1,663	-	-	-	-	71,308	72,971
Total expenditures	1,090,134	2,920,036	230,280	800,582	245,759	71,308	5,358,099
<b>Excess of Revenue Over (Under) Expenditures</b>	78,534	77,248	(230,280)	33,393	(245,547)	(69,586)	(356,238)
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	-	230,280	-	190,000	-	420,280
Transfers out	(62,120)	-	-	-	-	-	(62,120)
Total other financing (uses) sources	(62,120)	-	230,280	-	190,000	-	358,160
<b>Net Change in Fund Balances</b>	16,414	77,248	-	33,393	(55,547)	(69,586)	1,922
<b>Fund Balances - Beginning of year</b>	365,232	397,248	-	95,459	89,313	85,514	1,032,766
<b>Fund Balances - End of year</b>	<b>\$ 381,646</b>	<b>\$ 474,496</b>	<b>\$ -</b>	<b>\$ 128,852</b>	<b>\$ 33,766</b>	<b>\$ 15,928</b>	<b>\$ 1,034,688</b>

# Vicksburg Community Schools

## Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2018

Years Ending June 30	1993 Capital Appreciation Bonds	2013 Refunding Bonds	2015 Refunding Bonds	2014 General Obligation	2016 General Obligation	2016 Refunding Bonds	2018 General Obligation
	Principal	Principal	Principal	Principal	Principal	Principal	Principal
2019	\$ 525,000	\$ 470,000	\$ 240,000	\$ 90,000	\$ 395,000	\$ 210,000	\$ 200,000
2020	533,925	370,000	240,000	-	400,000	215,000	170,000
2021	-	-	-	925,000	1,250,000	460,000	100,000
2022	-	-	-	920,000	750,000	465,000	600,000
2023	-	-	-	920,000	580,000	-	600,000
2024	-	-	-	920,000	250,000	-	500,000
2025	-	-	-	920,000	115,000	-	500,000
2026	-	-	-	-	130,000	-	1,085,000
2027	-	-	-	-	-	-	430,000
Total remaining payments	<b>\$ 1,058,925</b>	<b>\$ 840,000</b>	<b>\$ 480,000</b>	<b>\$ 4,695,000</b>	<b>\$ 3,870,000</b>	<b>\$ 1,350,000</b>	<b>\$ 4,185,000</b>
Principal payments due	May 1	May 1	May 1	November 1	November 1	May 1	May 1 and November 1
Interest payments due	May 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	6.10 %	1.75%	1.40% to 1.70%	1.35% to 2.60%	1.15% to 2.30%	1.30%	3.00% to 4.00%
Original issue	<b>\$ 23,607,493</b>	<b>\$ 4,770,000</b>	<b>\$ 1,155,000</b>	<b>\$ 6,535,000</b>	<b>\$ 4,650,000</b>	<b>\$ 1,560,000</b>	<b>\$ 4,185,000</b>