

Vestaburg Community Schools

**2009 School Building and Site Bonds
July 1, 2009 through
June 30, 2011**

Audited Financial Statements and Compliance

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Independent Auditors' Report

To the Board of Education
Vestaburg Community Schools
Vestaburg, Michigan

We have audited the accompanying balance sheet as of June 30, 2011 and the statement of revenues, expenditures and changes in fund balance of the 2009 School Building and Site Bonds of Vestaburg Community Schools for the period July 23, 2009 through June 30, 2011. These financial statements are the responsibility of the Vestaburg Community Schools' management. Our responsibility is an opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statements were prepared for the purpose of complying with the provisions of the Michigan Revised School Code (Public Act 451 of 1976, as amended), Part 17-Bonds and Notes, Section 380.1351(a) as described in Note 2. The presentation is not intended to be a presentation of the District's total revenues and expenditures.

In our opinion, the statements referred to above present fairly, in all material respects, the financial position and revenues and expenditures of the 2009 School Building and Site Bonds of Vestaburg Community Schools for the period July 23, 2009 through June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 2009 School Building and Site Bonds of Vestaburg Community Schools' financial statements as a whole. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2011, on our consideration of the District's 2009 School Building and Site Bonds internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Yeo & Yeo, P.C.

Alma, Michigan
October 28, 2011

Vestaburg Community Schools
2009 School Building and Site Bonds
Balance Sheet
June 30, 2011

Cash	\$ <u>7</u>
Fund balance	\$ <u>7</u>

See Accompanying Notes to Financial Statements

Vestaburg Community Schools
2009 School Building and Site Bonds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Period July 23, 2009 through June 30, 2011

Revenues

Investment income \$ 39,546

Expenditures

Building construction and management fees 7,894,577
Architect fees 601,442
Football field 540
Furniture & fixtures 156,678
Maintenance equipment 20,000
High school 188,155
Technology equipment 211,199
Bond issuance costs 73,508

Total expenditures 9,146,099

Deficiency of revenues under expenditures (9,106,553)

Other financing sources (uses)

Proceeds from issuance of 2009 School Building and Site Bonds 9,180,000
Net discount on bonds (73,440)

Total other financing sources over uses 9,106,560

Excess of revenues and other financing
sources over expenditures and other uses 7

Fund balance at beginning of period -

Fund balance at end of period \$ 7

Vestaburg Community Schools

Notes to Financial Statements

NOTE 1 - REPORTING ENTITY

Vestaburg Community Schools has oversight responsibility and control over all activities related to public school education in the Vestaburg Community Schools.

The District's Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. This report includes only the balance sheets and the statements of revenues, expenditures, and changes in fund balance of the 2009 School Building and Site Bonds of the District and its activities are considered to be part of the District and controlled by the Board of Education.

NOTE 2 - BOND DESCRIPTION

2009 School Building and Site Bonds

The District issued the 2009 School Building and Site Bonds on July 23, 2009 in the amount of \$9,180,000. The principal and interest on this bond issue will be financed primarily from local property taxes. The bonds dated July 23, 2009, which bear interest from 2.44% to 7.32%, are due serially through May 1, 2039. The bond proceeds and interest income earned on those proceeds were used for the purpose of erecting, furnishing and equipping a commons area, science labs, fitness area, media center and boiler room. A new playground as well as a 720 seat football field with a track were installed. Major renovations included upgrades to the high school office as well as the middle school administration area. Class rooms and hallways were upgraded throughout the district.

BASIS OF PRESENTATION

The accompanying balance sheet and statement of revenues, expenditures, and changes in fund balance have been prepared based on the modified accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

The Michigan Revised School Code (Public Act 451 of 1976, as amended) Part 17 - Bonds and Notes, Section 380.1351(a)(1) and (2) requires that for bonds issued under that section after May 1, 1994, an independent audit be performed on certain operating results and compliance tests performed related to specified bond activities.

The accompanying statement reflects the activities of the 2009 School Building and Site Bonds recorded in the District's Capital Project Funds from the date the bonds were issued July 23, 2009, respectively through June 30, 2011, which the project was substantially complete and less than 5% of bond proceeds were remaining.

Vestaburg Community Schools
Expenditure Detail and Reconciliation
For the Period July 23, 2009 through June 30, 2011

	<u>2010</u>	<u>2011</u>	<u>Total</u>
Building construction and management fees	\$ 4,825,954	\$ 3,068,623	\$ 7,894,577
Architect fees	541,420	60,022	601,442
Football field	360	180	540
Furniture & fixtures	9,506	147,172	156,678
Maintenance equipment	-	20,000	20,000
High school	79,748	108,407	188,155
Technology equipment	172,287	38,912	211,199
Bond issuance costs	<u>72,658</u>	<u>850</u>	<u>73,508</u>
Total Bond Expenditure	<u><u>\$ 5,701,933</u></u>	<u><u>\$ 3,444,166</u></u>	<u><u>\$ 9,146,099</u></u>

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Education
Vestaburg Community Schools
Vestaburg, Michigan

We have audited the financial statements of the Vestaburg Community Schools as of and for the year ended June 30, 2011, and have issued our report thereon dated October 28, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Vestaburg Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vestaburg Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Alma, Michigan
October 28, 2011