



Vicksburg Community Schools

Financial Statements
Year Ended June 30, 2013

Vicksburg Community Schools

Financial Statements
Year Ended June 30, 2013

Vicksburg Community Schools

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Independent Auditor's Report

Board of Education
Vicksburg Community Schools
Vicksburg, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vicksburg Community Schools (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's 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 of 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 the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 10 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2102.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The accompanying supplementary 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 25, 2013 on our consideration of the District's 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 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 the District's internal control over financial reporting and compliance.

BDO USA, LLP

Kalamazoo, Michigan

October 25, 2013

Management's Discussion and Analysis

Vicksburg Community Schools

Management's Discussion and Analysis

This section of the Vicksburg Community Schools (the District's) annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader understands the District's finances as a whole. The District-wide Financial Statements provide information about the activities of the whole district, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the district-wide financial statements by providing information about the District's most significant funds - the General Fund and the Building and Site Fund, with all other funds presented in one column as non-major funds. The remaining statement, the Statement of Fiduciary Assets and Liabilities, presents financial information about the activities for which the District acts solely as an agent for the benefit of students and parents.

Reporting the District as a Whole - District-wide Financial Statements

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

These two statements report the District's net position - the difference between assets and liabilities, as reported in the Statement of Net Position - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the 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 revenues and expenses is the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the District.

The Statement of Net Position and the Statement of Activities report the governmental activities for the District, which encompass all of the District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Vicksburg Community Schools

Management's Discussion and Analysis

Reporting the District's Most Significant Funds - Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by state law and by bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the District use the following accounting approach:

Governmental funds - All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances remaining at year-end that are available for spending. They are reported using the accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the differences between governmental activities reported in the Statement of Net Position and the Statement of Activities and governmental funds in a reconciliation.

The District as Trustee - Reporting the District's Fiduciary Responsibilities

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

Vicksburg Community Schools
Management's Discussion and Analysis

The District as a Whole

Recall that the Statement of Net Position provided the perspective of the District as a whole. The following provides a summary of the District's net position as of June 30, 2013 and 2012:

<i>June 30,</i>	<i>Governmental Activities</i>	
	<i>2013</i>	<i>2012</i>
Assets:		
Current assets	\$ 7,374,634	\$ 8,273,786
Capital assets, net	23,892,310	24,786,147
Bond issue costs, net of amortization	-	249,997
Total Assets	31,266,944	33,309,930
Deferred Outflows of Resources -		
Refunding of bonds	95,692	-
Total Assets and Deferred Outflows of Resources	31,362,636	33,309,930
Liabilities:		
Current liabilities	5,775,546	6,841,993
Noncurrent liabilities	17,721,012	19,179,755
Total Liabilities	23,496,558	26,021,748
Net Position:		
Invested in capital assets - net of related debt	4,186,284	3,346,840
Restricted	532,555	386,810
Unrestricted	3,147,239	3,554,532
Total Net Position	\$ 7,866,078	\$ 7,288,182

The above analysis focuses on the net position. The change in net position of the District's governmental activities is discussed below. The District's net position totaled \$7.9 million at June 30, 2013. Capital assets, net of related debt totaling a surplus of \$4.2 million, compares the original cost, less depreciation of the District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service becomes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation limiting the District's ability to use the net position for day-to-day operations. The remaining amount of net position of \$3.1 million was unrestricted.

Vicksburg Community Schools

Management's Discussion and Analysis

The \$3.1 million in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net position balance enables the District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year-to-year.

The results of this year's operations for the District as a whole are reported in the Statement of Activities, which shows the changes in net position for fiscal years 2013 and 2012:

<i>Year ended June 30,</i>	<i>Governmental Activities</i>	
	<i>2013</i>	<i>2012</i>
Revenue:		
Program revenue:		
Charges for services	\$ 1,020,513	\$ 1,064,384
Federal grants and entitlements	1,060,136	982,460
State categoricals	1,240,617	1,062,866
Other operating grants	908,769	913,333
General revenue:		
Property taxes	5,058,312	4,671,163
State foundation allowance	17,075,454	15,789,744
Other	110,446	179,732
Total Revenue	26,474,247	24,663,682
Functions/Program Expenses:		
Instruction	13,842,533	12,188,287
Support services	7,705,355	7,648,411
Community services	255,176	279,674
Food services	1,018,370	941,811
Athletics	493,112	524,442
Intergovernmental transfers	71,453	67,163
Interest on long-term debt	1,260,052	1,285,503
Bond issuance costs	64,654	-
Depreciation	1,185,646	1,161,104
Total Expenses	25,896,351	24,096,395
Increase in Net Position	577,896	567,287
Net Position, beginning of year	7,288,182	6,720,895
Net Position, end of year	\$ 7,866,078	\$ 7,288,182

Vicksburg Community Schools

Management's Discussion and Analysis

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$25.9 million. Certain activities were partially funded from those who benefited from the programs with charges for services of \$1.0 million or by other governments and organizations that subsidized certain programs with grants and contributions of \$3.2 million. We paid for the remaining "public benefit" portion of our governmental activities with \$5.1 million in taxes, \$17.1 million in unrestricted state aid, and with our other revenues such as interest and general entitlements.

The District experienced an increase in net position of \$0.6 million during fiscal 2013.

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

The District's Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of \$4.8 million, which is an increase of \$0.6 million from last year.

In the General Fund, our principal operating fund, the fund balance decreased by \$0.2 million to \$2.5 million. This decrease was slightly better than the District's budget.

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

The fund balance in our Special Revenue Fund increased slightly to \$0.4 million, primarily as a result of controlling costs.

The Debt Service Funds showed an increase in fund balance of \$0.05 million. Millage rates are determined annually to ensure the District accumulates sufficient resources to pay annual bond issue-related debt service. Durant bond obligations are funded by annual state appropriation, and no fund balance exists for the Durant bonds. The fund balances of the Debt Service Funds are restricted since they may only be used to pay debt service obligations.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted shortly before year-end. A schedule showing the District's original and final budget amounts compared to amounts actually paid and received is provided with the basic financial statements.

Vicksburg Community Schools

Management's Discussion and Analysis

There were revisions made to the 2012-2013 General Fund original budget. Budgeted revenues were increased by \$1.1 million and budgeted expenditures were increased by \$0.8 million, primarily as a result of routine budgetary revisions over the course of the fiscal year.

Actual General Fund revenues were under the budget by \$5,000, which represents a variance of approximately 0.02%. Actual General Fund expenditures were \$0.2 million below the amended budget, which represents a variance of approximately 1.0%.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the District had \$23.9 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of \$0.9 million or 3.6% from last year.

<i>June 30,</i>	<i>2013</i>	<i>2012</i>
Land	\$ 147,402	\$ 147,402
Buildings and building improvements	35,938,642	35,809,785
Buses and other vehicles	2,214,263	2,105,725
Furniture and equipment	4,580,845	4,526,431
	42,881,152	42,589,343
Less accumulated depreciation	18,988,842	17,803,196
Net Capital Assets	\$ 23,892,310	\$ 24,786,147

This year's additions of \$0.3 million related primarily to school bus and equipment replacements. Detailed information about capital assets may be found in Note 5 to the financial statements.

Debt

At the end of this year, the District had \$19.8 million in bonds outstanding versus \$21.7 million in the previous year—a decrease of 8.7%. Those bonds consisted of the following:

<i>June 30,</i>	<i>2013</i>	<i>2012</i>
General obligation bonds	\$ 11,860,954	\$ 13,659,073
Durant non-plaintiff bonds	-	20,310
	11,860,954	13,679,383
Accrued interest on capital appreciation bonds	7,940,764	8,009,921
	\$ 19,801,718	\$ 21,689,304

Vicksburg Community Schools

Management's Discussion and Analysis

The District's general obligation bond rating is AA-. The state limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within the District's boundaries. If the District issues "Qualified Debt," i.e., debt backed by the state of Michigan, such obligations are not subject to this debt limit. The District's outstanding unqualified general obligation debt of \$19.8 million is significantly below the statutorily imposed limit, which is approximately \$95 million.

Detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the District's 2013-2014 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation allowance revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2014 fiscal year is calculated based on 90% and 10% of the September 2013 and February 2014 student counts, respectively. The 2013-2014 budget was adopted in June 2013, based on an estimate of students that would be enrolled in September 2013. Approximately 89% of total General Fund revenue is derived from the foundation allowance. Under state law, the District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the state's ability to fund local school operations. Based on the preliminary student count for September 2013, the actual blended pupil count for 2013-2014 is consistent with the assumption of flat enrollment.

Since the District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the state's ability to collect revenues to fund its appropriation to school districts. The state periodically holds a revenue-estimating conference to estimate revenues. If a future revenue estimating conference determines that revenues will not be sufficient to fund the school aid appropriation, the legislature must revise the appropriation or a pro-ration of state aid will occur. No revenue contingency has been included in the District's preliminary 2013-2014 budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds received. If you have questions about this report or need additional information, contact:

Business Office
Vicksburg Community Schools
301 South Kalamazoo Avenue
Vicksburg, Michigan 49097

Basic Financial Statements

Vicksburg Community Schools

District-Wide Financial Statements Statement of Net Position

	<i>Primary Government</i>
<i>June 30, 2013</i>	<i>Governmental Activities</i>
Assets:	
Cash and investments (Note 3)	\$ 3,435,185
Accounts receivable	3,701,584
Inventories	9,750
Prepaid expenses	228,115
Total Current Assets	7,374,634
Noncurrent Assets - Capital assets, net of accumulated depreciation (Note 5)	23,892,310
Total Assets	31,266,944
Deferred Outflows of Resources -	
Refunding of bonds	95,692
Total Assets and Deferred Outflows of Resources	31,362,636
Liabilities	
Current Liabilities:	
Accounts payable	66,678
Accrued payroll	2,379,852
Accrued interest	153,808
Unearned revenue	153,798
Current portion of long-term debt (Note 6)	3,021,410
Total Current Liabilities	5,775,546
Noncurrent Liabilities - Long-term debt (Note 6)	17,721,012
Total Liabilities	23,496,558
Net Position:	
Invested in capital assets, net of related debt	4,186,284
Restricted for debt service	156,188
Restricted for food service	376,367
Unrestricted	3,147,239
Total Net Position	\$ 7,866,078

See accompanying independent auditor's report and notes to financial statements.

Vicksburg Community Schools

District-Wide Financial Statements Statement of Activities

<i>Year ended June 30, 2013</i>	<i>Expenses</i>	<i>Program Revenues</i>		<i>Net (Expenses)</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Revenue and Changes in Net Position</i>
				<i>Total</i>
Functions/Programs:				
Primary government -				
Governmental activities:				
Instruction	\$ 13,842,533	\$ 890	\$ 2,560,964	\$ (11,280,679)
Support services	7,705,355	19,152	66,365	(7,619,838)
Athletics	493,112	116,626	16,317	(360,169)
Community services	255,176	333,187	1,090	79,101
Food services	1,018,370	550,658	564,786	97,074
Intergovernmental transfers	71,453	-	-	(71,453)
Interest on long-term debt	1,260,052	-	-	(1,260,052)
Bond issuance costs	64,654	-	-	(64,654)
Unallocated depreciation	1,185,646	-	-	(1,185,646)
Total Governmental Activities	\$ 25,896,351	\$ 1,020,513	\$ 3,209,522	(21,666,316)

General Revenues:

Property taxes levied for general purposes	2,425,587
Property taxes levied for debt service	2,632,725
Unrestricted state aid	17,075,454
Investment earnings	4,079
Other	106,367
Total General Revenues	22,244,212
Change in Net Position	577,896
Net Position, beginning of year	7,288,182
Net Position, end of year	\$ 7,866,078

See accompanying independent auditor's report and notes to financial statements.

Vicksburg Community Schools

Government Funds Balance Sheet

<i>June 30, 2013</i>	<i>General Fund</i>	<i>Building and Site Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:				
Cash and investments (Note 3)	\$ 1,970,499	\$ 338,969	\$ 1,125,717	\$ 3,435,185
Accounts receivable	3,691,126	-	10,458	3,701,584
Due from other funds (Note 4)	262,235	832,102	285,285	1,379,622
Inventories	-	-	9,750	9,750
Prepaid expenditures	228,115	-	-	228,115
Total Assets	\$6,151,975	\$1,171,071	\$ 1,431,210	\$ 8,754,256
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 34,545	\$ 16,097	\$ 16,036	\$ 66,678
Accrued payroll	2,379,852	-	-	2,379,852
Due to other funds (Note 4)	1,116,150	-	263,472	1,379,622
Unearned revenue	139,756	-	14,042	153,798
Total Liabilities	3,670,303	16,097	293,550	3,979,950
 Fund Balances:				
Nonspendable -				
Prepaid expenditures and inventories	228,115	-	9,750	237,865
Restricted for food service	-	-	366,617	366,617
Assigned to:				
Debt service	-	-	761,293	761,293
Capital projects	-	1,154,974	-	1,154,974
Budgeted use of fund balance for 13/14	425,163	-	-	425,163
Unassigned	1,828,394	-	-	1,828,394
Total Fund Balances	2,481,672	1,154,974	1,137,660	4,774,306
Total Liabilities and Fund Balances	\$6,151,975	\$1,171,071	\$ 1,431,210	\$ 8,754,256

See accompanying independent auditor's report and notes to financial statements.

Vicksburg Community Schools

Government Funds Reconciliation of Fund Balance of Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position

June 30, 2013

Total Fund Balances - Total Governmental Funds (from Page 15) \$ 4,774,306

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 therefore are not reported in the funds.

These assets consist of:

Capital assets, at cost	\$42,881,152	
Accumulated depreciation	<u>(18,988,842)</u>	
Net capital assets		23,892,310

Other long-term assets are not available to pay for current
period expenditures and therefore are not reported in the
funds.

These assets consist of -

Deferred outflows - refunding of bonds		95,692
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Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported
in the funds.

Balances are as follows:

Bonds payable	(11,860,954)	
Accrued interest on capital appreciation bonds	(7,940,764)	
Installment purchase agreement	(750,000)	
Other long term liability	(12,000)	
Deferred inflows - premium on issuance of bonds	(92,642)	
Compensated absences	<u>(86,062)</u>	
Total long-term liabilities		(20,742,422)

Accrued interest payable on long-term debt		<u>(153,808)</u>
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Net Position of Governmental Activities (from Page 13) \$ 7,866,078

*See accompanying independent auditor's report and
notes to financial statements.*

Vicksburg Community Schools

Government Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

<i>Year ended June 30, 2013</i>	<i>General Fund</i>	<i>Building and Site Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:				
Local sources	\$ 2,599,934	\$ 22,382	\$ 3,580,989	\$ 6,203,305
State sources	18,250,327	-	65,744	18,316,071
Federal sources	539,817	-	520,319	1,060,136
Other	894,735	-	-	894,735
Total Revenues	22,284,813	22,382	4,167,052	26,474,247
Expenditures:				
Instruction	13,837,232	-	-	13,837,232
Supporting services	8,412,214	-	-	8,412,214
Community services	255,176	-	-	255,176
Payments to other governmental units	71,453	-	-	71,453
Food service activities	-	-	1,018,370	1,018,370
Debt retirement:				
Redemption of principal	-	-	1,793,429	1,793,429
Interest and fiscal charges	798	-	1,209,616	1,210,414
Bond issuance costs	-	-	64,654	64,654
Capital projects	-	66,062	-	66,062
Total Expenditures	22,576,873	66,062	4,086,069	26,729,004
Excess (Deficiency) of Revenues Over Expenditures	(292,060)	(43,680)	80,983	(254,757)
Other Financing Sources (Uses):				
Bonds issued	-	-	4,770,000	4,770,000
Premium on bonds	-	-	92,642	92,642
Proceeds from issuance of note	-	750,000	-	750,000
Payment to escrow agent	-	-	(4,795,000)	(4,795,000)
Transfers in	75,547	-	-	75,547
Transfers out	-	-	(75,547)	(75,547)
Total Other Financing Sources (Uses)	75,547	750,000	(7,905)	817,642
Change in Fund Balances	(216,513)	706,320	73,078	562,885
Fund Balances, beginning of year	2,698,185	448,654	1,064,582	4,211,421
Fund Balances, end of year	\$ 2,481,672	\$ 1,154,974	\$ 1,137,660	\$ 4,774,306

See accompanying independent auditor's report and notes to financial statements.

Vicksburg Community Schools

Government Funds Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds (from Page 17)		\$ 562,885
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation expense:</p>		
Capital outlay	\$ 291,809	
Depreciation expense	<u>(1,185,646)</u>	(893,837)
Repayment of accrued interest on capital appreciation bonds is an expenditure in the governmental funds, but not in the Statement of Activities.		796,881
Repayment of bond and note principal is an expenditure in the governmental funds, but not in the Statement of Activities.		6,588,429
Compensated absences are recorded in the Statement of Activities when incurred; they are not reported in governmental funds until paid.		(5,301)
Accrued interest on the capital appreciation bonds is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.		(727,724)
Amortization of bond issue costs is recorded in the Statement of Activities when incurred; it is not reported in the governmental funds.		(249,997)
The difference between the reacquisition price and net carrying amount of bonds refunded is recorded as a deferred outflow in the Statement of Activities.		95,692
Accrual of other long-term liability.		(12,000)
Proceeds from issuance of installment purchase agreement is an other financing source in the governmental funds, but not in the Statement of Activities.		(750,000)
Proceeds from issuance of bonds is an other financing source in the governmental funds, but not in the Statement of Activities.		(4,770,000)
The premium on issuance of bonds is recorded as a deferred inflow in the Statement of Activities.		(92,642)
Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.		35,510
Change in Net Position of Governmental Activities (from Page 14)		\$ 577,896

See accompanying independent auditor's report and notes to financial statements.

Vicksburg Community Schools

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

<i>Year ended June 30, 2013</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Local sources	\$2,667,615	\$2,575,293	\$2,599,934	\$ 24,641
State sources	17,279,510	18,258,468	18,250,327	(8,141)
Federal sources	442,507	575,355	539,817	(35,538)
Other	796,486	880,897	894,735	13,838
Total Revenues	21,186,118	22,290,013	22,284,813	(5,200)
Expenditures:				
Instruction:				
Basic programs	10,629,266	11,641,173	11,582,713	58,460
Added needs	2,092,081	2,190,557	2,136,393	54,164
Adult and continuing education	517,002	137,485	118,126	19,359
Total instruction	13,238,349	13,969,215	13,837,232	131,983
Support services:				
Pupil services	1,146,670	1,134,870	1,116,274	18,596
Instructional staff	585,882	601,244	601,659	(415)
General administration	473,986	466,249	456,912	9,337
School administration	1,304,379	1,341,369	1,343,112	(1,743)
Business services	430,528	443,556	442,603	953
Operations and maintenance	1,915,175	2,007,344	2,010,286	(2,942)
Transportation	1,480,283	1,439,674	1,380,254	59,420
Central services	500,484	574,496	568,002	6,494
Student athletics	495,962	487,188	493,112	(5,924)
Total support services	8,333,349	8,495,990	8,412,214	83,776

*See accompanying independent auditor's report and
notes to financial statements.*

Vicksburg Community Schools

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

<i>Year ended June 30, 2013</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Expenditures (Concluded):				
Community services	\$ 286,204	\$ 260,134	\$ 255,176	\$ 4,958
Payments to other governmental units	71,100	72,000	71,453	547
Debt service - Interest and other	30,343	3,850	798	3,052
Total Expenditures	21,959,345	22,801,189	22,576,873	224,316
Other Financing Sources -				
Transfers in	65,000	72,500	75,547	3,047
Change in Fund Balance	(708,227)	(438,676)	(216,513)	222,163
Fund Balance, beginning of year	2,698,185	2,698,185	2,698,185	-
Fund Balance, end of year	\$1,989,958	\$2,259,509	\$2,481,672	\$ 222,163

*See accompanying independent auditor's report and
notes to financial statements.*

Vicksburg Community Schools
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund

<i>June 30, 2013</i>	<i>Student Activities Agency Fund</i>
<hr/>	
Assets -	
Cash and investments (Note 3)	\$ 447,219
<hr/>	
Liabilities -	
Due to student groups	\$ 447,219
<hr/>	

*See accompanying independent auditor's report and
notes to financial statements.*

Vicksburg Community Schools

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the Vicksburg Community Schools (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

The District is an independent entity with an elected board of education. The board consists of seven members elected to four-year terms. The board has responsibility and control over all matters affecting the District, including authority to levy taxes and determine its budget, the power to designate management and primary accountability for fiscal matters. The financial statements of the District contain all funds for which the District is financially accountable.

The criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, there are no other entities that are included in this report.

The Vicksburg Community Schools Foundation (the Foundation) is a legally separate, tax-exempt organization. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the District in support of its programs. The 17-member board of the Foundation is self-perpetuating and consists of district officials and friends of the District. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the District, the Foundation meets the criteria to be a component unit of the District. However, because the economic resources received or held by the Foundation that the District is entitled to, or has the ability to otherwise access are not significant, the Foundation assets and net assets have been excluded from the District's financial statements.

Basis of Presentation

District-wide financial statements: The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the primary government. The effect of inter-fund activity has been removed from these statements. The District-wide financial statements categorize activities as either governmental or business-type. All of the District's activities are classified as governmental.

The Statement of Activities demonstrates the degree to which the direct expenses related to a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Property taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenues.

See accompanying independent auditor's report.

Vicksburg Community Schools

Notes to Financial Statements

Fund financial statements: The fund financial statements provide information about the District's funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

The financial transactions of the District are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

Governmental Funds

Governmental funds are used to account for the District's general activity. The focus is on determination of the financial position and changes in financial position rather than on income determination. The following is a description of the governmental funds of the District:

General Fund: The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. It is considered a major fund.

Special Revenue Fund: Special Revenue Funds are used to account for revenue sources that are restricted to expenditures for specified purposes. The District operates one special revenue fund: Food Service.

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

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

Fiduciary Funds: The Agency Fund is used to account for assets held by the District in a trustee capacity for individuals or school-related organizations. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The District operates one agency fund, which is the Student Activities Fund.

Measurement Focus and Basis of Accounting

District-wide Financial Statements - The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

See accompanying independent auditor's report.

Vicksburg Community Schools

Notes to Financial Statements

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available if they are collected within the current period or soon enough after to pay liabilities for the current period. The District considers revenues available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, are recorded only when payment is due.

Assets, Liabilities, and Net Position

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less. Investments are stated at fair value. To the extent that cash from various funds has been pooled in a single investment account, the related investment income is generally allocated to each fund based on relative participation in the account.

Inventories - Inventories are stated at cost using the first-in, first-out method, except USDA donated commodities, which are recorded at fair market value. Inventories consist primarily of food, cafeteria supplies, teaching, and maintenance supplies. Governmental fund inventories are reported as assets until consumed, at which time an expenditure is recorded.

Capital Assets - capital assets, which include property, buildings, equipment, and buses, are reported in the District-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at their market value as of the donation date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets useful lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed.

Depreciation is provided for on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	10-40 years
Furniture and equipment	5-20 years
Buses	10-15 years

The District evaluates its capital assets for impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Assets to be disposed of would be recognized at the lower of carrying value or fair value less the estimated cost of disposal. Assets held and in use are viewed for impairment whenever indicators of impairment exist. All recognized impairment losses, whether for assets to be disposed of or assets to be held and used, are recorded as operating expenses. No impairments have been identified as of June 30, 2013.

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

See accompanying independent auditor's report.

Vicksburg Community Schools

Notes to Financial Statements

Compensated Absences - District employees are granted vacation and sick leave in varying amounts based on length of service. Sick leave is accumulated at different rates for various categories of employees. Unused sick leave accumulates from year-to-year to a maximum that varies for different categories of employees. Unused sick leave is not paid to employees upon termination. Vacation days are paid to employees for unused days up to twice their yearly allowance at the time of severance from employment.

Long-Term Debt - In the District-wide financial statements, long-term debt, and other long-term liabilities are reported as liabilities under the accrual basis of accounting.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs during the current period. The face amount of debt is reported as other financing sources. Premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

Net Position - Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

Restricted resources are used to fund appropriations only after the unrestricted resources are depleted.

Fund Balance - Fund balance represents the difference between assets and liabilities in the governmental fund financial statements. The District's fund balance is classified in the following categories:

Nonspendable fund balance - represents amounts that cannot be spent due to legal requirements or because it is not in spendable form. The District reports nonspendable fund balance for inventories and prepaid expenditures.

Restricted fund balance - restricted for specific purposes imposed by grantors, bondholders, constitutional provisions, or enabling legislation. The District reports restricted fund balance in the Food Service Fund.

Assigned fund balance - intended to be used for specific purposes but does not meet the criteria for restricted or committed fund balance. The District reports assigned fund balance in the General fund, Building and Site Fund, and Debt Service Funds.

Unassigned fund balance - the residual fund balance of the General Fund.

Property Taxes - Properties are assessed as of December 31, and approximately one-half of the related property taxes are levied and become a lien on July 1. The remaining taxes are levied and become a lien on December 1. These taxes are due on September 14 and February 14, respectively, with the final collection date of February 28, before they are added to the county delinquent tax rolls.

See accompanying independent auditor's report.

Vicksburg Community Schools

Notes to Financial Statements

Interfund Activity - Outstanding balances between funds are reported as due from/to other funds at year-end.

Use of Estimates

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Subsequent Events

Management has evaluated the period from July 1, 2013, through October 25, 2013, the date the financial statements were available for issuance, for subsequent events requiring recognition or disclosure in the consolidated financial statements. During the period there were no matters identified that had a significant impact on the financial statements as presented.

2. Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and all Special Revenue Funds. All annual appropriations lapse at year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

During the year ended June 30, 2013, the District incurred expenditures, which were in excess of the amounts budgeted in the General Fund as follows:

	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
Instructional staff	\$ 601,244	\$ 601,659	\$ (415)
School administration	\$ 1,341,369	\$ 1,343,112	\$ (1,743)
Operations and maintenance	\$ 2,007,344	\$ 2,010,286	\$ (2,942)
Student athletics	\$ 487,188	\$ 493,112	\$ (5,924)

The fund balance was sufficient to cover the excess expenditures.

See accompanying independent auditor's report.

Vicksburg Community Schools

Notes to Financial Statements

3. Cash and Investments

Deposits

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

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for mitigating custodial credit risk. At June 30, 2013, the District's bank balances were \$3,929,806, of which \$3,679,806 was uninsured and uncollateralized.

The Federal Deposit Insurance Corporation (FDIC) general deposit insurance rules provide \$250,000 of insurance per account.

Credit Risk

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

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

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

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. At June 30, 2013, none of the District's investments were subject to concentration of credit risk.

See accompanying independent auditor's report.

Vicksburg Community Schools

Notes to Financial Statements

4. Interfund Transactions

Interfund receivables and payables at June 30, 2013, are as follows:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
General Fund	\$ 262,235	\$ 1,116,150
Building and Site Fund	832,102	-
Nonmajor Governmental Funds	285,285	263,472
	<hr/> \$ 1,379,622	<hr/> \$ 1,379,622

All balances are expected to be collected within one year.

Interfund transfers for the year ended June 30, 2013, were as follows:

	<i>Transfer In</i>	<i>Transfer Out</i>
General Fund	\$ 75,547	\$ -
Nonmajor Governmental Funds	-	75,547
	<hr/> \$ 75,547	<hr/> \$ 75,547

The Food Service Fund transferred \$75,547 to the General Fund for reimbursement of indirect costs.

See accompanying independent auditor's report.

Vicksburg Community Schools

Notes to Financial Statements

5. Capital Assets

The following summarizes capital asset activity for the year ended June 30, 2013.

	<i>Balance, July 1, 2012</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance, June 30, 2013</i>
Governmental Activities:				
Capital assets not depreciated -				
Land	\$ 147,402	\$ -	\$ -	\$ 147,402
Capital assets being depreciated:				
Buildings and improvements	35,809,785	128,857	-	35,938,642
Furniture and equipment	4,526,431	54,414	-	4,580,845
Buses	2,105,725	108,538	-	2,214,263
Totals at historical cost	42,589,343	291,809	-	42,881,152
Less accumulated depreciation:				
Buildings and improvements	13,886,150	879,402	-	14,765,552
Furniture and equipment	2,438,084	180,906	-	2,618,990
Buses	1,478,962	125,338	-	1,604,300
Total accumulated depreciation	17,803,196	1,185,646	-	18,988,842
Net Capital Assets	\$ 24,786,147	\$(893,837)	\$ -	\$23,892,310

Depreciation for the year ended June 30, 2013, was \$1.2 million. The District determined it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

See accompanying independent auditor's report.

Vicksburg Community Schools

Notes to Financial Statements

6. Long-Term Debt

The following is a summary of changes in long-term debt for the District for the year ended June 30, 2013:

	<i>Balance, July 1, 2012</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, June 30, 2013</i>	<i>Due Within One Year</i>
Bonds payable	\$13,659,073	\$4,770,000	\$(6,568,119)	\$11,860,954	\$ 1,704,750
Bond premium	-	92,642	-	92,642	-
Durant non-plaintiff bond	20,310	-	(20,310)	-	-
Compensated absences	80,761	5,301	-	86,062	-
Accrued interest on capital appreciation bonds	8,009,921	727,724	(796,881)	7,940,764	1,070,250
Installment purchase agreement	-	750,000	-	750,000	246,410
Other	-	12,000	-	12,000	-
	\$21,770,065	\$6,357,667	\$(7,385,310)	\$20,742,422	\$ 3,021,410

Bonds payable at June 30, 2013, are comprised of the following individual issues:

2013 Refunding Bonds due in annual installments of \$370,000 to \$1,000,000, through May 2020; interest at 1.00% to 1.75%.	\$ 4,770,000
1993 Capital Appreciation Bonds due in annual installments of \$1,500,000 to \$2,700,000, through May 2020; interest at 6.14% to 6.19%.	3,440,954
2007 General Obligation - Limited Tax Bonds due in annual installments of \$90,000 to \$250,000, through May 2025; interest at 4.15% to 4.25%.	1,925,000
2005 General Obligation - Limited Tax Bonds due in annual installments of \$185,000 to \$250,000, through May 2021; interest at 3.75% to 4.00%.	1,725,000
	\$ 11,860,954

The Durant Non-Plaintiff Bond was paid off during the year.

The installment purchase agreement consists of a 2012 Purchase Agreement for buses, \$750,000, due in annual installments of \$256,276 including interest at 1.25% through June, 2016.

The 1993 bond issue consisted of capital appreciation bonds. The bonds mature annually through 2020. Interest accrues on these bonds semi-annually in November and May, even though the interest is not paid until maturity.

See accompanying independent auditor's report.

Vicksburg Community Schools

Notes to Financial Statements

Debt Service Requirements

The annual requirements to service the outstanding bonds and installment purchase agreement to maturity including both principal and interest are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,951,651	\$ 1,299,914	\$ 3,251,565
2015	1,898,851	1,438,420	3,337,271
2016	1,831,282	1,590,715	3,421,997
2017	1,502,322	1,753,243	3,255,565
2018	1,437,923	1,912,805	3,350,728
2019-2023	3,508,925	4,442,448	7,951,373
2024-2026	480,000	31,025	511,025
	<u>\$ 12,610,954</u>	<u>\$ 12,468,570</u>	<u>\$ 25,079,524</u>

Current Refunding

During 2013, the District issued \$4,770,000 in general obligation bonds with interest rates ranging from 1.0% to 1.75%. The proceeds of these bonds were used to advance refund \$4,795,000 of outstanding 2003 Refunding Bonds. The net proceeds of \$4,803,988 (after payment of \$58,654 in underwriting fees and other issuance costs) less a net discount of \$6,000 and plus an additional \$95,893 of debt service monies were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the District's long-term obligations. The advanced refunding reduced the total debt service payments by \$462,290 which represents an estimated economic gain of \$447,063.

7. Employee Retirement System - Defined Benefit Plan

Plan Description

The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS was established by the state of Michigan to provide retirement, survivor and disability benefits to public school employees. In addition, the health plan provides all retirees with the option of receiving health, dental and vision coverage. The MPERS was established by Public Act 136 of 1945 and currently operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by contacting the Michigan Public School Employees' Retirement System, P.O. Box 30171, Lansing, Michigan 48909.

See accompanying independent auditor's report.

Vicksburg Community Schools

Notes to Financial Statements

The regular retirement benefit is based on a member's years of credit service and final average compensation. Final average compensation is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months, divided by the service credit accrued during that same period.

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the governor signed Public Act 300 of 2012 into law. As a result, any member of MPSERS who first worked before July 1, 2010 and earned service credit in the 12 months ended September 3, 2012 can voluntarily choose to increase, maintain or stop their contributions to the pension fund by electing from four plan options. Member who first work on or after September 4, 2012 are able to elect the Pension Plus plan or a defined contribution plan.

Funding Policy

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

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits. Employer contributions to MPSERS are determined on an actuarial basis using the entry age normal actuarial cost method for both pension benefits and OPEB. The rates for the year ended June 30, 2013, were 20.66% to 24.46% through September 30, 2012. From October 1, 2012 through June 30, 2013, rates ranged from 25.13% to 25.96%. In addition, the District is required to match 50% up to 1% of the employee's contribution in the Pension Plus Plan. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the current and two preceding years were as follows:

<u>Year ended June 30,</u>	<u>Employer Contribution</u>
2013	\$ 3,027,993
2012	\$ 2,837,671
2011	\$ 2,355,254

See accompanying independent auditor's report.

Vicksburg Community Schools

Notes to Financial Statements

Other Post Employment Benefits

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

Public Act 300 of 2012 allows active members who earned service credit in the 12 months ended September 3, 2012 a voluntary election. Members can continue to contribute 3.0% of their compensation to keep the premium subsidy benefit, or they can elect the Personal Healthcare Fund. Members electing the Personal Healthcare Fund will establish a portable, tax-deferred fund that can be used for paying healthcare expenses in retirement. Member contributions are 2.0% of compensation with a 2.0% employer match contributed into a 401(k) account. Members who first work on or after September 4, 2012 are enrolled in the Personal Healthcare Fund.

8. Risk Management and Benefits

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees, and natural disasters. The District does not consider the cost of general liability insurance to be economically justifiable, and participates in the MASB SET/SEG Risk Sharing Pool for liability, auto, property damage, errors and omissions, and workers' compensation insurance risks. The District pays an annual premium to the pool for its general insurance coverage. The pooling agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The pooling agreement allows the pool to make additional assessments to make the pool self-sustaining. There have been no such assessments in any of the past three fiscal years. It is not possible to estimate the amount of possible future assessments. The MASB SET/SEG has published its own financial report for the year ended June 30, 2012, which can be obtained from the Controller, MASB SET/SEG, 415 West Kalamazoo, Lansing, Michigan 48933.

The District joined the West Michigan Health Insurance Pool to provide health benefits to approximately 20 non-bargaining staff and approximately 60 unionized support staff members. The West Michigan Health Insurance Pool is a self insurance program with 34 districts pooling together to insure various groups of employees for health insurance including medical coverage, of which hospitalization is a component, and a prescription drug coverage. The pool pays the first \$150,000 of claims for each participant. These claims are paid out of a loss fund collected from member districts. Excess insurance has been purchased to cover individual and aggregate claims.

See accompanying independent auditor's report.

Vicksburg Community Schools

Notes to Financial Statements

9. Implementation of GASB Statement No. 63 and No. 65

For the year ended June 30, 2013, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB No. 63") and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"). The adoption of GASB No. 63 and GASB No. 65 resulted in changes to the presentation of the financial statements.

See accompanying independent auditor's report.

Supplementary Information

Vicksburg Community Schools

Nonmajor Governmental Funds Combining Balance Sheet

<i>June 30, 2013</i>	<i>Special Revenue Fund</i>	<i>Debt Service Funds</i>				<i>Total</i>
	<i>Food Service</i>	<i>1991 Debt</i>	<i>2000 Debt</i>	<i>2005 Debt</i>	<i>2007 Debt</i>	
Assets:						
Cash and investments	\$ 600,505	\$ 272,956	\$ 1,237	\$ 251,019	\$ -	\$ 1,125,717
Accounts receivable	10,458	-	-	-	-	10,458
Due from other funds	47,967	12,318	-	225,000	-	285,285
Inventories	9,750	-	-	-	-	9,750
Total Assets	\$ 668,680	\$ 285,274	\$ 1,237	\$ 476,019	\$ -	\$ 1,431,210
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 16,036	\$ -	\$ -	\$ -	\$ -	\$ 16,036
Due to other funds	262,235	-	1,237	-	-	263,472
Unearned revenue	14,042	-	-	-	-	14,042
Total Liabilities	292,313	-	1,237	-	-	293,550
Fund Balances:						
Nonspendable -						
Inventory	9,750	-	-	-	-	9,750
Restricted	366,617	-	-	-	-	366,617
Assigned to -						
Debt service	-	285,274	-	476,019	-	761,293
Total Fund Balances	376,367	285,274	-	476,019	-	1,137,660
Total Liabilities and Fund Balances	\$ 668,680	\$ 285,274	\$ 1,237	\$ 476,019	\$ -	\$ 1,431,210

Vicksburg Community Schools

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

<i>Year ended June 30, 2013</i>	<i>Special Revenue Fund</i>	<i>Debt Service Funds</i>				<i>Total</i>
	<i>Food Service</i>	<i>1991 Debt</i>	<i>2000 Debt</i>	<i>2005 Debt</i>	<i>2007 Debt</i>	
Revenues:						
Local sources:						
Property taxes	\$ -	\$2,632,725	\$ -	\$225,000	\$164,427	\$3,022,152
Food sales	551,024	-	-	-	-	551,024
Other	-	7,726	-	87	-	7,813
State sources	44,467	21,277	-	-	-	65,744
Federal sources	520,319	-	-	-	-	520,319
Total Revenues	1,115,810	2,661,728	-	225,087	164,427	4,167,052
Expenditures:						
Food service activities	1,018,370	-	-	-	-	1,018,370
Principal payments on debt	-	1,533,429	-	180,000	80,000	1,793,429
Interest payments on debt	-	1,047,634	-	73,972	84,427	1,206,033
Bond issuance costs	-	64,654	-	-	-	64,654
Other expenditures	-	3,383	-	200	-	3,583
Total Expenditures	1,018,370	2,649,100	-	254,172	164,427	4,086,069
Excess (Deficiency) of Revenues Over Expenditures	97,440	12,628	-	(29,085)	-	80,983
Other Financing Sources (Uses):						
Bonds issued	-	4,770,000	-	-	-	4,770,000
Bond premium	-	92,642	-	-	-	92,642
Payment to escrow agent	-	(4,795,000)	-	-	-	(4,795,000)
Transfers to other funds	(75,547)	-	-	-	-	(75,547)
Total Other Financing Sources (Uses)	(75,547)	67,642	-	-	-	(7,905)
Changes in Fund Balance	21,893	80,270	-	(29,085)	-	73,078
Fund Balances, beginning of year	354,474	205,004	-	505,104	-	1,064,582
Fund Balances, end of year	\$ 376,367	\$ 285,274	\$ -	\$476,019	\$ -	\$1,137,660

Vicksburg Community Schools

Agency Funds Statement of Changes in Assets and Liabilities

	<i>Balance, July 1, 2012</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, June 30, 2013</i>
<hr/>				
Assets -				
Cash and investments	\$ 364,863	\$ 874,290	\$ 791,934	\$ 447,219
<hr/>				
Liabilities -				
Due to student groups	\$ 364,863	\$ 874,290	\$ 791,934	\$ 447,219
<hr/>				

Vicksburg Community Schools

Schedule of Bonded Indebtedness

	<i>1993 Capital Appreciation Bonds</i>		<i>2013 Refunding Bonds</i>		<i>2005 General Obligation</i>		<i>2007 General Obligation</i>		<i>Total</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2014	\$ 429,750	\$ 1,070,250	\$ 1,000,000	\$ 71,958	\$ 185,000	\$ 67,223	\$ 90,000	\$ 81,108	\$ 1,704,750	\$ 1,290,539
2015	458,864	1,241,136	900,000	53,338	190,000	60,285	100,000	77,372	1,648,864	1,432,131
2016	483,170	1,416,830	785,000	44,338	200,000	53,160	110,000	73,223	1,578,170	1,587,551
2017	497,322	1,602,678	675,000	36,448	210,000	45,460	120,000	68,657	1,502,322	1,753,243
2018	512,923	1,787,077	570,000	24,675	220,000	37,375	135,000	63,678	1,437,923	1,912,805
2019	525,000	1,975,000	470,000	14,700	230,000	28,685	150,000	58,075	1,375,000	2,076,460
2020	533,925	2,166,075	370,000	6,475	240,000	19,600	160,000	51,850	1,303,925	2,244,000
2021	-	-	-	-	250,000	10,000	175,000	45,050	425,000	55,050
2022	-	-	-	-	-	-	195,000	37,613	195,000	37,613
2023	-	-	-	-	-	-	210,000	29,325	210,000	29,325
2024	-	-	-	-	-	-	230,000	20,400	230,000	20,400
2025	-	-	-	-	-	-	250,000	10,625	250,000	10,625
	\$3,440,954	\$11,259,046	\$4,770,000	\$251,932	\$1,725,000	\$321,788	\$1,925,000	\$616,976	\$11,860,954	\$12,449,742



Vicksburg Community Schools

Additional Reports Required by
OMB Circular A-133
Year Ended June 30, 2013

Vicksburg Community Schools

Additional Reports Required by *OMB Circular A-133*
Year Ended June 30, 2013

Vicksburg Community Schools

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Independent Auditor's 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
Vicksburg Community Schools
Vicksburg, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vicksburg Community Schools (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Kalamazoo, Michigan

October 25, 2013



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by *OMB Circular A-133*

Board of Education
Vicksburg Community Schools
Vicksburg, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of Vicksburg Community Schools (the District) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.



Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vicksburg Community Schools as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 25, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic 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 basic 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, LLP

Kalamazoo, Michigan

October 25, 2013

Schedule of Expenditures of Federal Awards

Vicksburg Community Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

<i>Federal Grantor Pass Through Grantor Program/Project Number</i>	<i>Federal CFDA Number</i>	<i>Grant Award</i>	<i>(Memo Only) Prior Year Expenditures</i>	<i>Accrued Revenue June 30, 2012</i>	<i>Current Year Receipts</i>	<i>Current Year Expendi- tures</i>	<i>Adjust- ment</i>	<i>Accrued Revenue June 30, 2013</i>
U.S. Department of Education:								
<i>Passed Through Michigan Department of Education:</i>								
<i>Title I Part A:</i>								
Project 121530-1112	84.010	\$ 256,416	\$ 256,416	\$ 66,286	\$ 66,286	\$ -	\$ -	\$ -
Project 130520-1213	84.010	372,167	-	-	272,359	347,126	-	74,767
Total Title I		628,583	256,416	66,286	338,645	347,126	-	74,767
<i>Title II Part A Improving Teacher Quality:</i>								
Project 120520-1112	84.367	128,688	97,580	-	8,779	8,779	-	-
Project 130520-1213	84.367	85,573	-	-	52,806	59,864	-	7,058
Total Title II Part A Improving Teacher Quality		214,261	97,580	-	61,585	68,643	-	7,058
<i>Education Jobs Fund:</i>								
Project 112545-11-12	84.410	43,747	-	-	43,747	43,747	-	-
Total Passed Through Michigan Department of Education		886,591	353,996	66,286	443,977	459,516	-	81,825
<i>Passed Through Kalamazoo Regional Educational Service Agency (KRESA):</i>								
IDEA - 130450 - 1213	84.027	45,608	-	-	45,608	45,608	-	-

See accompanying independent auditor's report and notes to Schedule of Expenditures of Federal Awards.

Vicksburg Community Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

<i>Federal Grantor Pass Through Grantor Program/Project Number</i>	<i>Federal CFDA Number</i>	<i>Grant Award</i>	<i>(Memo Only) Prior Year Expenditures</i>	<i>Accrued Revenue June 30, 2012</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Adjust- ment</i>	<i>Accrued Revenue June 30, 2013</i>
U.S. Department of Education (Concluded):								
<i>Passed Through Kalamazoo Regional Educational Service Agency (KRESA) (Concluded):</i>								
<i>Carl D. Perkins Vocational Education:</i>								
Project 123520-121320	84.048	\$ 30,000	\$ -	\$ -	\$ 30,000	\$ 30,000	\$ -	\$ -
<i>Medicaid Outreach:</i>								
October 2010 - December 2010	93.778	4,693	-	-	4,693	4,693	-	-
<i>Total Passed Through KRESA</i>		80,301	-	-	80,301	80,301	-	-
Total U.S. Department of Education		966,892	353,996	66,286	524,278	539,817	-	81,825

U.S. Department of Agriculture:

Passed Through Michigan Department of Education:

Child Nutrition Cluster:

National School Lunch Program - Cash Assistance:

Project 121960	10.555	38,092	-	-	38,092	38,092	-	-
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Project 131960	10.555	324,019	-	-	324,019	324,019	-	-
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National Summer School Lunch Program:

Project 120900	10.559	4,459	-	-	4,459	4,459	-	-
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Project 121900	10.559	2,008	-	-	2,008	2,008	-	-
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See accompanying independent auditor's report and notes to Schedule of Expenditures of Federal Awards.

Vicksburg Community Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

<i>Federal Grantor Pass Through Grantor Program/Project Number</i>	<i>Federal CFDA Number</i>	<i>Grant Award</i>	<i>(Memo Only) Prior Year Expenditures</i>	<i>Accrued Revenue June 30, 2012</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Adjust- ment</i>	<i>Accrued Revenue June 30, 2013</i>
U.S. Department of Agriculture (Concluded):								
<i>Passed Through Michigan Department of Education (Concluded):</i>								
Non-Cash Assistance:								
Entitlement Commodities	10.555	\$ 61,123	\$ -	\$ -	\$ 61,123	\$ 61,123	\$ -	\$ -
Bonus Commodities	10.555	-	-	-	-	-	-	-
National School Lunch - Breakfast Program:								
Project 121970	10.553	8,037	-	-	8,037	8,037	-	-
Project 131970	10.553	82,580	-	-	82,580	82,580	-	-
Total Child Nutrition Cluster and U.S. Department of Agriculture		520,318	-	-	520,318	520,318	-	-
Total Federal Awards		\$1,487,210	\$ 353,996	\$ 66,286	\$1,044,596	\$ 1,060,135	\$ -	\$81,825

See accompanying independent auditor's report and notes to Schedule of Expenditures of Federal Awards.

Vicksburg Community Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

Note 1

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2

Management has utilized the MDE Cash Management System (CMS) Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.

Note 3

Inventory values are based on the USDA value for donated food commodities and include spoilage.

See accompanying independent auditor's report.

Vicksburg Community Schools

Summary of Auditor's Results and Schedule of Findings and Questioned Costs Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	No (none reported)
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	No (none reported)
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in Accordance with Section 510(a) of <i>Circular A-133</i> ?	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>Cluster CFDA Number</u>
Food Nutrition Cluster	10.553, 10.555, and 10.559

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditor qualified as a low-risk auditee?	Yes

Section II - Financial Statements Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Prior Audit Findings

None.

See accompanying independent auditor's report.