WEST OTTAWA PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional supplementary information)

YEAR ENDED JUNE 30, 2013

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

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Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

Maner Costerisan PC
2425 E. Grand River Ave.
Suite 1
Lansing, MI 48912-3291
T: 517 323 7500
F: 517 323 6346
www.manercpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
West Ottawa Public Schools

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 West Ottawa Public 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 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*, issue 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 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 West Ottawa Public Schools as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 11 to the financial statements, West Ottawa Public Schools implemented Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, and Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, 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 West Ottawa Public Schools basic financial statements. The additional supplementary information, as identified in the table of contents, and schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 27, 2013 on our consideration of West Ottawa Public Schools' 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 West Ottawa Public Schools' internal control over financial reporting and compliance.

Maner Costerisan PC

September 27, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of West Ottawa Public Schools (the District), we offer this narrative overview and analysis of the financial activities of West Ottawa Public Schools for the year ended June 30, 2013.

Generally accepted accounting principles (GAAP) require the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

District-Wide Financial Statements

The district-wide financial statements are prepared using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets, liabilities and deferred inflows of resources, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt and other long-term liabilities of the District.

The statement of net position presents information on all of the District's assets, liabilities and deferred inflows of resources, with the difference between the three reported as net position. Over time, increases and decreases in net position can serve as a barometer of financial health and whether the District's financial position is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the year. This statement focuses on both the gross and net cost of the various activities which are supported by the District's general tax, state aid and other revenues. This presentation is intended to summarize and simplify the user's analysis of the cost of the various governmental services.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's Accounting Manual. In the State of Michigan, school districts' major instruction and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds and Capital Project (Sinking) Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt obligations are not recorded in the fund financial statements.

District-Wide Financial Analysis

The following schedule summarizes the net position at June 30, 2013 and 2012.

Table 1
West Ottawa Public Schools Net Position (in Millions)

	2013	2012 (as restated)	Change
Current assets	$ 22.84	$ 21.14	$ 1.70
Capital assets, net	125.88	129.09	(3.21)
Total assets	148.72	150.23	(1.51)
Long-term debt outstanding	110.84	119.19	(8.35)
Other liabilities	8.22	7.40	0.82
Total liabilities	119.06	126.59	(7.53)
Deferred inflows of resources	0.57	-	0.57
Net position:			
Net investment in capital assets	14.64	10.12	4.52
Restricted	2.24	1.49	0.75
Unrestricted	12.21	12.03	0.18
Total net position	$ 29.09	$ 23.64	$ 5.45

Current assets increased due to an increase in cash and due from other governmental units, largely the result of the Section 147c MPSERS UAAL Rate Stabilization Payment. The net book value of capital assets decreased due to over $4 million in depreciation with only a modest investment in new assets during the year.

The District's increase in accrued liabilities resulted in an increase in current liabilities, largely the result of the Section 147c MPSERS UAAL Rate Stabilization Obligation. Meanwhile, long-term liabilities decreased as the District refunded bonds issued in 2002 while paying off some of its principal outstanding. Although total assets decreased, total *net position* increased as the District continued to reduce its bonded indebtedness.

The District did not borrow funds for operations during the year.

Capital Assets

At June 30, 2013, the District had invested over $220 million in a broad range of capital assets, including school buildings and facilities, site improvements, school buses and other vehicles and various types of equipment. Depreciation expense for the year amounted to approximately $4.1 million, bringing accumulated depreciation to $95.1 million as of June 30, 2013.

Table 2
West Ottawa Public Schools' Capital Assets

	2013			2012
	Cost	Accumulated depreciation	Net book value	Net book value
Land	$ 6,050,248	$ -	$ 6,050,248	$ 6,050,248
Buildings and improvements	174,007,342	57,924,671	116,082,671	118,979,083
Furniture and equipment	35,004,611	33,833,179	1,171,432	1,611,262
Buses and other vehicles	5,902,154	3,329,286	2,572,868	2,446,663
Total	$ 220,964,355	$ 95,087,136	$ 125,877,219	$ 129,087,256

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with accounting principles generally accepted in the United States of America, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable.

Long-Term Liabilities

At June 30, 2013, the District had approximately $111 million in long-term obligations outstanding. This represents a decrease of approximately $9 million below the amount outstanding at the close of the prior fiscal year.

For more detailed information regarding capital assets and debt administration, please review the notes to the financial statements located in the financial section of this report.

Results of Operations

For the fiscal years ended June 30, 2013 and 2012, the results of operations, on a district-wide basis were:

Table 3
Changes in West Ottawa Public Schools' Net Position

	2013	Restated 2012	Change
Revenues:			
Program revenues:			
Charges for services	$ 1,494,648	$ 2,120,738	$ (626,090)
Operating grants and contributions	11,879,532	10,457,728	1,421,804
General revenues:			
Property taxes	25,353,687	24,076,558	1,277,129
Investment earnings	42,596	23,231	19,365
State aid - unrestricted	40,510,276	40,119,866	390,410
Federal sources - unrestricted	-	128,606	(128,606)
Intermediate sources	5,501,414	6,484,970	(983,556)
Other	229,134	266,829	(37,695)
Total revenues	85,011,287	83,678,526	1,332,761
Expenses:			
Instruction	45,071,399	45,638,324	(566,925)
Support services	20,657,796	21,896,188	(1,238,392)
Community services	332,842	877,845	(545,003)
Food services	3,302,496	3,309,239	(6,743)
Outgoing transfers and other transactions	3,042	6,738	(3,696)
Interest on long-term debt	6,048,141	7,098,725	(1,050,584)
Unallocated depreciation	4,140,117	4,040,523	99,594
Total expenses	79,555,833	82,867,582	(3,311,749)
Change in net position	$ 5,455,454	$ 810,944	$ 4,644,510

In most of the above categories, the differences between the 2011-12 fiscal year and the 2012-13 fiscal year (change) would be considered well within the normal range. Some notable changes are the large increase in operating grants, the substantial decrease in interest on long-term debt expenses, and the significant decrease in support services’ expenditures.

The increase in operating grants was related to additional allocations in 2012-2013 along with greater attention to fully expending grant allocations rather than carrying the balances over to the next year. The decrease in interest cost on long-term debt is related to the refunding of a large portion of the debt in August 2012. And the decline in expenditures on support services was primarily related to budget reductions and cost savings measures necessary because of the substantial reduction in federal and State of Michigan funding in 2012-2013.

The elimination of unrestricted federal revenue was due to the expiration of the federal appropriations under EduJobs as EduJobs funding was discontinued at the federal level in 2011-12. The notable change in Community Services’ expenses is due to the District dissolving its Child Care program. As an alternative to a District run Child Care program, the YMCA is now contracted to service the District’s child care needs at a cost that is more economical for users.

Analysis of Significant Revenues and Expenditures

Significant revenues come from the State of Michigan in the form of per pupil revenue. The per pupil revenue is partially paid as State Aid and partially paid in the form of non-Principal Residence Exemption (non-homestead) property taxes on certain property within the District.

State Sources

The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 90% of the current year's fall count and 10% of the prior year's spring count. The state per-pupil allocation was $6,846 for 2011-2012 and increased by $120 per pupil for 2012-2013 to $6,966 per pupil.

Student Enrollment

The District's enrollment for the fall count of 2012-2013 was 7,403 students. This is a decrease of 38 students or 0.5% from the prior fall. The decrease can be partly attributed to lower birth rates translating into less students. In the fall of 2012, for the first time the State of Michigan required kindergarten students to attend school for 1,098 hours to be counted as a full time student for funding purposes whereas previously attendance for 549 hours resulted in kindergarten students being counted as full time students. This change in State law brought about a drop of 12 students for 24 young kindergarten students who attended school on a half-time basis. Historical data is included below.

Year	Enrollment	Change from Prior Year
Fall 2012	7,403	-38
Fall 2011	7,441	-43
Fall 2010	7,484	-178
Fall 2009	7,662	+24
Fall 2008	7,638	-158

Property Taxes

The District levies 18 mills of property taxes for operations on non-Principal Residence Exemption (non-homestead) properties. Each year the voters of the District have approved an override to the reductions otherwise required by the Headlee Amendment. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is 50% of the property's market value.

The non-Principal Residence Exemption (non-homestead) property tax levy is part of the state aid per pupil funding formula. For the 2012-2013 fiscal year, the District's net property tax revenues for general purposes were $10,564,165. This was a decrease of 1.6% from the prior year as property values dropped and some property was no longer classified as non-Principal Residence Exemption (non-homestead) due to changes in use.

The District levied 7.75 mills of property taxes on all classes of property located within the District for bonded debt retirement. This levy is adjusted as property values increase or decrease and is used to pay the principal and interest on bond obligations. The total of revenues for debt retirement in the current year was $14,239,656.

West Ottawa Public Schools levied a 0.3 mill building and site fund property tax to pay for repairs. The building and site fund is often referred to as a "sinking fund." The total sinking fund levy was $549,866 in 2012.

Wage and Benefit Expenditures

West Ottawa Public Schools spends the majority of its resources on staffing to provide for the educational needs of students, while also providing for the efficient operation of the District with staff that maintain grounds and facilities, transport students, administer state and federal programs, provide childcare, provide executive management for the organization, and feed students both breakfast and lunch.

The total wages paid to District employees exceeded $39.2 million, down nearly $1 million from the prior year, with all benefit costs down by approximately $1 million and equal to approximately $19.9 million for the fiscal year. The total health benefit costs for 2012-2013 were about $5.8 million, down approximately $1.3 from the prior year. The District contributed around $10.7 million toward employees' pension benefits, an increase of 8% over 2011-2012. The remaining benefits consisted of employer contributions toward social security, Medicare, and worker's compensation. Wage and benefit costs were equal to approximately 83% of all expenditures when long-term debt expenses are excluded.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2012-2013 fiscal year, the District amended the general fund budget, with the Board adopting the final changes in June 2013. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations.

	Original budget	Final budget	Actual	Variance with final budget	% Variance
Total revenues and other financing sources	$ 65,145,000	$ 66,445,000	$ 66,479,557	$ 34,557	0.05%
Expenditures and other financing uses					
Instruction	$ 46,550,000	$ 45,215,000	$ 45,041,645	$ 173,355	0.38%
Support services	21,562,000	21,733,000	21,333,618	399,382	1.84%
Community services	387,000	300,000	294,478	5,522	1.84%
Other financing uses	35,000	80,000	75,278	4,722	5.90%
Total expenditures and other financing uses	$ 68,534,000	$ 67,328,000	$ 66,745,019	$ 582,981	0.87%

The actual revenues and other financing sources for the general fund were $66,479,557. This is above the final amended budget amount of $66,445,000 by $34,557 or 0.05%. The actual general fund expenditures and other financing uses were $66,745,019. This is below the final amended budget amount of $67,328,000 by 0.87%. The variances are below 1% and are not significant.

Analysis of Financial Position

Despite a significant improvement in the District's net position the General Fund balance did decrease, however, the deficit was less than $300,000, a small percentage of the total operational budget. Even as funding from the State remains relatively stagnant and enrollment continues to minimally decline, the overall general fund deficit was significantly lessened from the prior fiscal year.

The accumulated fund balance allows the District to provide appropriate capital investments to sustain long-term viability and allows the District to avoid borrowing for cash flow for its general operations.

Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its health in the future:

- The Governor and legislature of the State of Michigan have continued to choose to reduce taxes rather than provide funding for K-12 education while also removing $396 million from K-12 funding to give it to higher education. State politicians may choose to divert earmarked funds away from K-12 education again in the future.

- The District participates in the Michigan Public School Employees Retirement System (MPSERS). State politicians changed their methodology for granting pensions and funding retirement benefits numerous times over the last five years resulting in lawsuits and court cases. One significant lawsuit against the State of Michigan remains unsettled and it could have an effect on the MPSERS pension system.

- In 2012-2013 and 2013-2014, available K-12 funding was used to reduce the pension long-term liability and subsidize the current rate charged to the School District. It is impossible to know how the pension system liabilities might change or whether the legislature might increase or decrease its retirement system subsidy.

- The District has settled contracts with all of its employees except for its teachers' union. Contract negotiations with the District's largest union are ongoing.

- Further competition from online schools and other untested new educational models recently approved by the legislature and Governor could erode the District's student enrollment in the fall of 2013 and beyond.

- Continued focus on containing costs to match the size of enrollment will be key in maintaining positive fund balance going forward.

- The District needs to invest in new buses and vehicles, technology equipment, and building improvements in the next several years in order to replace aging equipment, vehicles and inefficient heating and cooling systems. The costs for these purchases will be over $2.5 million annually.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Assistant Superintendent for Financial Services, West Ottawa Public Schools, Holland, Michigan.

BASIC FINANCIAL STATEMENTS

WEST OTTAWA PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental activities
ASSETS:	
Cash	$ 11,585,043
Receivables:	
Accounts receivable	16,333
Taxes receivable	24,715
Intergovernmental	10,759,306
Inventories	18,284
Prepaids	42,060
Restricted cash - capital projects	398,833
Capital assets not being depreciated	6,050,248
Capital assets, net of accumulated depreciation	119,826,971
TOTAL ASSETS	148,721,793
LIABILITIES:	
Accounts payable	87,899
Accrued salaries and related items	7,008,201
Accrued interest	530,141
Intergovernmental	104,109
Unearned revenue	490,871
Noncurrent liabilities:	
Due within one year	7,593,629
Due in more than one year	103,249,629
TOTAL LIABILITIES	119,064,479
DEFERRED INFLOWS OF RESOURCES:	
Deferred charge on refunding	567,721
NET POSITION:	
Net investment in capital assets	14,641,571
Restricted for food service	897,154
Restricted for capital projects	395,948
Restricted for debt service	948,629
Unrestricted	12,206,291
TOTAL NET POSITION	$ 29,089,593

WEST OTTAWA PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants	Governmental activities: Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	$ 45,071,399	$ -	$ 8,405,331	$ (36,666,068)
Support services	20,657,796	419,388	933,926	(19,304,482)
Community services	332,842	29,947	-	(302,895)
Food services	3,302,496	1,045,313	2,540,275	283,092
Outgoing transfers and other	3,042	-	-	(3,042)
Interest on long-term debt	6,048,141	-	-	(6,048,141)
Unallocated depreciation	4,140,117	-	-	(4,140,117)
Total governmental activities	$ 79,555,833	$ 1,494,648	$ 11,879,532	(66,181,653)
General revenues:				
Property taxes, levied for general purposes				10,564,165
Property taxes, levied for debt service				14,239,656
Property taxes, levied for capital projects sinking fund				549,866
Investment earnings				42,596
State sources				40,510,276
Intermediate sources				5,501,414
Other				229,134
Total general revenues				71,637,107
CHANGE IN NET POSITION				5,455,454
NET POSITION, beginning of year (as restated)				23,634,139
NET POSITION, end of year				$ 29,089,593

See notes to financial statements.

WEST OTTAWA PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Total nonmajor funds	Total governmental funds
ASSETS			
ASSETS:			
Cash and cash equivalents	$ 8,321,665	$ 3,263,378	$ 11,585,043
Receivables:			
Property taxes receivable	736	23,979	24,715
Accounts receivable	9,053	7,280	16,333
Intergovernmental	10,673,341	85,965	10,759,306
Due from other funds	-	100,244	100,244
Inventories	-	18,284	18,284
Prepaids	40,886	1,174	42,060
Restricted cash - capital projects	-	398,833	398,833
TOTAL ASSETS	$ 19,045,681	$ 3,899,137	$ 22,944,818
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 83,807	$ 4,092	$ 87,899
Accrued salaries and related items	6,949,988	58,213	7,008,201
Due to other governmental unitIntergovernmentals	104,109	-	104,109
Due to other funds	100,244	-	100,244
Unearned revenue	444,831	46,040	490,871
TOTAL LIABILITIES	7,682,979	108,345	7,791,324
FUND BALANCES:			
Nonspendable:			
Inventories	-	18,284	18,284
Prepaids	40,886	-	40,886
Restricted:			
Food service	-	897,154	897,154
Capital projects	-	395,948	395,948
Debt service	-	1,478,770	1,478,770
Assigned:			
Subsequent year expenditures	1,606,000	250,500	1,856,500
Capital projects	-	750,136	750,136
Unassigned	9,715,816	-	9,715,816
TOTAL FUND BALANCES	11,362,702	3,790,792	15,153,494
TOTAL LIABILITIES AND FUND BALANCES	$ 19,045,681	$ 3,899,137	$ 22,944,818

See notes to financial statements.

WEST OTTAWA PUBLIC SCHOOLS
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total governmental fund balances	$	15,153,494
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred charges on refunding, net of amortization		(567,721)
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of the capital assets is		220,964,355
Accumulated depreciation is		(95,087,136)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds payable		(88,153,810)
Accreted interest on capital appreciation bonds		(22,514,117)
Compensated absences and termination benefits		(175,331)
Accrued interest is not included as a liability in government funds, it is recorded when paid		(530,141)
Net position of governmental activities	$	29,089,593

See notes to financial statements.

WEST OTTAWA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Total nonmajor funds	Total governmental funds
REVENUES:			
Local sources:			
Property taxes	$ 10,564,165	$ 14,789,522	$ 25,353,687
Tuition	74,498	29,947	104,445
Investment earnings	17,037	25,559	42,596
Food sales	-	1,041,735	1,041,735
Other	198,688	296,157	494,845
Total local sources	10,854,388	16,182,920	27,037,308
State sources	46,878,082	115,181	46,993,263
Federal sources	3,053,173	2,425,094	5,478,267
Incoming transfers and other	5,501,414	-	5,501,414
Total revenues	66,287,057	18,723,195	85,010,252
EXPENDITURES:			
Current:			
Instruction	45,041,645	-	45,041,645
Supporting services	21,333,618	-	21,333,618
Food service activities	-	3,357,104	3,357,104
Community service activities	294,478	38,364	332,842
Capital outlay	-	402,899	402,899
Debt service:			
Principal repayment	-	7,486,519	7,486,519
Interest	-	7,029,275	7,029,275
Bond issuance costs	-	213,233	213,233
Other	-	3,041	3,041
Total expenditures	66,669,741	18,530,435	85,200,176

See notes to financial statements.

WEST OTTAWA PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Total nonmajor funds	Total governmental funds
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (382,684)	$ 192,760	$ (189,924)
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of bonds	-	62,895,000	62,895,000
Payments to refunded bond escrow	-	(66,751,890)	(66,751,890)
Bond premium	-	4,907,100	4,907,100
Transfer in	192,500	776,454	968,954
Transfer out	(32,270)	(936,684)	(968,954)
Other	(43,008)	-	(43,008)
Total other financing sources (uses)	117,222	889,980	1,007,202
NET CHANGE IN FUND BALANCES	(265,462)	1,082,740	817,278
FUND BALANCES:			
Beginning of year	11,628,164	2,708,052	14,336,216
End of year	$ 11,362,702	$ 3,790,792	$ 15,153,494

WEST OTTAWA PUBLIC SCHOOLS
RECONCILIATION OF THE 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	$ 817,278
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(4,140,117)
Capital outlay	999,059
Loss on disposal of capital assets	(68,979)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	680,871
Accrued interest payable, end of the year	(530,141)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Proceeds from long-term debt	(62,895,000)
Payments on debt	75,045,962
Premium on issuance of bonds	(4,907,100)
Net decrease in accretion on bonds	1,043,637
Deferred charge on refunding	(807,554)
Amortization of bond premium	247,266
Amortization of deferred charges on refunding	12,769
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue, beginning of the year	(81,722)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and termination benefits, beginning of the year	214,556
Accrued compensated absences and termination benefits, end of the year	(175,331)
Change in net position of governmental activities	$ 5,455,454

WEST OTTAWA PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2013

	Agency fund
ASSETS:	
Cash	$ 918,829
Investments	22,228
Accounts receivable	200
TOTAL ASSETS	$ 941,257
LIABILITIES:	
Accounts payable	$ 149
Accrued salaries and related items	1,296
Due to student and other groups	939,812
TOTAL LIABILITIES	$ 941,257

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

B. Reporting Entity

The West Ottawa Public Schools (the "District") is governed by the West Ottawa Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following <u>major</u> governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

Other non-major funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and child care activities in the special revenue funds.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects funds* account for the transfers from the general fund for the acquisition of fixed assets.

The *capital projects sinking fund* accounts for the receipt of property taxes levied for sinking fund and subsequent expenditures of those funds. The fund has compiled with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, deferred inflows of resources, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the fiduciary fund financial statements. 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.

The 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally 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, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts taken in February and October of the previous calendar year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund(s). The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

2. Public hearings are conducted to obtain taxpayer comments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year end June 30, 2013. The District does not consider these amendments to be significant.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents

   The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

   Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

2. Investments (Concluded)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Capital assets (Concluded)

Land is not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings and improvements	25 - 50
Furniture and equipment	5 - 20
Buses and other vehicles	8

5. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues primarily from two sources: property taxes and receipts that exceeded 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. Net position flow assumption

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

7. Fund balance flow assumptions

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

8. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)

8. Fund balance policies (Concluded)

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

In the general fund, the District strives to maintain a secure financial position whereby the fund balance does not fall below 15% of the preceding year's expenditures.

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues and Expenditures/Expenses (Continued)

2. Property taxes (Concluded)

For the year ended June 30, 2013, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	7.75
Capital projects sinking fund:	
PRE and Non-PRE	0.30

3. Compensated absences

The District's policies generally provide for granting vacation or sick leave with pay. The current and long-term liability for compensated absences and termination benefits is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in the governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS AND INVESTMENTS

The District had no investments at June 30, 2013.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2013, the District did not have investments in commercial paper and corporate bonds.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2013, $14,382,081 of the District's bank balance of $14,882,081 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is $12,924,933.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

At June 30, 2013, the carrying amount is as follows:

Deposits	$ 12,526,100

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

The above amounts are reported in the financial statements as follows:

Cash - agency fund	$ 918,829
Investments - agency fund	22,228
Government wide:	
Cash	11,585,043
Restricted cash - capital projects	398,833
	$ 12,924,933

NOTE 3 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Assets not being depreciated:				
Land	$ 6,050,248	$ -	$ -	$ 6,050,248
Other capital assets:				
Buildings and improvements	173,744,845	262,497	-	174,007,342
Furniture and equipment	34,894,653	109,958	-	35,004,611
Buses and other vehicles	6,132,682	626,604	857,132	5,902,154
Subtotal	214,772,180	999,059	857,132	214,914,107
Accumulated depreciation:				
Buildings and improvements	54,765,762	3,158,909	-	57,924,671
Furniture and equipment	33,283,391	549,788	-	33,833,179
Buses and other vehicles	3,686,019	431,420	788,153	3,329,286
Total accumulated depreciation	91,735,172	4,140,117	788,153	95,087,136
Net capital assets being depreciated	123,037,008	(3,141,058)	68,979	119,826,971
Net governmental capital assets	$ 129,087,256	$ (3,141,058)	$ 68,979	$ 125,877,219

Depreciation expense for the fiscal year ended June 30, 2013 amounted to $4,140,117 and was not allocated.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2013 consist of the following:

State aid	$ 9,088,600
Federal revenue	901,638
Intermediate sources	769,068
	$ 10,759,306

No allowance for doubtful accounts is considered necessary based on previous experience.

NOTE 5 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2013:

	Accumulated compensated absences and termination benefits	Bonds and other debt	Total
Balance, July 1, 2012 (as restated)	$ 214,556	$ 119,202,692	$ 119,417,248
Additions	-	67,802,100	67,802,100
Deletions	(39,225)	(76,336,865)	(76,376,090)
Balance, June 30, 2013	175,331	110,667,927	110,843,258
Due within one year	17,533	7,576,096	7,593,629
Due in more than one year	$ 157,798	$ 103,091,831	$ 103,249,629

NOTE 5 - LONG-TERM DEBT (Continued)

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

1992 refunding bonds - due in annual installments of $1,141,096 to $1,286,416 through May 1, 2020 with interest at 6.350% to 6.400%; including accreted interest on capital appreciation bonds of $22,514,117.	$ 31,036,237
2005 refunding bonds - due in annual installments of $885,000 to $2,040,000 through May 1, 2022 with interest from 4.000% to 5.000%.	9,695,000
2008 refunding bonds - due in annual installments of $180,000 to $900,000 through May 1, 2026 with interest from 3.750% to 4.130%.	8,450,000
2012 Series A refunding bonds - due in annual installments of $245,000 to $4,345,000 through May 1, 2032 with interest from 2.000% to 5.000%.	40,690,000
2012 Series B refunding bonds - due in annual installments of $1,720,000 to $2,580,000 through May 1, 2020 with interest from 3.000% to 5.000%.	16,120,000
Plus: premium on bond refunding	4,676,690
Total general obligation debt	110,667,927
Obligation under contract for compensated absences and termination benefits	175,331
Total general long-term debt	$ 110,843,258

On August 3, 2012, West Ottawa Public Schools issued general obligation bonds of $62,895,000 to advance refund a portion of the District's outstanding bonds. The refunding bond issue is broken down into two components, Series A ("Qualified" bonds) and Series B ("Non-Qualified" bonds). The bonds mature at various times through May 2032. The general obligation bonds were issued at a premium after paying issuance costs of $220,231, the net proceeds were $67,581,868. The net proceeds from the issuance of the general obligation bonds, along with a $603,000 contribution from the District, were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance defeasance and the term bonds were removed from the District's government-wide financial statements. The reacquisition price was less than the net carrying amount of the old debt by $216,889. This amount is being included in the deferred inflows of resources and is amortized over the remaining life of the refunded debt.

As a result of the advance refunding, the District reduced its total debt service requirements by $7,683,694, which resulted in an economic gain (difference between the present value of the old debt service payment on the old and new debt) of $7,082,173.

NOTE 5 - LONG-TERM DEBT (Concluded)

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2013, $90,705,000 of bonds outstanding are considered defeased.

The annual requirements to amortize debt outstanding as of June 30, 2013, including interest payments of $61,653,648 are as follows:

Year ending June 30,	Principal	Interest	Total
2014	$ 7,576,096	$ 6,439,747	$ 14,015,843
2015	5,807,729	6,626,053	12,433,782
2016	5,553,522	6,882,260	12,435,782
2017	5,282,650	7,154,281	12,436,931
2018	4,966,750	7,467,681	12,434,431
2019 - 2023	24,060,373	21,516,280	45,576,653
2024 - 2028	20,440,000	4,433,783	24,873,783
2029 - 2032	9,790,000	1,133,563	10,923,563
	83,477,120	61,653,648	145,130,768
Accreted interest on capital appreciation bonds	22,514,117	-	22,514,117
Premium on bond refunding	4,676,690	-	4,676,690
Accumulated compensated absences and termination benefits	175,331	-	175,331
	$ 110,843,258	$ 61,653,648	$ 172,496,906

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2013 are as follows:

Receivable fund		Payable fund	
General fund	$ 100,244	Capital projects	$ 100,244

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description - The District participates in the statewide Michigan Public School Employees' Retirement System (System) which is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111. It is also available at http://www.michigan.gov/orsschools.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

Benefit Provisions - Pension

Introduction

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members. A DB member or Pension Plus hybrid plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Benefit Provisions - Pension (Continued)

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012, subsequently amended to February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

<u>Option 1</u> - members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan members: 4% contribution
- MIP-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

<u>Option 2</u> -members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Benefit Provisions - Pension (Concluded)

Option 3 - members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their *total* years of service), they would also receive a pension (calculated based on years of service and Final Average Compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus hybrid plan described above and a Defined Contribution (DC) plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period to elect to opt out of the Pension Plus hybrid plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus hybrid plan. If they elect to opt out of the Pension Plus hybrid plan, their participation in the DC plan will be retroactive to their date of hire.

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Funding Policy

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first $5,000; 3.6% of $5,001 through $15,000; 4.3% of all wages over $15,000. 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.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan Member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Employer Contributions

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the period October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. 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 were equal to the required contribution for those years.

The School District's contributions to MPSERS are as follows:

Fiscal Year Ending June 30,	Contributions to MPSERS
2013	$ 10,702,034
2012	9,867,343
2011	8,463,556

Included in the amounts paid above, the District received $810,221 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2013.

PA 464 Retirees Returning to Work, effective December 27, 2012 also requires applicable employer contributions to the defined benefit and defined contribution plans. These amounts if any are included in the amounts paid above.

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Contribution rates

Fiscal Year 2013 — Effective February 1, 2013 Public School Employee Pension Rates (FYE Sept. 30th)	Basic MIP	Pension Plus	Pension Plus PHF - First worked after 9/3/12	Pension Plus to DC with PHF First worked after 9/3/12	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
DB Contributions							
Pension Normal Cost	2.43%	2.24%	2.24%	0.00%	0.00%	0.00%	2.43%
Pension UAL	11.42%	11.42%	11.42%	11.42%	11.42%	11.42%	11.42%
Pension Early Retirement Incentive	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Pension Contributions - Total Rate	**15.21%**	**15.02%**	**15.02%**	**12.78%**	**12.78%**	**12.78%**	**15.21%**
Health Normal Cost	0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL	8.18%	8.18%	8.18%	8.18%	8.18%	8.18%	8.18%
Health Contributions - Total Rate	**9.11%**	**9.11%**	**8.18%**	**8.18%**	**9.11%**	**8.18%**	**8.18%**
Total	**24.32%**	**24.13%**	**23.20%**	**20.96%**	**21.89%**	**20.96%**	**23.39%**
DC Contributions							
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%
Total	**0.00%**	**1.00%**	**3.00%**	**5.00%**	**4.00%**	**6.00%**	**2.00%**

4 months ended 1/31/2013 Public School Employee Pension Rates (FYE Sept. 30th)	First worked before 7/1/10	First worked between 6/30/10 and 9/3/12	Pension Plus and First worked after 9/3/12	Elected DC and First worked after 9/3/12
Pension Normal Cost (Prefunded)	3.47%	2.24%	2.24%	0.00%
Pension Unfunded Accrued Liability	11.42%	11.42%	11.42%	11.42%
Early Retirement Incentive Program	1.36%	1.36%	1.36%	1.36%
Pension Total Rate	**16.25%**	**15.02%**	**15.02%**	**12.78%**
Retiree Health Care Contribution (Cash basis)	0.93%	0.93%	0.00%	0.00%
Surcharge due to Injunction	8.18%	8.18%	8.18%	8.18%
Health Total Rate	**9.11%**	**9.11%**	**8.18%**	**8.18%**
Total	**25.36%**	**24.13%**	**23.20%**	**20.96%**

Fiscal Years 2012 and 2011

Public School Employee Pension Rates (FYE Sept. 30th)	FY 2011 - 2012 before 7/1/10	FY 2011 - 2012 First worked after 6/30/10	11 months ended 9/30/11 First worked before 7/1/10	11 months ended 9/30/11 First worked after 6/30/10	1 month ended 10/31/10 First worked before 7/1/10	1 month ended 10/31/10 First worked after 6/30/10
Pension Normal Cost (Prefunded)	3.47%	2.24%	3.74%	2.24%	3.74%	2.24%
Pension Unfunded Accrued Liability	12.49%	12.49%	8.42%	8.42%	8.42%	8.42%
Early Retirement Incentive Program	0.00%	0.00%	N/A	N/A	N/A	N/A
Pension Total Rate	**15.96%**	**14.73%**	**12.16%**	**10.66%**	**12.16%**	**10.66%**
Retiree Health Care Contribution (Cash basis)	5.50%	5.50%	5.50%	5.50%	7.25%	7.25%
Surcharge due to Injunction	3.00%	3.00%	3.00%	3.00%	N/A	N/A
Health Total Rate	**8.50%**	**8.50%**	**8.50%**	**8.50%**	**7.25%**	**7.25%**
Total	**24.46%**	**23.23%**	**20.66%**	**19.16%**	**19.41%**	**17.91%**

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Benefit Provisions - Other Postemployment

Introduction

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, is currently funded on a cash disbursement basis. Beginning fiscal year 2013, it will be funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012.

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

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Benefit Provisions - Other Postemployment (Continued)

Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September 3, 2012 who are rehired on or after September 4, 2012, will contribute 3% contribution to retiree healthcare and will retain the subsidy benefit. Returning members who made the retirement healthcare election will retain whichever option they chose.

Those who elected to retain the premium subsidy continue to annually contribute 3% of compensation into the health care funding account. A member or former member age 60 or older, who made the 3% healthcare contributions but who does not meet eligibility requirements may request a refund of their contributions. Similarly, if a retiree dies before the total value of the insurance subsidy paid equals the total value of the contributions the member made, and there are no eligible dependents, the beneficiary may request a refund of unused funds. Refunds of member contributions to the healthcare funding account are issued as a supplemental benefit paid out over a 60 month period.

1. Retirees with at least 21 years of service, who terminate employment after October 31, 1980, with vested deferred benefits, are eligible for subsidized employer paid health benefit coverage.

2. A delayed subsidy applies to retirees who became a member of the retirement system before July 1, 2008 and who purchased service credit on or after July 1, 2008. Such individuals are eligible for premium subsidy benefits at age 60 or when they would have been eligible to retire without having made a service purchase, whichever comes first. They may enroll in the insurances earlier, but are responsible for the full premium until the premium subsidy begins.

Under Public Act 300 of 2012, the state no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2012. Instead, all new employees will be placed into the Personal Healthcare Fund where they will have support saving for retirement healthcare costs in the following ways:

- They will be automatically enrolled in a 2% employee contribution into a 457 account as of their date of hire, earning them a 2% employer match into a 401(k) account.

- They will receive a credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be $2,000 for participants who are at least 60 years of age at termination or $1,000 for participants who are less than 60 years of age at termination.

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Concluded)

Benefit Provisions - Other Postemployment (Concluded)

Participants in the Personal Healthcare Fund, who become disabled for any reason, are not eligible for any employer funded health insurance premium subsidy. If a PHF participant suffers a non-duty related death, his or her health benefit dependents are not eligible to participate in any employer funded health insurance premium subsidy. If a PHF participant suffers a duty death, the state will pay the maximum health premium allowed by statute for the surviving spouse and health benefit dependents. The spouses' insurance subsidy may continue until his or her death, the dependents' subsidy may continue until their eligibility ends (through marriage, age, or other event). Upon eligibility for a duty death benefit, the 2% employer matching contributions and related earnings in the PHF 401(k) are forfeited and the state will pay for the subsidy payments. The beneficiaries receive the member's personal contributions and related earnings in the PHF 457 account.

Other Information

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retiree health care trust at MPSERS. As a result, the State has adjusted the contribution rate due on employees' wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus members. In March 2011, the Court of Claims granted the plaintiffs' motions for summary disposition finding that the mandatory 3% contribution violated both the U.S. and Michigan constitutions. The State appealed the ruling to the Michigan Court of Appeals. The Court of Appeals accepted the appeal and ordered an expedited review. The Court of Appeals also granted the State's motion for a stay of proceedings and ordered that the 3% deduction continue to be collected and placed into an escrow account until further order of the Court.

On August 16, 2012 the State of Michigan Court of Appeals affirmed the trial court's orders granting summary dispositions in favor of the plaintiffs in each of the cases before it, terminating the stay ordered by this Court on March 18, 2011. The State of Michigan has appealed the decision to the Michigan Supreme Court. The Office of Retirement Services is instructing Michigan public school employers to continue withholding the 3% contribution. Should the plaintiffs prevail, the escrowed funds will be returned to the employees.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - RISK MANAGEMENT (Concluded)

The District participates in the MASB-SEG Property Casualty Pool program. This program provides substantially all the insurance needs of the District, including property, general liability, automobile, and umbrella. The contributions made by the District fund the program at rates predicated on expected losses, excess insurance premium contribution, and administration costs, including appropriate state assessment. The members of the trust have contributed amounts sufficient to fund individual and aggregate losses of up to $1,000,000 each, along with a $5,000,000 umbrella coverage.

The District is insured for health benefits through the West Michigan Health Insurance Pool for certain employees of the District which includes medical coverage, of which hospitalization is a component, and prescription drug coverage. The pool pays the first $100,000 of claims for every participant. The District has purchased excess insurance to cover claims exceeding this amount, both individually and in the aggregate.

The District is insured under the Michigan Workers Disability Compensation Act through the SEG Workers' Compensation Fund. The fund (risk-sharing pool) pays the first $750,000 of any workers' compensation and $1,000,000 employers' liability exposure.

The District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District. The District believes that any claims incurred but not reported would be insignificant.

NOTE 9 - TRANSFERS

The food service fund transferred $192,500 to the general fund. The transfer from the food service fund was made to allocate indirect costs between the funds. The general fund transferred $32,270 to the food service fund. The transfer from the general fund was made to comply with requirements in Section 206 of the Healthy, Hunger-Free Kids Act of 2010. Also, various transfers were made between the debt service funds to allocate fund balances from paid-off bond issues.

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 11 - NEW ACCOUNTING STANDARDS

For the year end June 30, 2013 the District implemented the following new pronouncements:

GASB Statement 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Summary:

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants AICPA) Committee on Accounting Procedure

GASB Statements 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement 65 - *Items Previously Reported as Assets and Liabilities.*

Summary:

These Statements provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

NOTE 11 - NEW ACCOUNTING STANDARDS (Concluded)

GASB Statement 65 also states that bond issuance costs should be expensed in the year which they are incurred. As a result, the remaining unamortized bond issuance costs were written off as of July 1, 2012. The restatement of the beginning of the year net position is follows:

	Governmental activities
Net position as previously stated, July 1, 2012	$ 24,399,275
Adoption of GASB 65	(765,136)
Net position as restated, July 1, 2012	$ 23,634,139

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* was issued by the GASB in June 2012 and will be effective for the District's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

REQUIRED SUPPLEMENTARY INFORMATION

WEST OTTAWA PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	$ 11,190,000	$ 10,905,000	$ 10,854,388	$ (50,612)
State sources	44,740,000	46,875,000	46,878,082	3,082
Federal sources	2,900,000	3,000,000	3,053,173	53,173
Incoming transfers and other	6,125,000	5,475,000	5,501,414	26,414
Total revenues	64,955,000	66,255,000	66,287,057	32,057
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	37,300,000	37,240,000	37,163,815	76,185
Added needs	9,250,000	7,975,000	7,877,830	97,170
Total instruction	46,550,000	45,215,000	45,041,645	173,355
Supporting services:				
Pupil	3,360,000	3,675,000	3,522,959	152,041
Instructional staff	2,121,000	1,760,000	1,738,073	21,927
General administration	481,000	453,000	420,083	32,917
School administration	4,065,000	3,785,000	3,732,852	52,148
Business	740,000	600,000	596,879	3,121
Operation/maintenance	5,500,000	5,435,000	5,434,338	662
Pupil transportation	2,855,000	3,280,000	3,239,750	40,250
Central	1,440,000	1,600,000	1,514,610	85,390
Athletics	1,000,000	1,145,000	1,134,074	10,926
Total supporting services	21,562,000	21,733,000	21,333,618	399,382
Community services	387,000	300,000	294,478	5,522
Total expenditures	68,499,000	67,248,000	66,669,741	578,259
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,544,000)	(993,000)	(382,684)	610,316
OTHER FINANCING SOURCES (USES):				
Transfers in	190,000	190,000	192,500	2,500
Transfers out and other	(35,000)	(80,000)	(75,278)	4,722
Total other financing sources (uses)	155,000	110,000	117,222	7,222
NET CHANGE IN FUND BALANCE	$ (3,389,000)	$ (883,000)	(265,462)	$ 617,538
FUND BALANCE:				
Beginning of year			11,628,164	
End of year			$ 11,362,702	

ADDITIONAL SUPPLEMENTARY INFORMATION

WEST OTTAWA PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2013

	Special revenue	Debt service	Nonmajor capital projects	Total nonmajor funds
ASSETS				
ASSETS:				
Cash and cash equivalents	$ 1,164,105	$ 1,455,685	$ 643,588	$ 3,263,378
Accounts receivable	976	-	6,304	7,280
Property taxes receivable	-	23,085	894	23,979
Intergovernmental receivable	85,965	-	-	85,965
Due from other funds	-	-	100,244	100,244
Prepaids	1,174	-	-	1,174
Inventories	18,284	-	-	18,284
Restricted cash			398,833	398,833
TOTAL ASSETS	$ 1,270,504	$ 1,478,770	$ 1,149,863	$ 3,899,137
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 313	$ -	$ 3,779	$ 4,092
Accrued salaries and related items	58,213	-	-	58,213
Unearned revenue	46,040	-	-	46,040
TOTAL LIABILITIES	104,566	-	3,779	108,345
FUND BALANCES:				
Nonspendable for inventories	18,284	-	-	18,284
Restricted	897,154	1,478,770	395,948	2,771,872
Assigned	250,500	-	750,136	1,000,636
TOTAL FUND BALANCES	1,165,938	1,478,770	1,146,084	3,790,792
TOTAL LIABILITIES AND FUND BALANCES	$ 1,270,504	$ 1,478,770	$ 1,149,863	$ 3,899,137

WEST OTTAWA PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2013

	Special revenue	Debt service	Nonmajor capital projects	Total nonmajor funds
REVENUES:				
Local sources:				
Property taxes	$ -	$ 14,239,656	$ 549,866	$ 14,789,522
Investment earnings	1,254	20,908	3,397	25,559
Food sales	1,041,735	-	-	1,041,735
Tuition	29,947	-	-	29,947
Other	3,578	2,002	290,577	296,157
Total local sources	1,076,514	14,262,566	843,840	16,182,920
State sources	115,181	-	-	115,181
Federal sources	2,425,094	-	-	2,425,094
Total revenues	3,616,789	14,262,566	843,840	18,723,195
EXPENDITURES:				
Current:				
Food service activities	3,357,104	-	-	3,357,104
Child care activities	38,364	-	-	38,364
Capital outlay	9,393	-	393,506	402,899
Debt service:				
Principal repayment	-	7,486,519	-	7,486,519
Interest expense	-	7,029,275	-	7,029,275
Bond issuance costs	-	213,233	-	213,233
Other expense	-	3,041	-	3,041
Total expenditures	3,404,861	14,732,068	393,506	18,530,435
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	211,928	(469,502)	450,334	192,760
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of refunding bonds	-	62,895,000	-	62,895,000
Payment to refunded bond escrows	-	(66,751,890)	-	(66,751,890)
Bond premium	-	4,907,100	-	4,907,100
Transfers in	32,270	744,184	-	776,454
Transfers out	(192,500)	(744,184)	-	(936,684)
Total other financing sources (uses)	(160,230)	1,050,210	-	889,980
NET CHANGE IN FUND BALANCES	51,698	580,708	450,334	1,082,740
FUND BALANCES:				
Beginning of year	1,114,240	898,062	695,750	2,708,052
End of year	$ 1,165,938	$ 1,478,770	$ 1,146,084	$ 3,790,792

WEST OTTAWA PUBLIC SCHOOLS
BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Food Service
ASSETS	
ASSETS:	
Cash and cash equivalents	$ 1,164,105
Accounts receivable	976
Intergovernmental receivable	85,965
Prepaids	1,174
Inventories	18,284
TOTAL ASSETS	$ 1,270,504
LIABILITIES AND FUND BALANCES	
LIABILITIES:	
Accounts payable	$ 313
Accrued salaries and related items	58,213
Unearned revenue	46,040
TOTAL LIABILITIES	104,566
FUND BALANCES:	
Nonspendable for inventories	18,284
Restricted	897,154
Assigned	250,500
TOTAL FUND BALANCES	1,165,938
TOTAL LIABILITIES AND FUND BALANCES	$ 1,270,504

WEST OTTAWA PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2013

	Food Service	Child Care	Totals
REVENUES:			
Sales	$ 1,041,735	$ -	$ 1,041,735
Tuition	-	29,947	29,947
State aid	115,181	-	115,181
Federal aid	2,425,094	-	2,425,094
Investment earnings	1,234	20	1,254
Other	3,578	-	3,578
Total revenues	3,586,822	29,967	3,616,789
EXPENDITURES:			
Salaries	997,151	28,076	1,025,227
Benefits	449,783	9,140	458,923
Purchased services	71,947	-	71,947
Supplies and materials	1,802,427	471	1,802,898
Capital outlay	9,393	-	9,393
Other expenses	35,796	677	36,473
Total expenditures	3,366,497	38,364	3,404,861
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	220,325	(8,397)	211,928
OTHER FINANCING SOURCES (USES):			
Transfers in	32,270	-	32,270
Transfers out	(192,500)	-	(192,500)
Total other financing sources (uses)	(160,230)	-	(160,230)
NET CHANGE IN FUND BALANCES	60,095	(8,397)	51,698
FUND BALANCES:			
Beginning of year	1,105,843	8,397	1,114,240
End of year	$ 1,165,938	$ -	$ 1,165,938

WEST OTTAWA PUBLIC SCHOOLS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2013

	1992	2005	2008 Refunding	2012A	2012B	Total Debt Service
ASSETS						
ASSETS:						
Cash and cash equivalents	$ 512,491	$ 164,370	$ 85,001	$ 380,090	$ 313,733	$ 1,455,685
Taxes receivable	6,583	3,620	12,882	-	-	23,085
TOTAL ASSETS	$ 519,074	$ 167,990	$ 97,883	$ 380,090	$ 313,733	$ 1,478,770
FUND BALANCES						
FUND BALANCES:						
Restricted for debt service	$ 519,074	$ 167,990	$ 97,883	$ 380,090	$ 313,733	$ 1,478,770

WEST OTTAWA PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

	1992	2002A	2002B	2005	2008 Refunding	2012A	2012B	Total Debt Service
REVENUES:								
Local sources:								
Property taxes	$ 4,262,382	$ 394,396	$ 321,019	$ 553,939	$ 717,068	$ 4,583,133	$ 3,407,719	$ 14,239,656
Interest	6,259	580	472	809	1,052	6,731	5,005	20,908
Other	599	55	45	77	100	644	482	2,002
Total revenues	4,269,240	395,031	321,536	554,825	718,220	4,590,508	3,413,206	14,262,566
EXPENDITURES:								
Redemption of bonds	1,101,519	-	-	-	300,000	3,180,000	2,905,000	7,486,519
Interest on bonded debt	2,888,481	921,535	511,444	415,350	349,963	1,433,414	509,088	7,029,275
Bond issuance costs	-	150,406	62,827	-	-	-	-	213,233
Other	1,500	-	-	241	700	400	200	3,041
Total expenditures	3,991,500	1,071,941	574,271	415,591	650,663	4,613,814	3,414,288	14,732,068
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	277,740	(676,910)	(252,735)	139,234	67,557	(23,306)	(1,082)	(469,502)
OTHER FINANCING SOURCES (USES):								
Proceeds from sale of refunding bonds	-	43,870,000	19,025,000	-	-	-	-	62,895,000
Payment to refunded bond escrows	-	(46,808,472)	(19,943,418)	-	-	-	-	(66,751,890)
Bond premium	-	3,680,328	1,226,772	-	-	-	-	4,907,100
Transfers in	-	-	-	-	25,973	403,396	314,815	744,184
Transfers out	(4,285)	(415,395)	(324,000)	(504)	-	-	-	(744,184)
Total other financing sources (uses)	(4,285)	326,461	(15,646)	(504)	25,973	403,396	314,815	1,050,210
NET CHANGE IN FUND BALANCES	273,455	(350,449)	(268,381)	138,730	93,530	380,090	313,733	580,708
FUND BALANCES:								
Beginning of year	245,619	350,449	268,381	29,260	4,353	-	-	898,062
End of year	$ 519,074	$ -	$ -	$ 167,990	$ 97,883	$ 380,090	$ 313,733	$ 1,478,770

WEST OTTAWA PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2013

	Sinking Fund	Building Transfer	Total Nonmajor Capital Projects
ASSETS			
ASSETS:			
Cash	$ -	$ 643,588	$ 643,588
Accounts receivable	-	6,304	6,304
Due from other funds	-	100,244	100,244
Taxes receivable	894	-	894
Restricted cash	398,833	-	398,833
TOTAL ASSETS	$ 399,727	$ 750,136	$ 1,149,863
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 3,779	$ -	$ 3,779
TOTAL LIABILITIES	3,779	-	3,779
FUND BALANCES:			
Restricted	395,948	-	395,948
Assigned	-	750,136	750,136
TOTAL FUND BALANCES	395,948	750,136	1,146,084
TOTAL LIABILITIES AND FUND BALANCES	$ 399,727	$ 750,136	$ 1,149,863

WEST OTTAWA PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2013

	Sinking Fund	Building Transfer	Total Nonmajor Capital Projects
REVENUES:			
Property taxes	$ 549,866	$ -	$ 549,866
Investment earnings	1,536	1,861	3,397
Other	20,600	269,977	290,577
Total revenues	572,002	271,838	843,840
EXPENDITURES:			
Capital outlay	393,506	-	393,506
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	178,496	271,838	450,334
FUND BALANCES:			
Beginning of year	217,452	478,298	695,750
End of year	$ 395,948	$ 750,136	$ 1,146,084

WEST OTTAWA PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2013

1992 Refunding Bonds

			Interest due		
June 30,	Interest rate	Principal due May 1,	May 1	November 1	Total due annually
2014	6.35%	$ 1,141,096	$ 3,258,904	$ -	$ 4,400,000
2015	6.40%	1,162,729	3,662,272	-	4,825,001
2016	6.40%	1,193,522	4,081,479	-	5,275,001
2017	6.40%	1,222,650	4,532,350	-	5,755,000
2018	6.40%	1,246,750	5,003,250	-	6,250,000
2019	6.40%	1,268,957	5,506,042	-	6,774,999
2020	6.40%	1,286,416	6,028,583	-	7,314,999
Total 1992 bonded debt		$ 8,522,120	$ 32,072,880	$ -	$ 40,595,000

The above bonds dated September 29, 1992 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was $51,425,000.

WEST OTTAWA PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2013

2005 Refunding Bonds

June 30,	Interest rate	Principal due May 1,	Interest due May 1	Interest due November 1	Total due annually
2014	5.00%	$ 970,000	$ 207,675	$ 207,675	$ 1,385,350
2015	5.00%	885,000	183,425	183,425	1,251,850
2016	5.00%	900,000	161,300	161,300	1,222,600
2017	4.00%	950,000	138,800	138,800	1,227,600
2018	4.00%	985,000	119,800	119,800	1,224,600
2019	4.00%	1,020,000	100,100	100,100	1,220,200
2020	4.00%	1,060,000	79,700	79,700	1,219,400
2021	4.00%	2,040,000	58,500	58,500	2,157,000
2022	4.00%	885,000	17,700	17,700	920,400
Total 2005 bonded debt		$ 9,695,000	$ 1,067,000	$ 1,067,000	$ 11,829,000

The above bonds dated August 8, 2005 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was $9,695,000.

WEST OTTAWA PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2013

2008 Refunding Bonds

			Interest due		
June 30,	Interest rate	Principal due May 1,	May 1	November 1	Total due annually
2014	3.75%	$ 615,000	$ 169,356	$ 169,356	$ 953,712
2015	4.00%	595,000	157,825	157,825	910,650
2016	4.00%	535,000	145,925	145,925	826,850
2017	4.00%	460,000	135,225	135,225	730,450
2018	4.00%	380,000	126,025	126,025	632,050
2019	4.00%	285,000	118,425	118,425	521,850
2020	4.00%	180,000	112,725	112,725	405,450
2021	4.00%	900,000	109,125	109,125	1,118,250
2022	4.00%	900,000	91,125	91,125	1,082,250
2023	4.00%	900,000	73,125	73,125	1,046,250
2024	4.00%	900,000	55,125	55,125	1,010,250
2025	4.13%	900,000	37,125	37,125	974,250
2026	4.13%	900,000	18,563	18,563	937,126
Total 2008 bonded debt		$ 8,450,000	$ 1,349,694	$ 1,349,694	$ 11,149,388

The above bonds dated March 24, 2008 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was $9,975,000.

WEST OTTAWA PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2013

2012 Series A Refunding Bonds

June 30,	Interest rate	Principal due May 1,	Interest due May 1	Interest due November 1	Total due annually
2014	3.000%	$ 2,270,000	$ 915,041	$ 915,040	$ 4,100,081
2015	3.000%	615,000	880,991	880,990	2,376,981
2016	3.000%	455,000	871,766	871,765	2,198,531
2017	2.000%	245,000	864,941	864,940	1,974,881
2018		-	862,491	862,490	1,724,981
2019		-	862,491	862,490	1,724,981
2020		-	862,491	862,490	1,724,981
2021	5.000%	2,050,000	862,491	862,490	3,774,981
2022	5.000%	3,290,000	811,241	811,240	4,912,481
2023	5.000%	4,235,000	728,991	728,990	5,692,981
2024	5.000%	4,270,000	623,116	623,115	5,516,231
2025	5.000%	4,310,000	516,366	516,365	5,342,731
2026	5.000%	4,345,000	408,616	408,615	5,162,231
2027	3.500%	2,400,000	299,991	299,991	2,999,982
2028	3.625%	2,415,000	257,991	257,991	2,930,982
2029	3.750%	2,435,000	214,219	214,219	2,863,438
2030	3.750%	2,450,000	168,563	168,563	2,787,126
2031	5.000%	2,450,000	122,625	122,625	2,695,250
2032	5.000%	2,455,000	61,375	61,375	2,577,750
Total 2012 Series A bonded debt		$ 40,690,000	$ 11,195,797	$ 11,195,784	$ 63,081,581

The above bonds dated August 3, 2012 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was $76,745,000.

WEST OTTAWA PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2013

2012 Series B Refunding Bonds

June 30,	Interest rate	Principal due May 1,	Interest due May 1	Interest due November 1	Total due annually
2014	3.00%	$ 2,580,000	$ 298,350	$ 298,350	$ 3,176,700
2015	3.00%	2,550,000	259,650	259,650	3,069,300
2016	4.00%	2,470,000	221,400	221,400	2,912,800
2017	4.00%	2,405,000	172,000	172,000	2,749,000
2018	4.00%	2,355,000	123,900	123,900	2,602,800
2019	5.00%	2,040,000	76,800	76,800	2,193,600
2020	3.00%	1,720,000	25,800	25,800	1,771,600
Total 2012 Series B bonded debt		$ 16,120,000	$ 1,177,900	$ 1,177,900	$ 18,475,800

The above bonds dated August 3, 2012 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was $34,940,000.

WEST OTTAWA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued revenue July 1, 2012	Prior year expenditures (memo only)	Adjustments and transfers	Current year expenditures	Current year cash receipts	Accrued revenue June 30, 2013
U.S. Department of Agriculture:									
Passed through Michigan Department of Education:									
Child Nutrition Cluster:									
Non-Cash Assistance (Commodities):									
Entitlement Commodities	10.555		$ 202,641	$ -	$ -	$ -	$ 202,641	$ 202,641	$ -
Non-Cash Assistance Subtotal			202,641	-	-	-	202,641	202,641	-
Cash Assistance:									
National School Breakfast Program	10.553	131970	303,066	-	-	-	303,066	293,183	9,883
National School Breakfast Program	10.553	121970	320,370	11,245	286,709	-	33,661	44,906	-
			623,436	11,245	286,709	-	336,727	338,089	9,883
National School Lunch Program - Free & Reduced	10.555	131960	1,525,227	-	-	-	1,525,227	1,487,034	38,193
National School Lunch Program - Free & Reduced	10.555	121960	1,546,896	41,240	1,355,609	-	191,287	232,527	-
			3,072,123	41,240	1,355,609	-	1,716,514	1,719,561	38,193
National School Lunch Program - Afterschool Snack	10.555	131980	9,102	-	-	-	9,102	9,076	26
National School Lunch Program - Afterschool Snack	10.555	121980	11,214	104	10,669	-	545	649	-
			20,316	104	10,669	-	9,647	9,725	26
Summer Food Service Program	10.559	120900/121900	52,243	-	-	-	52,243	38,303	13,940
Summer Food Service Program	10.559	110900/111900	53,837	16,757	53,837	-	-	16,757	-
			106,080	16,757	53,837	-	52,243	55,060	13,940
Cash Assistance Subtotal			3,821,955	69,346	1,706,824	-	2,115,131	2,122,435	62,042
Total Child Nutrition Cluster			4,024,596	69,346	1,706,824	-	2,317,772	2,325,076	62,042

The accompanying notes are an integral part of this schedule.

WEST OTTAWA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued revenue July 1, 2012	Prior year expenditures (memo only)	Adjustments and transfers	Current year expenditures	Current year cash receipts	Accrued revenue June 30, 2013
U.S. Department of Agriculture (Concluded):									
Passed through Michigan Department of Education:									
Child and Adult Care Food Program	10.558	121920/131920	$ 67,224	$ -	$ -	$ -	$ 67,224	$ 67,224	$ -
Child and Adult Care Food Program	10.558	122010/132010	5,348	-	-	-	5,348	5,348	-
			72,572	-	-	-	72,572	72,572	-
Fresh Fruit and Vegetable Program	10.582	130,950	34,750	-	-	-	34,750	33,156	1,594
Total U.S. Department of Agriculture			4,131,918	69,346	1,706,824	-	2,425,094	2,430,804	63,636
U.S. Department of Education:									
Passed through Michigan Department of Education:									
Title IA - Improving Basic Instruction	84.010	131530-1213	1,179,018	-	-	-	1,075,867	875,800	200,067
Title IA - Improving Basic Instruction	84.010	121530-1112	1,036,271	92,120	973,091	-	-	92,120	-
Title IA - Improving Basic Instruction	84.010	111530-1011	945,419	-	886,608	(1,425)	-	(1,425)	-
			3,160,708	92,120	1,859,699	(1,425)	1,075,867	966,495	200,067
Title IC - Migrant Education (School Year)	84.011	131890-1213	241,748	-	-	-	196,046	173,940	22,106
Title IC - Migrant Education (Summer)	84.011	121890-1112	215,627	12,132	164,800	-	-	12,132	-
Title IC - Migrant Education (Summer)	84.011A	131830-1213	219,894	-	-	-	46,906	-	46,906
Title IC - Migrant Education (School Year)	84.011A	121830-1112	194,647	54,200	54,200	-	114,358	168,558	-
			871,916	66,332	219,000	-	357,310	354,630	69,012
Title IIA - Teacher/Principal Training & Recruiting	84.367	130520-1213	214,299	-	-	-	77,560	75,225	2,335
Title IIA - Teacher/Principal Training & Recruiting	84.367A	120520-1112	254,469	10,241	200,188	-	-	10,241	-
			468,768	10,241	200,188	-	77,560	85,466	2,335

WEST OTTAWA PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued revenue July 1, 2012	Prior year expenditures (memo only)	Adjustments and transfers	Current year expenditures	Current year cash receipts	Accrued revenue June 30, 2013
U.S. Department of Education (Concluded):									
Passed through Michigan Department of Education:									
Title III - English Language Acquisition	84.365A	130590-1213	$ 150,472	$ -	$ -	$ -	$ 145,383	$ 118,000	$ 27,383
Total passed through Michigan Department of Education			4,651,864	168,693	2,278,887	(1,425)	1,656,120	1,524,591	298,797
Passed through Ottawa Area Intermediate School District (OAISD):									
Special Education Cluster:									
I.D.E.A. - Flow Through	84.027A	130450-1213	1,259,047	-	-	-	1,259,047	740,389	518,658
I.D.E.A. - Flow Through	84.027A	120450-1112	1,340,062	519,180	1,340,062	-	-	519,180	-
			2,599,109	519,180	1,340,062	-	1,259,047	1,259,569	518,658
I.D.E.A. - Preschool	84.173A	130460-1213	41,095	-	-	-	41,095	20,548	20,547
I.D.E.A. - Preschool	84.173A	120460-1112	42,965	11,525	42,965	-	-	11,525	-
			84,060	11,525	42,965	-	41,095	32,073	20,547
Total Special Education Cluster			2,683,169	530,705	1,383,027	-	1,300,142	1,291,642	539,205
Homeless Students' Assistance	84.196A	132320-1213	4,068	-	-	-	4,068	4,068	-
Homeless Students' Assistance	84.196A	112320-1112	1,786	1,551	1,786	-	-	1,551	-
			5,854	1,551	1,786	-	4,068	5,619	-
Total passed through Ottawa Area Intermediate School District			2,689,023	532,256	1,384,813	-	1,304,210	1,297,261	539,205
Total U.S. Department of Education			7,340,887	700,949	3,663,700	(1,425)	2,960,330	2,821,852	838,002
U.S. Department of Health and Human Services:									
Passed through Ottawa Area Intermediate School District (OAISD):									
School Based Medicaid	93.778	1213 Program	12,547	-	-	-	12,547	12,547	-
TOTAL FEDERAL AWARDS			$ 11,485,352	$ 770,295	$ 5,370,524	$ (1,425)	$ 5,397,971	$ 5,265,203	$ 901,638

The accompanying notes are an integral part of this schedule.

WEST OTTAWA PUBLIC SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of West Ottawa Public Schools under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of West Ottawa Public Schools, it is not intended to and does not present the financial position or changes in net position of West Ottawa Public Schools.

2. Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. Child Nutrition Cluster (CFDA #10.553, 10.555, and 10.559) and the Special Education Cluster (CFDA #84.027 and 84.173) were audited as major programs, representing 68% of expenditures. The District qualified as high risk auditee status.

4. The threshold for distinguishing Type A and Type B programs was $300,000.

5. Management has utilized the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.

6. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	$ 3,053,173
Other nonmajor governmental fund	2,425,094
Total federal revenue per financial statemetns	5,478,267
Federal revenues not collected within the 60 day window:	
Unearned revenue, June 30, 2012:	
Title IC - Migrant Education (Summer)	(54,200)
Title IA - Improving Basic Instruction	(20,014)
Title IC - Migrant Education (School Year)	(4,117)
Title IIA - Teacher/Principal Training & Recruiting	(3,390)
Adjustment for repayment of Title I A grant funds	1,425
Total expendetures per schedule of expenditures of federal awards	$ 5,397,971

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

Maner Costerisan PC
2425 E. Grand River Ave.
Suite 1
Lansing, MI 48912-3291
T: 517 323 7500
F: 517 323 6346
www.manercpa.com

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*

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
West Ottawa Public Schools

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Ottawa Public Schools as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the West Ottawa Public Schools' basic financial statements and have issued our report thereon dated September 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Ottawa Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the West Ottawa Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the West Ottawa Public Schools' 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 a 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. 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 West Ottawa Public Schools' financial statements are free from 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maner Costerisan PC

September 27, 2013

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

Maner Costerisan PC
2425 E. Grand River Ave.
Suite 1
Lansing, MI 48912-3291
T: 517 323 7500
F: 517 323 6346
www.manercpa.com

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
West Ottawa Public Schools

Report on Compliance for Each Major Federal Program

We have audited West Ottawa Public Schools' compliance 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 West Ottawa Public Schools' major federal programs for the year ended June 30, 2013. West Ottawa Public Schools' 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 its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of West Ottawa Public Schools' 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 West Ottawa Public Schools' compliance with those requirements and performing such other procedures as we considered 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 West Ottawa Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, West Ottawa Public Schools 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 West Ottawa Public Schools 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 West Ottawa Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each 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 West Ottawa Public Schools' 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.

Maner Costerisan PC

September 27, 2013

WEST OTTAWA PUBLIC SCHOOLS
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:	*Unmodified*			
Internal control over financial reporting:				
➢ Material weakness(es) identified ?		Yes	X	No
➢ Significant deficiency(ies) identified ?		Yes	X	No
Noncompliance material to financial statements		Yes	X	No

Federal Awards

Internal control over major programs:				
➢ Material weakness(es) identified ?		Yes	X	No
➢ Significant deficiency(ies) identified ?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*			
Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?		Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, & 10.559	Child Nutrition Cluster
84.027 & 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:	$300,000			
Auditee qualified as low-risk auditee?		Yes	X	No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

WEST OTTAWA PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

Finding 2012-1 Material weakness

Criteria: A material audit adjustment was proposed by the external auditor and accepted and recorded by the client.

Condition: The District recorded an adjustment to correct a material understatement of cash due to the fact cash accounts had not been reconciled to the general ledger throughout the year.

Context: The period for which reconciliations were not being performed corresponds to the time period in which the District experienced turnover in positions critical to the bank reconciliation process and the implementation of new accounting software at the beginning of the year. In addition, the year-end bank reconciliation included two wire transfers as outstanding items which had cleared during the month, effectively reducing cash twice.

Effect: The lack of reconciliations to the general ledger can lead to significant differences in recorded amounts differing from actual. Inaccurate financial information may be used for management decisions and reporting.

Cause: Cash was materially understated on the June 30, 2012 bank reconciliation as a result of bank reconciliations not being completed throughout the year.

Recommendation: The District should implement procedures to review and approve journal entries and perform monthly reconciliations of cash accounts that are also reviewed and approved.

Current Status: No material audit adjustments were proposed during the current engagement.

WEST OTTAWA PUBLIC SCHOOLS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

Finding 2012-2 Significant deficiency

Criteria: The District has limited segregation of duties.

Condition: The District currently has one individual performing multiple functions in the payroll process.

Context: The individual who has the responsibility to add and delete employees can also change the pay rate or other relevant information.

Effect: The current internal control process does not allow adequate segregation of duties.

Cause: One employee performs the key tasks in the payroll internal control process.

Recommendation: The District should utilize the current staff to perform functions across internal control processes and, if necessary, should consider utilizing employees from outside the finance department to improve segregation of duties.

Current status: The District has implemented additional procedures to improve segregation of duties.