

**WEST OTTAWA PUBLIC SCHOOLS**

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

**YEAR ENDED JUNE 30, 2014**

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## 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2014, 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.

### ***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 August 28, 2014 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.

*Maney Costeiran PC*

August 28, 2014

## **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, 2014.

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, 2014 and 2013.

Table 1 West Ottawa Public Schools Net Position (in Millions)			
	2014	2013	Change
Current assets	\$ 70.23	\$ 22.84	\$ 47.39
Capital assets, net	123.28	125.88	(2.60)
Total assets	193.51	148.72	44.79
Long-term liabilities outstanding	147.77	110.84	36.93
Other liabilities	8.43	8.22	0.21
Total liabilities	156.20	119.06	37.14
Deferred inflows of resources	0.54	0.57	(0.03)
Net position:			
Net investment in capital assets	21.20	14.64	6.56
Restricted	2.25	2.24	0.01
Unrestricted	13.32	12.21	1.11
Total net position	\$ 36.77	\$ 29.09	\$ 7.68

The District's long-term liabilities increased with the passing of a bond in May of 2014 for which over \$42 million in bonds, plus approximately \$4 million in bond premium, were sold in June thereby also increasing the current assets of the District as the bond proceeds were received. The net book value of capital assets decreased due to over \$4 million in depreciation with only a modest investment in new capital assets during the year. The increase in Net Position of the District from the previous year can be attributed to the District paying down approximately \$7.5 million in principal on long-term debt, selling its 2014 bonds at a premium, and recognizing an increase in fund balance.

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



### *Capital Assets*

At June 30, 2014, the District had invested over \$195 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 \$3.6 million, bringing accumulated depreciation to \$72.4 million as of June 30, 2014. As a routine part of best business practices the District conducted an appraisal and adjusted total asset values and accumulated depreciation to the current actual values for the first time in over a decade. This resulted in some anomalies when comparing capital asset values from the prior year to fiscal year 2014 but the changes were minor and now the data is verified to be accurate by an independent third party. Due to the cost of this type of appraisal, it is only initiated every five to ten years.

Table 2 West Ottawa Public Schools' Capital Assets				
	2014			2013
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 6,050,248	\$ -	\$ 6,050,248	\$ 6,050,248
Buildings and improvements	173,830,162	60,761,881	113,068,281	116,082,671
Furniture and equipment	10,897,201	8,719,063	2,178,138	1,171,432
Buses and other vehicles	4,939,164	2,956,879	1,982,285	2,572,868
Total	<u>\$ 195,716,775</u>	<u>\$ 72,437,823</u>	<u>\$ 123,278,952</u>	<u>\$ 125,877,219</u>

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, 2014, the District had approximately \$148 million in long-term obligations outstanding. This represents an increase of approximately \$37 million above the amount outstanding at the close of the prior fiscal year. This is the result of issuing new bonds in June 2014 less the principal paid on older debt through routine annual debt payments.

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, 2014 and 2013, the results of operations, on a district-wide basis were:

	2014	2013	Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,289,393	\$ 1,494,648	\$ (205,255)
Operating grants and contributions	13,142,471	11,879,532	1,262,939
General revenues:			
Property taxes	25,629,321	25,353,687	275,634
Investment earnings	43,930	42,596	1,334
State aid - unrestricted	40,102,845	40,510,276	(407,431)
Intermediate sources	5,621,831	5,501,414	120,417
Other	439,708	229,134	210,574
Total revenues	86,269,499	85,011,287	1,258,212
Expenses:			
Instruction	45,505,240	45,071,399	433,841
Support services	20,114,506	20,657,796	(543,290)
Community services	318,932	332,842	(13,910)
Food services	3,308,115	3,302,496	5,619
Outgoing transfers and other transactions	1,639	3,042	(1,403)
Interest on long-term debt	5,710,959	6,048,141	(337,182)
Unallocated depreciation	3,633,795	4,140,117	(506,322)
Total expenses	78,593,186	79,555,833	(962,647)
Change in net position	\$ 7,676,313	\$ 5,455,454	\$ 2,220,859

In most of the above categories, the differences between the 2012-2013 fiscal year and the 2013-2014 fiscal year (change) would be considered well within the normal range. Some notable changes are the increase in operating grants and contributions and the continued decrease in support services' expenditures.

The increase in operating grants and contributions can be attributed to the UAAL Rate Stabilization pass through which has increased significantly from the prior fiscal year. This revenue is offset by payments made to the Office of Retirement Services, resulting in a net zero transaction for the District.

The notable change in support services is associated with continued expense reduction by way of attrition. The District deliberately reduced expenditures outside of the classroom as much as possible rather than affecting learning opportunities for students.

## 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 October (2013) count and 10% of the current year's February (2014) count. The state per-pupil allocation was \$6,966 for 2012-2013 and increased by \$60 per pupil for 2013-2014 to \$7,026 per pupil.

### *Student Enrollment*

The District's enrollment for the fall count of 2013-2014 was 7,249 students. This is a decrease of 154 students or 2.0% from the prior fall. The decrease can be partly attributed to lower birth rates translating into less students. A change in the birthdate cut-off for kindergarten students from December 1 to November 1 did cause a drop of about 45 kindergarten students as less students were eligible to attend kindergarten under the revised law. In the fall of 2014, this date will move from November 1 to October 1 which will result in a further drop in kindergarten students in 2014-2015. Historical data is included below.

<u>Year</u>	<u>Enrollment</u>	<u>Change from Prior Year</u>
Fall 2013	7,249	-154
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 2013-2014 fiscal year, the District's net property tax revenues for general purposes were \$10,629,122. This was an increase of 1.6% from the prior year as property values begin to climb, ultimately mitigating declines associated with reclassification of property 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 \$14,142,074.

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 \$547,435 in 2013.

## *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 \$38.9 million, down nearly \$260,000 from the prior year, with benefit costs up by approximately \$450,000 and equal to approximately \$20.5 million for the fiscal year. The total health benefit costs for 2013-2014 were about \$5.6 million, down approximately \$168,000 from the prior year. The District contributed around \$11.4 million toward employees' pension benefits, an increase of 6.37% over 2012-2013. The remaining benefits consisted of employer contributions toward social security, Medicare, and worker's compensation. Wage and benefit costs were equal to approximately 85% 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 2013-2014 fiscal year, the District amended the general fund budget, with the Board adopting the final changes in June 2014. 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
<b>Total revenues and other financing sources</b>	<u>\$ 65,705,000</u>	<u>\$ 67,150,000</u>	<u>\$ 67,303,702</u>	<u>\$ 153,702</u>	<u>0.23%</u>
<b>Expenditures and other financing uses</b>					
Instruction	\$ 45,490,000	\$ 45,740,000	\$ 45,585,350	\$ 154,650	0.34%
Support services	21,467,000	20,545,000	20,452,180	92,820	0.45%
Community services	321,000	324,000	318,932	5,068	1.56%
Other financing uses	33,000	54,000	61,712	(7,712)	-14.28%
<b>Total expenditures and other financing uses</b>	<u>\$ 67,311,000</u>	<u>\$ 66,663,000</u>	<u>\$ 66,418,174</u>	<u>\$ 244,826</u>	<u>0.37%</u>

The actual revenues and other financing sources for the general fund were \$67,303,702. This is above the final amended budget amount of \$67,150,000 by \$153,702 or 0.23%. The actual general fund expenditures and other financing uses were \$66,418,174. This is below the final amended budget amount of \$66,663,000 by 0.37%. The variances are below 1% and are not significant.

## **Analysis of Financial Position**

The District moved from a general fund deficit in 2012-2013 to a surplus of approximately \$885,000 in 2013-2014. The surplus was made possible by a combination of expenditure reduction efforts, minor revenue increases from the State of Michigan, and the delay of capital expenditures due to the bond issue approved by voters in May 2014.

The accumulated fund balance allows the District to provide appropriate capital investments to sustain long-term viability, allows the District to plan for the future without by subject to the whims of an ever-changing legislature, 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 many State legislators are up for re-election in November 2014. The results of the election, the subsequent "lame duck" session in December, and the new or returning elected officials' willingness to fund public education after the election could bring about significant changes to the financial well-being of West Ottawa Public Schools.
- The current Governor and legislature of the State of Michigan have continued to remove \$396 million designated for K-12 funding to give it to higher education institutions and community colleges annually. State politicians may choose to divert earmarked funds away from K-12 education again in the future.
- In the past two fiscal years and the upcoming fiscal year, available K-12 funding has been 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.
- Further competition from online schools and other untested new educational models approved by the legislature and Governor in recent years could further erode the District's student enrollment in the fall of 2014 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 received approval from the voters to issue \$89.95 million in new bonds on May 6, 2014. The approval will allow the District to make site and building improvement, replace the poorly functioning transportation center, and purchase new buses and technology. The District has already issued over \$47 million in new bonds, including bond premium, and will begin design and construction very soon. This will alleviate pressure on the general fund and sinking fund to pay for all these needs as has been the case since the last bond issue passed in 2002.

## **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 Business Services, West Ottawa Public Schools, Holland, Michigan.

## **BASIC FINANCIAL STATEMENTS**

**WEST OTTAWA PUBLIC SCHOOLS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	<b>Governmental activities</b>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 10,296,562
Investments	3,000,082
Receivables:	
Accounts receivable	28,452
Taxes receivable	28,354
Interest	115,314
Intergovernmental	10,490,988
Inventories	39,330
Prepays	207,488
Restricted cash - capital projects	412,274
Restricted investments - capital projects	45,607,068
Capital assets not being depreciated	6,050,248
Capital assets, net of accumulated depreciation	117,228,704
<b>TOTAL ASSETS</b>	<b>193,504,864</b>
<b>LIABILITIES:</b>	
Accounts payable	169,587
Accrued salaries and related items	6,043,999
Accrued interest	1,398,006
Intergovernmental	118,614
Unearned revenue	695,417
Noncurrent liabilities:	
Due within one year	6,824,963
Due in more than one year	140,948,535
<b>TOTAL LIABILITIES</b>	<b>156,199,121</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred charge on refunding	539,837
<b>NET POSITION:</b>	
Net investment in capital assets	21,202,608
Restricted for food service	1,101,611
Restricted for capital projects	529,600
Restricted for debt service	619,260
Unrestricted	13,312,827
<b>TOTAL NET POSITION</b>	<b>\$ 36,765,906</b>

**WEST OTTAWA PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense)
				revenue and changes in net position
Governmental activities:				
Instruction	\$ 45,505,240	\$ -	\$ 9,471,522	\$ (36,033,718)
Support services	20,114,506	204,213	1,052,391	(18,857,902)
Community services	318,932	-	-	(318,932)
Food services	3,308,115	1,085,180	2,618,558	395,623
Outgoing transfers and other	1,639	-	-	(1,639)
Interest on long-term debt	5,710,959	-	-	(5,710,959)
Unallocated depreciation	3,633,795	-	-	(3,633,795)
Total governmental activities	<u>\$ 78,593,186</u>	<u>\$ 1,289,393</u>	<u>\$ 13,142,471</u>	<u>(64,161,322)</u>
General revenues:				
Property taxes, levied for general purposes				10,534,974
Property taxes, levied for debt service				14,532,941
Property taxes, levied for capital projects sinking fund				561,406
Investment earnings				43,930
State sources				40,102,845
Intermediate sources				5,621,831
Other				439,708
Total general revenues				<u>71,837,635</u>
CHANGE IN NET POSITION				7,676,313
NET POSITION, beginning of year				<u>29,089,593</u>
NET POSITION, end of year				\$ 36,765,906



**WEST OTTAWA PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<b>General Fund</b>	<b>2014 Capital projects fund</b>	<b>Total nonmajor funds</b>	<b>Total governmental funds</b>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 5,498,084	\$ -	\$ 4,798,478	\$ 10,296,562
Investments	3,000,082	-	-	3,000,082
Receivables:				
Property taxes receivable	2,083	-	26,271	28,354
Accounts receivable	16,295	-	12,157	28,452
Interest	-	115,314	-	115,314
Intergovernmental	10,401,542	-	89,446	10,490,988
Due from other funds	15,062	-	-	15,062
Inventories	-	-	39,330	39,330
Prepays	206,354	-	1,134	207,488
Restricted cash - capital projects	-	412,274	-	412,274
Restricted investments - capital projects	-	45,607,068	-	45,607,068
<b>TOTAL ASSETS</b>	<b>\$ 19,139,502</b>	<b>\$ 46,134,656</b>	<b>\$ 4,966,816</b>	<b>\$ 70,240,974</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 98,903	\$ 70,000	\$ 684	\$ 169,587
Accrued salaries and related items	6,030,350	-	13,649	6,043,999
Intergovernmental	114,427	-	4,187	118,614
Due to other funds	-	-	15,062	15,062
Unearned revenue	647,592	-	47,825	695,417
<b>TOTAL LIABILITIES</b>	<b>6,891,272</b>	<b>70,000</b>	<b>81,407</b>	<b>7,042,679</b>

See notes to financial statements.

	<u>General Fund</u>	<u>2014 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories	\$ -	\$ -	\$ 39,330	\$ 39,330
Prepays	206,354	-	1,134	207,488
Restricted:				
Food service	-	-	1,101,611	1,101,611
Capital projects	-	46,064,656	529,600	46,594,256
Debt service	-	-	2,017,266	2,017,266
Assigned:				
Subsequent year expenditures	296,000	-	101,500	397,500
Capital projects	-	-	1,094,968	1,094,968
Unassigned	11,745,876	-	-	11,745,876
<b>TOTAL FUND BALANCES</b>	<u>12,248,230</u>	<u>46,064,656</u>	<u>4,885,409</u>	<u>63,198,295</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 19,139,502</u>	<u>\$ 46,134,656</u>	<u>\$ 4,966,816</u>	<u>\$ 70,240,974</u>

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  
YEAR END JUNE 30, 2014**

<b>Total governmental fund balances</b>	\$ 63,198,295
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred charges on refunding, net of amortization	(539,837)
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
The cost of the capital assets is	195,716,775
Accumulated depreciation is	(72,437,823)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(126,733,200)
Accreted interest on capital appreciation bonds	(20,867,963)
Compensated absences and termination benefits	(172,335)
Accrued interest is not included as a liability in government funds, it is recorded when paid	(1,398,006)
<b>Net position of governmental activities</b>	<u><u>\$ 36,765,906</u></u>

**WEST OTTAWA PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>2014 Capital projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 10,534,974	\$ -	\$ 15,094,347	\$ 25,629,321
Tuition	81,734	-	-	81,734
Investment earnings	15,296	396	28,238	43,930
Food sales	-	-	1,049,624	1,049,624
Other	220,036	-	347,784	567,820
Total local sources	10,852,040	396	16,519,993	27,372,429
State sources	47,676,660	-	141,755	47,818,415
Federal sources	2,950,098	-	2,476,803	5,426,901
Incoming transfers and other	5,624,904	-	-	5,624,904
Net change in fair value of investments	-	(3,354)	-	(3,354)
Total revenues	67,103,702	(2,958)	19,138,551	86,239,295
<b>EXPENDITURES:</b>				
Current:				
Instruction	45,585,350	-	-	45,585,350
Supporting services	20,452,180	-	-	20,452,180
Food service activities	-	-	3,314,534	3,314,534
Community service activities	318,932	-	-	318,932
Capital outlay	-	270,000	574,711	844,711

See notes to financial statements.

	<b>General Fund</b>	<b>2014 Capital projects fund</b>	<b>Total nonmajor funds</b>	<b>Total governmental funds</b>
<b>EXPENDITURES: (Concluded)</b>				
Debt service:				
Principal repayment	\$ -	\$ -	\$ 7,576,096	\$ 7,576,096
Interest	-	-	6,439,748	6,439,748
Bond issuance costs	-	188,122	-	188,122
Other	-	-	1,639	1,639
Total expenditures	<u>66,356,462</u>	<u>458,122</u>	<u>17,906,728</u>	<u>84,721,312</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>747,240</u>	<u>(461,080)</u>	<u>1,231,823</u>	<u>1,517,983</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from issuance of bonds	-	42,500,000	-	42,500,000
Bond premium	-	4,025,736	-	4,025,736
Proceeds from sale of capital assets	-	-	30,204	30,204
Transfer in	200,000	-	35,258	235,258
Transfer out	(32,590)	-	(202,668)	(235,258)
Other	(29,122)	-	-	(29,122)
Total other financing sources (uses)	<u>138,288</u>	<u>46,525,736</u>	<u>(137,206)</u>	<u>46,526,818</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>885,528</u>	<u>46,064,656</u>	<u>1,094,617</u>	<u>48,044,801</u>
<b>FUND BALANCES:</b>				
Beginning of year	<u>11,362,702</u>	<u>-</u>	<u>3,790,792</u>	<u>15,153,494</u>
End of year	<u>\$ 12,248,230</u>	<u>\$ 46,064,656</u>	<u>\$ 4,885,409</u>	<u>\$ 63,198,295</u>

See notes to financial statements.

**WEST OTTAWA PUBLIC SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

<b>Net change in fund balances total governmental funds</b>	<b>\$ 48,044,801</b>
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	(3,633,795)
Capital outlay	1,035,528
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	530,141
Accrued interest payable, end of the year	(1,398,006)
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	(42,500,000)
Payments on debt	7,576,096
Premium on issuance of bonds	(4,025,736)
Net decrease in accretion on bonds	1,646,154
Amortization of bond premium	370,250
Amortization of deferred charges on refunding	27,884
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	175,331
Accrued compensated absences and termination benefits, end of the year	(172,335)
<b>Change in net position of governmental activities</b>	<b><u>\$ 7,676,313</u></b>

**WEST OTTAWA PUBLIC SCHOOLS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2014**

	<u>Agency fund</u>
<b>ASSETS:</b>	
Cash	\$ 890,143
Investments	<u>22,493</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 912,636</u></u>
 <b>LIABILITIES:</b>	
Accounts payable	\$ 10,313
Due to student and other groups	<u>902,323</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 912,636</u></u>

**WEST OTTAWA PUBLIC SCHOOLS  
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 major 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.



**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Presentation - Fund Financial Statements (Continued)**

The major *capital projects fund* includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

The following is a summary of the revenue and expenditures for the 2014 capital projects bond activity since inception through the current fiscal year:

	2014 Bond
Revenues and other financing sources	\$ 46,522,778
Expenditures	\$ 458,122

The above revenue amount includes net bond proceeds of \$46,525,736.

**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 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 building transfer fund* accounts 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 complied 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).

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

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.

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (Concluded)**

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.

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.

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Budgetary Information (Continued)**

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.
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, 2014. The District does not consider these amendments to be significant.

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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.

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**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

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.

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:

<u>Capital asset classes</u>	<u>Lives</u>
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 has no items that qualify for reporting in this category.

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

5. Deferred outflows/inflows of resources (Concluded)

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 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.

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.

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**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

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.

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.



**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Revenues and Expenditures/Expenses (Continued)**

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.

For the year ended June 30, 2014, 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.

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**H. Revenues and Expenditures/Expenses (Concluded)**

4. Long-term obligations (Concluded)

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**

As of June 30, 2014, the district had the following investments:

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted average maturity (years)</b>	<b>Standard &amp; Poor's Rating</b>	<b>%</b>
Fidelity Institutional Treasury Portfolio	\$ 3,484,825	0.0027	N/A	7.16%
United States Treasury Notes	40,692,243	2.4587	AA+	83.67%
Bank of Holland - CD	1,430,000	2.9484	N/A	2.94%
Bank of Holland - CD	1,000,082	0.6318	N/A	2.06%
Bank of Holland - CD	1,000,000	1.6173	N/A	2.06%
Bank of Holland - CD	1,000,000	2.6055	N/A	2.06%
FDIC insured deposit account	7,669	0.0027	N/A	0.02%
US Treasury Debentures	14,824	5.5469	AA+	0.03%
Total fair value	<u>\$ 48,629,643</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>1.9768</u>		

1 day maturity equals 0.0027, one year equals 1.00

**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.

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

**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, 2014, 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, 2014, \$11,985,982 of the District's bank balance of \$12,485,982 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is \$11,598,979.

**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, 2014, the carrying amount is as follows:

Deposits	\$ 11,598,979
Investments	48,629,643
	<u>\$ 60,228,622</u>

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)**

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

Cash and cash equivalents:	
Government wide - unrestricted	\$ 10,296,562
Government wide - restricted	412,274
Agency	890,143
Investments:	
Government wide - unrestricted	3,000,082
Government wide - restricted	45,607,068
Agency	22,493
	<u>\$ 60,228,622</u>

**NOTE 3 - CAPITAL ASSETS**

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

	Balance July 1, 2013	Additions	Deletions	Adjustments	Balance June 30, 2014
Assets not being depreciated:					
Land	\$ 6,050,248	\$ -	\$ -	\$ -	\$ 6,050,248
Other capital assets:					
Buildings and improvements	174,007,342	617,729	-	(794,909)	173,830,162
Furniture and equipment	35,004,611	310,304	-	(24,417,714)	10,897,201
Buses and other vehicles	5,902,154	107,495	751,288	(319,197)	4,939,164
Subtotal	214,914,107	1,035,528	751,288	(25,531,820)	189,666,527
Accumulated depreciation:					
Buildings and improvements	57,924,671	2,951,316	-	(114,106)	60,761,881
Furniture and equipment	33,833,179	303,598	-	(25,417,714)	8,719,063
Buses and other vehicles	3,329,286	378,881	751,288	-	2,956,879
Total accumulated depreciation	95,087,136	3,633,795	751,288	(25,531,820)	72,437,823
Net capital assets being depreciated	119,826,971	(2,598,267)	-	-	117,228,704
Net governmental capital assets	<u>\$ 125,877,219</u>	<u>\$ (2,598,267)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,278,952</u>

Depreciation expense for the fiscal year ended June 30, 2014 amounted to \$3,633,795 and was not allocated.

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at June 30, 2014 consist of the following:

State aid	\$ 8,605,369
Federal revenue	839,631
Intermediate sources	<u>1,045,988</u>
	<u><u>\$ 10,490,988</u></u>

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, 2014:

	Accumulated compensated absences and termination benefits	Bonds and other debt	Total
Balance, July 1, 2013	\$ 175,331	\$ 110,667,927	\$ 110,843,258
Additions	-	46,525,736	46,525,736
Deletions	<u>(2,996)</u>	<u>(9,592,500)</u>	<u>(9,595,496)</u>
Balance, June 30, 2014	172,335	147,601,163	147,773,498
Due within one year	<u>17,234</u>	<u>6,807,729</u>	<u>6,824,963</u>
Due in more than one year	<u><u>\$ 155,101</u></u>	<u><u>\$ 140,793,434</u></u>	<u><u>\$ 140,948,535</u></u>

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM DEBT (Continued)**

Bonds payable at June 30, 2014 is comprised of the following issues:

1992 refunding bonds - due in annual installments of \$1,162,729 to \$1,286,416 through May 1, 2020 with interest at 6.400%; including accreted interest on capital appreciation bonds of \$20,867,963.	\$ 28,248,987
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%.	8,725,000
2008 refunding bonds - due in annual installments of \$180,000 to \$900,000 through May 1, 2026 with interest from 4.000% to 4.130%.	7,835,000
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%.	38,420,000
2012 Series B refunding bonds - due in annual installments of \$1,720,000 to \$2,550,000 through May 1, 2020 with interest from 3.000% to 5.000%.	13,540,000
2014 building and site bonds - due in annual installments of \$1,000,000 to \$3,775,000 through May 1, 2039 with interest from 3.000% to 5.000%	42,500,000
Plus: premium on bond refunding	<u>8,332,176</u>
Total general obligation debt	147,601,163
Obligation under contract for compensated absences and termination benefits	<u>172,335</u>
Total general long-term debt	<u><u>\$ 147,773,498</u></u>

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, 2014, \$84,405,000 of bonds outstanding are considered defeased.

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM DEBT (Concluded)**

The annual requirements to amortize debt outstanding as of June 30, 2014, including interest payments of \$80,742,582 are as follows:

Year ending June 30,	Principal	Interest	Total
2015	\$ 6,807,729	\$ 8,263,045	\$ 15,070,774
2016	6,553,522	8,784,447	15,337,969
2017	6,532,650	9,026,468	15,559,118
2018	6,591,750	9,277,368	15,869,118
2019	6,638,957	9,550,110	16,189,067
2020 - 2024	34,666,416	22,182,024	56,848,440
2025 - 2029	24,830,000	8,467,492	33,297,492
2030 - 2034	15,805,000	3,957,628	19,762,628
2035 - 2039	9,975,000	1,234,000	11,209,000
	118,401,024	80,742,582	199,143,606
Accreted interest on capital appreciation bonds	20,867,963	-	20,867,963
Premium on bond refunding	8,332,176	-	8,332,176
Accumulated compensated absences and termination benefits	172,335	-	172,335
	<u>\$ 147,773,498</u>	<u>\$ 80,742,582</u>	<u>\$ 228,516,080</u>

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2014 are as follows:

Receivable fund	Payable fund
General fund <u>\$ 15,062</u>	Food Service Fund <u>\$ 15,062</u>

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.

## **WEST OTTAWA PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS**

### **NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS**

**Plan Description** - The District participates in the statewide Michigan Public School Employees' Retirement System (MPERS) 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 MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. 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.



**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**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.

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**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 on a prefunded basis. 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 following table. 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
2014	\$ 11,378,795
2013	10,702,034
2012	9,867,343

Included in the amounts paid above, the District received \$1,954,843 and \$810,220 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 years ended June 30, 2014 and 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.

# WEST OTTAWA PUBLIC SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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

		Fiscal Year 2014					
Contribution rates		Effective October 1, 2013					
Public School Employee Pension Rates (FYE Sept. 30th)	Basic MIP	Pension Plus	Pension Plus PHF - First worked after 9/2/13	Pension Plus to DC with PHF First worked after 9/2/13	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
		DB Contributions					
Pension Normal Cost	2.90%	2.67%	2.67%	0.00%	0.00%	0.00%	2.90%
Pension UAL	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%
Pension Early Retirement Incentive	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Pension Contributions - Total Rate	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
Health Normal Cost	0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%
Health Contributions - Total Rate	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
Total	24.79%	24.56%	23.63%	20.96%	21.89%	20.96%	23.86%
		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%
Grand Total	24.79%	25.56%	26.63%	25.96%	25.89%	26.96%	25.86%

		Fiscal Year 2013				
		Effective February 1, 2013				
Public School Employee Pension Rates (FYE Sept. 30th)				Pension Plus to DC with PHF	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF
		Basic MIP	Pension Plus	PHF - First worked after 9/3/12	First worked after 9/3/12	Basic MIP with PHF
<b>Grand Total</b>		<b>24.32%</b>	<b>24.13%</b>	<b>26.20%</b>	<b>25.96%</b>	<b>25.89%</b>

		Fiscal Year 2013			
		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
<b>Total</b>		<b>25.36%</b>	<b>24.13%</b>	<b>23.20%</b>	<b>20.96%</b>

		Fiscal Year 2012			
		FY 2011 - 2012		11 months ended 9/30/11	
Public School Employee Pension Rates (FYE Sept. 30th)		First worked before 7/1/10	First worked after 6/30/10	First worked before 7/1/10	First worked after 6/30/10
<b>Total</b>		<b>24.46%</b>	<b>23.23%</b>	<b>20.66%</b>	<b>19.16%</b>

## **WEST OTTAWA PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS**

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

#### **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. Beginning fiscal year 2013, it is 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.

##### ***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.

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**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.

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 \$200,000 to the general fund. The transfer from the food service fund was made to allocate indirect costs between the funds. The general fund transferred \$32,590 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

**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**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 - UPCOMING ACCOUNTING PRONOUNCEMENT**

Governmental Accounting Standards Board (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 an actuarial calculation. 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. The District is in the progress of evaluating the financial statement impact of this statement and believes the impact of this statement will be significant.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**WEST OTTAWA PUBLIC SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2014**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget</b>
<b>REVENUES:</b>				
Local sources	\$ 11,100,000	\$ 10,835,000	\$ 10,852,040	\$ 17,040
State sources	45,955,000	47,780,000	47,676,660	(103,340)
Federal sources	3,100,000	2,765,000	2,950,098	185,098
Incoming transfers and other	5,350,000	5,570,000	5,624,904	54,904
Total revenues	65,505,000	66,950,000	67,103,702	153,702
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	37,240,000	38,100,000	38,013,229	86,771
Added needs	8,250,000	7,640,000	7,572,121	67,879
Total instruction	45,490,000	45,740,000	45,585,350	154,650
Supporting services:				
Pupil	3,710,000	3,365,000	3,364,906	94
Instructional staff	1,707,000	2,015,000	2,014,383	617
General administration	485,000	450,000	449,041	959
School administration	3,962,000	3,470,000	3,467,188	2,812
Business	605,000	580,000	579,158	842
Operation/maintenance	5,410,000	5,495,000	5,500,296	(5,296)
Pupil transportation	2,800,000	2,485,000	2,483,522	1,478
Central	1,623,000	1,410,000	1,339,048	70,952
Athletics	1,165,000	1,275,000	1,254,638	20,362
Total supporting services	21,467,000	20,545,000	20,452,180	92,820
Community services	321,000	324,000	318,932	5,068
Total expenditures	67,278,000	66,609,000	66,356,462	252,538
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,773,000)	341,000	747,240	406,240
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	200,000	200,000	200,000	-
Transfers out and other	(33,000)	(54,000)	(61,712)	(7,712)
Total other financing sources (uses)	167,000	146,000	138,288	(7,712)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,606,000)</u>	<u>\$ 487,000</u>	<u>885,528</u>	<u>\$ 398,528</u>
<b>FUND BALANCE:</b>				
Beginning of year			11,362,702	
End of year			<u>\$ 12,248,230</u>	



## **ADDITIONAL SUPPLEMENTARY INFORMATION**

**WEST OTTAWA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2014**

	<u>Special revenue Food service</u>	<u>Debt service</u>	<u>Nonmajor capital projects</u>	<u>Total nonmajor funds</u>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 1,190,212	\$ 1,996,005	\$ 1,612,261	\$ 4,798,478
Accounts receivable	673	-	11,484	12,157
Taxes receivable	-	25,292	979	26,271
Intergovernmental receivable	89,446	-	-	89,446
Inventories	39,330	-	-	39,330
Prepays	1,134	-	-	1,134
<b>TOTAL ASSETS</b>	<u>\$ 1,320,795</u>	<u>\$ 2,021,297</u>	<u>\$ 1,624,724</u>	<u>\$ 4,966,816</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 684	\$ -	\$ -	\$ 684
Accrued salaries and related items	13,649	-	-	13,649
Due to other governmental units	-	4,031	156	4,187
Due to other funds	15,062	-	-	15,062
Unearned revenue	47,825	-	-	47,825
<b>TOTAL LIABILITIES</b>	<u>77,220</u>	<u>4,031</u>	<u>156</u>	<u>81,407</u>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories	39,330	-	-	39,330
Prepays	1,134	-	-	1,134
Restricted	1,101,611	2,017,266	529,600	3,648,477
Assigned	101,500	-	1,094,968	1,196,468
<b>TOTAL FUND BALANCES</b>	<u>1,243,575</u>	<u>2,017,266</u>	<u>1,624,568</u>	<u>4,885,409</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,320,795</u>	<u>\$ 2,021,297</u>	<u>\$ 1,624,724</u>	<u>\$ 4,966,816</u>

**WEST OTTAWA PUBLIC SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 2014**

	<u>Special revenue</u>		<u>Nonmajor capital projects</u>	<u>Total nonmajor funds</u>
	<u>Food service</u>	<u>Debt service</u>		
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ -	\$ 14,532,941	\$ 561,406	\$ 15,094,347
Investment earnings	1,315	23,038	3,885	28,238
Food sales	1,049,624	-	-	1,049,624
Other	5,352	-	342,432	347,784
Total local sources	1,056,291	14,555,979	907,723	16,519,993
State sources	141,755	-	-	141,755
Federal sources	2,476,803	-	-	2,476,803
Total revenues	3,674,849	14,555,979	907,723	19,138,551
<b>EXPENDITURES:</b>				
Current:				
Food service activities	3,314,534	-	-	3,314,534
Capital outlay	145,472	-	429,239	574,711
Debt service:				
Principal repayment	-	7,576,096	-	7,576,096
Interest expense	-	6,439,748	-	6,439,748
Other expense	-	1,639	-	1,639
Total expenditures	3,460,006	14,017,483	429,239	17,906,728
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	214,843	538,496	478,484	1,231,823
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	30,204	-	-	30,204
Transfers in	32,590	2,668	-	35,258
Transfers out	(200,000)	(2,668)	-	(202,668)
Total other financing sources (uses)	(137,206)	-	-	(137,206)
<b>NET CHANGE IN FUND BALANCES</b>	77,637	538,496	478,484	1,094,617
<b>FUND BALANCES:</b>				
Beginning of year	1,165,938	1,478,770	1,146,084	3,790,792
End of year	\$ 1,243,575	\$ 2,017,266	\$ 1,624,568	\$ 4,885,409

**WEST OTTAWA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS  
JUNE 30, 2014**

	<u>1992</u>	<u>2005</u>	<u>2008 Refunding</u>	<u>2012A</u>	<u>2012B</u>	<u>Total Debt Service</u>
<b>ASSETS</b>						
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 262,988	\$ 1,061,068	\$ 173,440	\$ 262,173	\$ 236,336	\$ 1,996,005
Taxes receivable	<u>7,212</u>	<u>3,965</u>	<u>14,115</u>	<u>-</u>	<u>-</u>	<u>25,292</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 270,200</u></u>	<u><u>\$ 1,065,033</u></u>	<u><u>\$ 187,555</u></u>	<u><u>\$ 262,173</u></u>	<u><u>\$ 236,336</u></u>	<u><u>\$ 2,021,297</u></u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Due to other governmental units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,031</u>
<b>FUND BALANCES:</b>						
Restricted for debt service	<u>270,200</u>	<u>1,065,033</u>	<u>183,524</u>	<u>262,173</u>	<u>236,336</u>	<u>2,017,266</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 270,200</u></u>	<u><u>\$ 1,065,033</u></u>	<u><u>\$ 187,555</u></u>	<u><u>\$ 262,173</u></u>	<u><u>\$ 236,336</u></u>	<u><u>\$ 2,021,297</u></u>

**WEST OTTAWA PUBLIC SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
DEBT SERVICE FUNDS  
YEAR ENDED JUNE 30, 2014**

	<b>1992</b>	<b>2005</b>	<b>2008 Refunding</b>	<b>2012A</b>	<b>2012B</b>	<b>Total Debt Service</b>
<b>REVENUES:</b>						
Local sources:						
Property taxes	\$ 4,144,232	\$ 2,278,390	\$ 1,040,747	\$ 3,975,462	\$ 3,094,110	\$ 14,532,941
Interest	6,569	3,612	1,650	6,302	4,905	23,038
Total revenues	<u>4,150,801</u>	<u>2,282,002</u>	<u>1,042,397</u>	<u>3,981,764</u>	<u>3,099,015</u>	<u>14,555,979</u>
<b>EXPENDITURES:</b>						
Redemption of bonds	1,141,096	970,000	615,000	2,270,000	2,580,000	7,576,096
Interest on bonded debt	3,258,904	415,350	338,713	1,830,081	596,700	6,439,748
Other	823	241	375	100	100	1,639
Total expenditures	<u>4,400,823</u>	<u>1,385,591</u>	<u>954,088</u>	<u>4,100,181</u>	<u>3,176,800</u>	<u>14,017,483</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(250,022)</u>	<u>896,411</u>	<u>88,309</u>	<u>(118,417)</u>	<u>(77,785)</u>	<u>538,496</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	1,148	632	-	500	388	2,668
Transfers out	-	-	(2,668)	-	-	(2,668)
Total other financing sources (uses)	<u>1,148</u>	<u>632</u>	<u>(2,668)</u>	<u>500</u>	<u>388</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(248,874)</u>	<u>897,043</u>	<u>85,641</u>	<u>(117,917)</u>	<u>(77,397)</u>	<u>538,496</u>
<b>FUND BALANCES:</b>						
Beginning of year	<u>519,074</u>	<u>167,990</u>	<u>97,883</u>	<u>380,090</u>	<u>313,733</u>	<u>1,478,770</u>
End of year	<u>\$ 270,200</u>	<u>\$ 1,065,033</u>	<u>\$ 183,524</u>	<u>\$ 262,173</u>	<u>\$ 236,336</u>	<u>\$ 2,017,266</u>

**WEST OTTAWA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2014**

	<u>Sinking Fund</u>	<u>Building Transfer</u>	<u>Total Nonmajor Capital Projects</u>
<b>ASSETS</b>			
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 528,777	\$ 1,083,484	\$ 1,612,261
Accounts receivable	-	11,484	11,484
Taxes receivable	979	-	979
<b>TOTAL ASSETS</b>	<u>\$ 529,756</u>	<u>\$ 1,094,968</u>	<u>\$ 1,624,724</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Due to other governmental units	\$ 156	\$ -	\$ 156
<b>TOTAL LIABILITIES</b>	<u>156</u>	<u>-</u>	<u>156</u>
<b>FUND BALANCES:</b>			
Restricted	529,600	-	529,600
Assigned	-	1,094,968	1,094,968
<b>TOTAL FUND BALANCES</b>	<u>529,600</u>	<u>1,094,968</u>	<u>1,624,568</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 529,756</u>	<u>\$ 1,094,968</u>	<u>\$ 1,624,724</u>

**WEST OTTAWA PUBLIC SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	<u>Sinking Fund</u>	<u>Building Transfer</u>	<u>Total Nonmajor Capital Projects</u>
<b>REVENUES:</b>			
Property taxes	\$ 561,406	\$ -	\$ 561,406
Investment earnings	1,485	2,400	3,885
Other	-	342,432	342,432
Total revenues	562,891	344,832	907,723
<b>EXPENDITURES:</b>			
Capital outlay	429,239	-	429,239
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	133,652	344,832	478,484
<b>FUND BALANCES:</b>			
Beginning of year	395,948	750,136	1,146,084
End of year	<u>\$ 529,600</u>	<u>\$ 1,094,968</u>	<u>\$ 1,624,568</u>

**WEST OTTAWA PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2014**

1992 Refunding Bonds

<u>June 30,</u>	<u>Interest rate</u>	<u>Principal due May 1,</u>	<u>Interest due</u>		<u>Total due annually</u>
			<u>May 1</u>	<u>November 1</u>	
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%	<u>1,286,416</u>	<u>6,028,583</u>	<u>-</u>	<u>7,314,999</u>
Total 1992 bonded debt		<u>\$ 7,381,024</u>	<u>\$ 28,813,976</u>	<u>\$ -</u>	<u>\$ 36,195,000</u>

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, 2014**

2005 Refunding Bonds

<u>June 30,</u>	<u>Interest rate</u>	<u>Principal due May 1,</u>	<u>Interest due</u>		<u>Total due annually</u>
			<u>May 1</u>	<u>November 1</u>	
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		<u>\$ 8,725,000</u>	<u>\$ 859,325</u>	<u>\$ 859,325</u>	<u>\$ 10,443,650</u>

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, 2014**

2008 Refunding Bonds

June 30,	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
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		<u>\$ 7,835,000</u>	<u>\$ 1,180,338</u>	<u>\$ 1,180,338</u>	<u>\$ 10,195,676</u>

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, 2014**

2012 Series A Refunding Bonds

June 30,	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
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		<u>\$ 38,420,000</u>	<u>\$ 10,280,756</u>	<u>\$ 10,280,744</u>	<u>\$ 58,981,500</u>

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, 2014**

2012 Series B Refunding Bonds

<u>June 30,</u>	<u>Interest rate</u>	<u>Principal due May 1,</u>	<u>Interest due</u>		<u>Total due annually</u>
			<u>May 1</u>	<u>November 1</u>	
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%	<u>1,720,000</u>	<u>25,800</u>	<u>25,800</u>	<u>1,771,600</u>
Total 2012 Series B bonded debt		<u>\$ 13,540,000</u>	<u>\$ 879,550</u>	<u>\$ 879,550</u>	<u>\$ 15,299,100</u>

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  
BONDED DEBT  
JUNE 30, 2014**

2014 Building and Site Bonds

June 30,	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2015	3.000%	\$ 1,000,000	\$ 966,094	\$ 670,898	\$ 2,636,992
2016	3.000%	1,000,000	951,093	951,094	2,902,187
2017	5.000%	1,250,000	936,093	936,094	3,122,187
2018	5.000%	1,625,000	904,843	904,844	3,434,687
2019	5.000%	2,025,000	864,219	864,218	3,753,437
2020		-	813,593	813,594	1,627,187
2021	5.000%	3,775,000	813,593	813,594	5,402,187
2022	5.000%	3,775,000	719,218	719,219	5,213,437
2023	5.000%	1,225,000	624,843	624,844	2,474,687
2024	5.000%	1,275,000	594,219	594,219	2,463,438
2025	5.000%	1,325,000	562,344	562,344	2,449,688
2026	5.000%	1,375,000	529,219	529,219	2,433,438
2027	5.000%	1,425,000	494,844	494,844	2,414,688
2028	3.250%	1,475,000	459,219	459,219	2,393,438
2029	5.000%	1,525,000	435,250	435,250	2,395,500
2030	5.000%	1,575,000	397,125	397,125	2,369,250
2031	3.500%	1,625,000	357,750	357,750	2,340,500
2032	5.000%	1,675,000	329,313	329,313	2,333,626
2033	3.750%	1,750,000	287,438	287,438	2,324,876
2034	5.000%	1,825,000	254,625	254,625	2,334,250
2035	5.000%	1,900,000	209,000	209,000	2,318,000
2036	4.000%	1,950,000	161,500	161,500	2,273,000
2037	4.000%	2,000,000	122,500	122,500	2,245,000
2038	4.000%	2,050,000	82,500	82,500	2,215,000
2039	4.000%	2,075,000	41,500	41,500	2,158,000
Total 2014 bonded debt		<u>\$ 42,500,000</u>	<u>\$ 12,911,935</u>	<u>\$ 12,616,745</u>	<u>\$ 68,028,680</u>

The above bonds dated June 26, 2014 were issued for the purpose of school building and site. The amount of the original bond issue was \$42,500,000.

**WEST OTTAWA PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2014**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued revenue July 1, 2013	Prior year expenditures (memo only)	Current year expenditures	Current year cash receipts	Accrued revenue June 30, 2014
<u>U.S. Department of Agriculture:</u>								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
Non-Cash Assistance (Commodities):								
Entitlement Commodities	10.555		\$ 255,772	\$ -	\$ -	\$ 255,772	\$ 255,772	\$ -
Non-Cash Assistance Subtotal			255,772	-	-	255,772	255,772	-
Cash Assistance:								
National School Breakfast Program	10.553	141970	373,239	-	-	373,239	360,106	13,133
National School Breakfast Program	10.553	131970	303,066	9,883	303,066	41,968	51,851	-
			676,305	9,883	303,066	415,207	411,957	13,133
National School Lunch Program - Free & Reduced	10.555	141960	1,470,129	-	-	1,470,129	1,430,423	39,706
National School Lunch Program - Free & Reduced	10.555	131960	1,525,227	38,193	1,525,227	210,598	248,791	-
			2,995,356	38,193	1,525,227	1,680,727	1,679,214	39,706
National School Lunch Program - Afterschool Snack	10.555	141980	2,289	-	-	2,289	2,261	28
National School Lunch Program - Afterschool Snack	10.555	131980	9,102	26	9,102	166	192	-
			11,391	26	9,102	2,455	2,453	28
Summer Food Service Program	10.559	130900/131900	50,221	-	-	50,221	37,699	12,522
Summer Food Service Program	10.559	120900/121900	52,243	13,940	52,243	-	13,940	-
			102,464	13,940	52,243	50,221	51,639	12,522
Cash Assistance Subtotal			3,785,516	62,042	1,889,638	2,148,610	2,145,263	65,389
Total Child Nutrition Cluster			4,041,288	62,042	1,889,638	2,404,382	2,401,035	65,389

The accompanying notes are an integral part of this schedule.

**WEST OTTAWA PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2014**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued revenue July 1, 2013	Prior year expenditures (memo only)	Current year expenditures	Current year cash receipts	Accrued revenue June 30, 2014
<u>U.S. Department of Agriculture (Concluded):</u>								
Passed through Michigan Department of Education:								
Child and Adult Care Food Program	10.558	142010/141920	\$ 66,586	\$ -	\$ -	\$ 66,586	\$ 66,586	\$ -
Child and Adult Care Food Program	10.558	132010/132020	5,835	-	-	5,835	5,835	-
			72,421	-	-	72,421	72,421	-
Fresh Fruit and Vegetable Program	10.582	130950	34,750	1,594	34,750	-	1,594	-
Total U.S. Department of Agriculture			4,148,459	63,636	1,924,388	2,476,803	2,475,050	65,389
<u>U.S. Department of Education:</u>								
Passed through Michigan Department of Education:								
Title IA - Improving Basic Instruction	84.010	141530-1314	1,046,460	-	-	1,025,728	864,704	161,024
Title IA - Improving Basic Instruction	84.010	131530-1213	1,179,018	200,067	1,075,867	-	200,067	-
			2,225,478	200,067	1,075,867	1,025,728	1,064,771	161,024
Title IC - Migrant Education (School Year)	84.011	141830-1314	171,805	-	-	44,974	-	44,974
Title IC - Migrant Education (School Year)	84.011	131830-1213	219,894	46,906	46,906	126,521	173,427	-
Title IC - Migrant Education (Summer)	84.011A	141890-1314	216,590	-	-	190,662	154,115	36,547
Title IC - Migrant Education (Summer)	84.011A	131890-1213	241,748	22,106	196,046	-	22,106	-
			850,037	69,012	242,952	362,157	349,648	81,521
Title IIA - Teacher/Principal Training & Recruiting	84.367	140520-1314	277,425	-	-	165,837	162,733	3,104
Title IIA - Teacher/Principal Training & Recruiting	84.367	130520-1213	214,299	2,335	77,560	6,771	9,106	-
			491,724	2,335	77,560	172,608	171,839	3,104

The accompanying notes are an integral part of this schedule.

**WEST OTTAWA PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2014**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued revenue July 1, 2013	Prior year expenditures (memo only)	Current year expenditures	Current year cash receipts	Accrued revenue June 30, 2014
<u>U.S. Department of Education (Concluded):</u>								
Passed through Michigan Department of Education:								
Title III - English Language Acquisition	84.365A	140580-1314	\$ 149,144	\$ -	\$ -	\$ 140,364	\$ 128,191	\$ 12,173
Title III - English Language Acquisition	84.365A	130580-1213	150,472	27,383	145,383	-	27,383	-
			<u>299,616</u>	<u>27,383</u>	<u>145,383</u>	<u>140,364</u>	<u>155,574</u>	<u>12,173</u>
Total passed through Michigan Department of Education			<u>3,866,855</u>	<u>298,797</u>	<u>1,541,762</u>	<u>1,700,857</u>	<u>1,741,832</u>	<u>257,822</u>
Passed through Ottawa Area Intermediate School District (OAISD):								
Special Education Cluster:								
I.D.E.A. - Flow Through	84.027A	140450-1314	1,201,056	-	-	1,201,056	700,515	500,541
I.D.E.A. - Flow Through	84.027A	130450-1213	1,259,047	518,658	1,259,047	-	518,658	-
			<u>2,460,103</u>	<u>518,658</u>	<u>1,259,047</u>	<u>1,201,056</u>	<u>1,219,173</u>	<u>500,541</u>
I.D.E.A. - Preschool	84.173A	140460-1314	37,963	-	-	37,963	22,084	15,879
I.D.E.A. - Preschool	84.173A	130460-1213	41,095	20,547	41,095	-	20,547	-
			<u>79,058</u>	<u>20,547</u>	<u>41,095</u>	<u>37,963</u>	<u>42,631</u>	<u>15,879</u>
Total Special Education Cluster			<u>2,539,161</u>	<u>539,205</u>	<u>1,300,142</u>	<u>1,239,019</u>	<u>1,261,804</u>	<u>516,420</u>
Homeless Students' Assistance	84.196A	142320-1314	2,073	-	-	2,073	2,073	-
Total passed through Ottawa Area Intermediate School District			<u>2,541,234</u>	<u>539,205</u>	<u>1,300,142</u>	<u>1,241,092</u>	<u>1,263,877</u>	<u>516,420</u>
Total U.S. Department of Education			<u>6,408,089</u>	<u>838,002</u>	<u>2,841,904</u>	<u>2,941,949</u>	<u>3,005,709</u>	<u>774,242</u>
<u>U.S. Department of Health and Human Services:</u>								
Passed through Ottawa Area Intermediate School District (OAISD):								
School Based Medicaid	93.778	1314 Program	8,149	-	-	8,149	8,149	-
TOTAL FEDERAL AWARDS			<u>\$ 10,564,697</u>	<u>\$ 901,638</u>	<u>\$ 4,766,292</u>	<u>\$ 5,426,901</u>	<u>\$ 5,488,908</u>	<u>\$ 839,631</u>

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, 2014**

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, 2014. 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. Title IA (CFDA #84.010), Title IC (CFDA#84.011 and 84.011A), Title IIA (CFDA#84.367), and the Special Education Cluster (CFDA #84.027 and 84.173) were audited as major programs, representing 52% of expenditures. The District does not qualified as a low risk auditee.
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	\$ 2,950,098
Other nonmajor governmental fund	<u>2,476,803</u>
Total federal revenue per financial statements	<u><u>\$ 5,426,901</u></u>

**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, 2014, 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 August 28, 2014.

**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.

*Maney Costeiran PC*

August 28, 2014

**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, 2014. 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, 2014.

### **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.

*Maney Costerian PC*

August 28, 2014

**WEST OTTAWA PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

**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     No

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
84.010	Title IA
84.011 & 84.011A	Title IC
84.367	Title IIA
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, 2014**

There were no audit findings required to be reported on this schedule for the year ended June 30, 2013.