

**WEST OTTAWA PUBLIC SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional**  
**supplementary information)**  
**YEAR ENDED JUNE 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
West Ottawa Public Schools

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Ottawa Public Schools' management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 13 and 44, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Ottawa Public Schools' basic financial statements. The supplementary information on pages 46 through 58 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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 financial statements. The 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 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 basic financial statements as a whole.

*Maney Costeiran PC*

October 18, 2012

## 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, 2012.

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 and liabilities, 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 assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets 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 assets 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 assets at June 30, 2012 and 2011.

	2012	2011	Change
Current assets	\$ 21.14	\$ 27.10	\$ (5.96)
Capital assets, net	129.09	130.74	(1.65)
Other non-current assets	0.76	0.24	0.52
Total assets	<u>150.99</u>	<u>158.08</u>	<u>(7.09)</u>
Current liabilities	13.85	16.61	(2.76)
Non-current liabilities	112.74	118.65	(5.91)
Total liabilities	<u>126.59</u>	<u>135.26</u>	<u>(8.67)</u>
Net assets:			
Invested in capital assets, net of related debt	10.88	5.87	5.01
Restricted	1.49	0.91	0.58
Unrestricted	12.03	16.04	(4.01)
Total net assets	<u>\$ 24.40</u>	<u>\$ 22.82</u>	<u>\$ 1.58</u>

Current assets decreased due to a decrease in cash and due from other governmental units. The net book value of capital assets decreased due to over \$4 million in depreciation with only a modest investment in new assets during the year.

The District's decrease in accounts payable resulted in a decrease in current liabilities. Meanwhile, long-term liabilities decreased as the District paid off some of its bonds. Although total assets decreased, total *net* assets increased as the District continued to reduce its bonded indebtedness.

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

### Capital Assets

At June 30, 2012, the District had invested over \$220 million in a broad range of capital assets, including school buildings and facilities, site improvements, school buses and other vehicles and various types of equipment. Depreciation expense for the year amounted to approximately \$4.0 million, bringing accumulated depreciation to \$91.7 million as of June 30, 2012.

	2012			2011
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 6,050,248	\$ -	\$ 6,050,248	\$ 6,050,248
Buildings and improvements	173,744,845	54,765,762	118,979,083	121,215,984
Furniture and equipment	34,894,653	33,283,391	1,611,262	1,966,604
Buses and other vehicles	6,132,682	3,686,019	2,446,663	1,509,987
Total	<u>\$ 220,822,428</u>	<u>\$ 91,735,172</u>	<u>\$ 129,087,256</u>	<u>\$ 130,742,823</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, 2012, the District had approximately \$113 million in long-term obligations outstanding. This represents a decrease of approximately \$6 million below the amount outstanding at the close of the prior fiscal year.

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



*Results of Operations*

For the fiscal years ended June 30, 2012 and 2011, the results of operations, on a district-wide basis were:

	2012	2011	Change
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 2,120,738	\$ 2,880,454	\$ (759,716)
Operating grants and contributions	10,457,728	10,354,460	103,268
<b>General revenues:</b>			
Property taxes	24,076,558	24,408,550	(331,992)
Investment earnings	23,231	36,822	(13,591)
State aid - unrestricted	40,119,866	39,871,772	248,094
Federal sources - unrestricted	128,606	2,587,889	(2,459,283)
Intermediate sources	6,484,970	6,972,643	(487,673)
Other	266,829	169,730	97,099
Total revenues	83,678,526	87,282,320	(3,603,794)
<b>Expenses:</b>			
Instruction	45,638,324	45,282,922	355,402
Support services	21,896,188	23,779,284	(1,883,096)
Community services	877,845	476,241	401,604
Food services	3,309,239	3,026,866	282,373
Outgoing transfers and other transactions	6,738	776	5,962
Interest on long-term debt	6,333,589	6,716,136	(382,547)
Unallocated depreciation	4,040,523	4,420,723	(380,200)
Total expenses	82,102,446	83,702,948	(1,600,502)
Change in net assets	\$ 1,576,080	\$ 3,579,372	\$ (2,003,292)

In most of the above categories, the differences between the 2010-2011 fiscal year and the 2011-2012 fiscal year (change) would be considered well within the normal range. Some notable changes are the large decrease in federal revenues, the substantial increase in community services' expenses, and the significant decrease in support services' expenditures.

The decrease in unrestricted federal revenue was due to the expiration of the federal appropriations under ARRA and EduJobs. Very little EduJobs funding was received in 2011-2012 after over \$1.7 million was received in the prior year. The ARRA program ended in 2010-2011.

The notable change in Community Services' expenses is due to an accounting change which resulted in shared time expenditures moving from Instruction expenses to Community Services for staff teaching at local parochial schools. Support Services were down significantly in 2011-2012 as the District reduced expenditures due to State of Michigan funding cuts. 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 fall count and 10% of the prior year's spring count. The state per-pupil allocation was \$7,146 for 2010-2011 and decreased by \$300 per pupil for 2011-2012 to \$6,846 per pupil.

### *Student Enrollment*

The District's enrollment for the fall count of 2011-2012 was 7,441 students. This is a decrease of 43 students or 0.6% from the prior fall. The decrease can be partly attributed to lower birth rates translating into less students entering kindergarten, although school choice is also a contributing factor as well. Historical data is included below.

<u>Year</u>	<u>Enrollment</u>	<u>Change from Prior Year</u>
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 2011-2012 fiscal year, the District's net property tax revenues for general purposes were \$10,687,811. This was a decrease of 6.4% from the prior year as property values dropped and some property was no longer classified as non-Principal Residence Exemption (non-homestead) due to changes in use.

The District levied 7 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 \$12,848,930. This is about a 3% increase over the debt levy from the prior year which was needed to pay higher principal and interest payments due during the year.

### 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 \$40.9 million, down over \$1 million from the prior year, with all benefit costs up by \$500,000 and equal to approximately \$20.9 million for the fiscal year. The total health benefit costs for 2011-2012 were about \$7.2 million, down \$300,000 from the prior year. The District contributed around \$9.9 million toward employees' pension benefits, a substantial increase of 16% over 2010-2011. The remaining benefits consisted of employer contributions toward social security, Medicare, and worker's compensation. Wage and benefit costs were equal to approximately 82% 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 2011-2012 fiscal year, the District amended the general fund budget, with the Board adopting the final changes in June 2012. 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>	\$ 65,063,452	\$ 66,355,000	\$ 66,534,720	\$ 179,720	0.27%
<b>Expenditures and other financing uses</b>					
Instruction	\$ 46,733,766	\$ 46,870,000	\$ 45,663,725	\$ 1,206,275	2.57%
Support services	24,710,802	24,078,000	23,109,550	968,450	4.02%
Community services	59,772	370,000	342,769	27,231	7.36%
Other financing uses	6,500	35,000	32,180	2,820	8.06%
<b>Total expenditures and other financing uses</b>	\$ 71,510,840	\$ 71,353,000	\$ 69,148,224	\$ 2,204,776	3.09%

The actual revenues and other financing sources for the general fund were \$66,534,720. This is above the original budget estimate of \$65,063,452 and is above the final amended budget amount of \$66,355,000 by \$179,720 or 0.3%. The actual general fund expenditures and other financing uses were \$69,148,224. This is below the final amended budget amount of \$71,353,000.

The variance between the actual revenues and the final revenue budgets are due primarily to federal revenues being more than anticipated.

The variance between the actual general fund expenditures and the final expenditure budget was primarily related to the District budgeting for the prior period adjustment (which is not reflected in the figures above) but did have a negative effect on the District's fund balance. The remainder of the variance is due to lower utility expenses than expected as well as some fiscal conservatism as staff reduced expenditures as the State budget picture worsened, putting many spending plans on hold.

### **Analysis of Financial Position**

The financial condition of the District declined from June 30, 2011. The \$2.61 million decrease in the general fund balance was the result of the District losing significant funding from the State of Michigan and federal government during 2011-2012; although the effect was mitigated by significant drops in health benefit costs for employees. In previous years, the District has been able to contain costs while experiencing reductions in state aid and federal fund dollars due to declining enrollment. The District will need to more closely align revenues and expenditures in 2012-2013 and subsequent years.

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

### **Factors Bearing on the District's Future**

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

- The Governor and legislature of the State of Michigan, chose to reduce taxes rather than provide funding for K-12 education while also removing \$396 million from K-12 funding to give it to higher education. Much uncertainty surrounds the level at which districts will be funded in subsequent fiscal years as the State's elected officials have decided that funding for K-12 education is not their priority.
- The District has settled contracts with all of its employees. These concessionary settlements will continue to save the District millions of dollars as employees will be paying for eighteen percent to twenty percent of their health benefit costs. Additionally, employees accepted reductions in future wage increases. The settlements will bring significant savings in 2012-2013, although it cannot be expected that future settlements will balance the District's structural deficit created by annual reductions in State of Michigan funding of \$3.5 million.
- Various ballot proposals will be on the State of Michigan ballot in November 2012. These proposals could have a variety of effects on the District financially both in the near-term and for many years to come.

- The District participates in the Michigan Public School Employees Retirement System (MPSERS). Public Act 300 of 2012 significantly altered the MPSERS program. The legislation is the subject of multiple lawsuits which may have an effect on its implementation and efficacy. MPSERS costs have been increasing significantly each year and are the only area of the District's expenditure budget that is increasing. The legislation results in a reduction in compensation for District employees which may delay employee retirements over the long-term. Without the reduction in costs though, the District needs substantial funding increases annually.
- Continued focus on containing costs to match the size of enrollment will be key in maintaining positive fund balance going forward.
- The District needs to invest in new buses and vehicles, technology equipment, and building improvements in the next two years in order to replace aging equipment, vehicles and inefficient heating and cooling systems. The costs for these purchases will be over \$1.5 million annually.
- The District has experienced reduced property tax revenues as property values have fallen and legislation has changed how commercial and industrial property is taxed. This has had a negative effect on revenues for the District's Repair and Improvement Fund and forced it, repeatedly, to increase the levy for the Debt Retirement Funds in order to make the required principal and interest payments each year.

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

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

**BASIC FINANCIAL STATEMENTS**

**WEST OTTAWA PUBLIC SCHOOLS  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

<b>ASSETS</b>	<b>Governmental activities</b>
<b>CURRENT ASSETS:</b>	
Cash	\$ 11,101,884
Receivables:	
Accounts receivable	98,713
Taxes receivable	17,708
Due from other governmental units	9,358,276
Due from clubs and organizations	20,280
Inventories	48,052
Prepaid expenditures	60,958
Restricted cash - capital projects	<u>432,859</u>
<b>TOTAL CURRENT ASSETS</b>	<u>21,138,730</u>
<b>NONCURRENT ASSETS:</b>	
Deferred charges, net of amortization	765,136
Capital assets	220,822,428
Less accumulated depreciation	<u>(91,735,172)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>129,852,392</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 150,991,122</u></u>

	<b>Governmental activities</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 1,113,017
Accrued salaries and related items	5,153,342
Accrued interest	680,871
Due to other governmental units	58,584
Unearned revenue	395,849
Current portion of long-term obligations	6,431,519
Current portion of compensation absences and termination benefits	21,438
	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	13,854,620
	<hr/>
<b>NONCURRENT LIABILITIES:</b>	
Noncurrent portion of long-term obligations	112,544,109
Noncurrent portion of compensated absences and termination benefits	193,118
	<hr/>
<b>TOTAL NONCURRENT LIABILITIES</b>	112,737,227
	<hr/>
<b>TOTAL LIABILITIES</b>	126,591,847
	<hr/>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	10,876,764
Restricted for food service	1,057,791
Restricted for capital projects	217,452
Restricted for debt service	217,191
Unrestricted	12,030,077
	<hr/>
<b>TOTAL NET ASSETS</b>	24,399,275
	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 150,991,122</u>



**WEST OTTAWA PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net assets</u>
Governmental activities:				
Instruction	\$45,638,324	\$ -	\$ 7,778,452	\$ (37,859,872)
Support services	21,896,188	511,520	322,955	(21,061,713)
Community services	877,845	472,395	-	(405,450)
Food services	3,309,239	1,136,823	2,356,321	183,905
Outgoing transfers and other	6,738	-	-	(6,738)
Interest on long-term debt	6,333,589	-	-	(6,333,589)
Unallocated depreciation	4,040,523	-	-	(4,040,523)
Total governmental activities	<u>\$82,102,446</u>	<u>\$ 2,120,738</u>	<u>\$10,457,728</u>	<u>\$ (69,523,980)</u>
General revenues:				
Property taxes, levied for general purposes				\$ 10,677,549
Property taxes, levied for debt service				12,848,930
Property taxes, levied for capital projects sinking fund				550,079
Investment earnings				23,231
State sources				40,119,866
Federal sources - unrestricted				128,606
Intermediate sources				6,484,970
Other				<u>266,829</u>
Total general revenues				<u>71,100,060</u>
<b>CHANGE IN NET ASSETS</b>				1,576,080
<b>NET ASSETS</b> , beginning of year				<u>22,823,195</u>
<b>NET ASSETS</b> , end of year				<u>\$ 24,399,275</u>

**WEST OTTAWA PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<u>General Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>ASSETS</b>			
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 8,592,935	\$ 2,941,808	\$ 11,534,743
Receivables:			
Property taxes receivable	-	17,708	17,708
Accounts receivable	63,038	35,675	98,713
Due from other governmental units	9,263,990	94,286	9,358,276
Due from other funds	49,793	-	49,793
Property taxes receivable	20,280	-	20,280
Inventories	-	48,052	48,052
Prepaid expenditures	60,958	-	60,958
<b>TOTAL ASSETS</b>	<u>\$ 18,050,994</u>	<u>\$ 3,137,529</u>	<u>\$ 21,188,523</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 815,506	\$ 297,511	\$ 1,113,017
Accrued salaries and related items	5,141,259	12,083	5,153,342
Due to other governmental units	42,653	15,931	58,584
Due to other funds	-	49,793	49,793
Unearned revenue	423,412	54,159	477,571
<b>TOTAL LIABILITIES</b>	<u>6,422,830</u>	<u>429,477</u>	<u>6,852,307</u>
<b>FUND BALANCES:</b>			
Nonspendable:			
Inventories	-	48,052	48,052
Prepaid expenditures	60,958	-	60,958
Restricted:			
Food service	-	1,057,791	1,057,791
Capital projects	-	217,452	217,452
Debt service	-	898,062	898,062
Assigned:			
Subsequent year expenditures	3,389,000	-	3,389,000
Capital projects	-	478,298	478,298
Child care	-	8,397	8,397
Unassigned	8,178,206	-	8,178,206
<b>TOTAL FUND BALANCES</b>	<u>11,628,164</u>	<u>2,708,052</u>	<u>14,336,216</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 18,050,994</u>	<u>\$ 3,137,529</u>	<u>\$ 21,188,523</u>

See notes to financial statements.

**WEST OTTAWA PUBLIC SCHOOLS  
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET  
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF  
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS  
JUNE 30, 2012**

<b>Total governmental fund balances</b>	\$ 14,336,216
Amounts reported for governmental activities in the statement of net assets are different because:	
Value of amortized bond issuance costs	810,825
Accumulated amortization	(45,689)
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
The cost of the capital assets is	220,822,428
Accumulated depreciation is	(91,735,172)
Deferred amount on bond refunding	227,064
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(94,603,638)
Accreted interest on capital appreciation bonds	(23,557,754)
Unamortized premiums on bond issuance	(1,041,300)
Compensated absences and termination benefits	(214,556)
Accrued interest is not included as a liability in government funds, it is recorded when paid	(680,871)
Unearned revenue at June 30, 2012, expected to be collected after September 1, 2012	81,722
<b>Net assets of governmental activities</b>	<u>\$ 24,399,275</u>

**WEST OTTAWA PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>			
Local sources:			
Property taxes	\$ 10,687,811	\$ 13,399,009	\$ 24,086,820
Tuition	124,667	460,153	584,820
Investment earnings	10,773	7,458	18,231
Food sales	-	1,122,335	1,122,335
Other	461,644	195,873	657,517
Total local sources	11,284,895	15,184,828	26,469,723
State sources	44,988,224	164,213	45,152,437
Federal sources	3,517,192	2,192,108	5,709,300
Incoming transfers and other	6,512,865	-	6,512,865
Total revenues	66,303,176	17,541,149	83,844,325
<b>EXPENDITURES:</b>			
Current:			
Instruction	45,663,725	-	45,663,725
Supporting services	23,109,550	-	23,109,550
Food service activities	-	3,309,241	3,309,241
Community service activities	342,769	535,076	877,845
Capital outlay	-	977,788	977,788
Debt service:			
Principal repayment	-	6,155,907	6,155,907
Interest	-	6,861,735	6,861,735
Other	-	6,738	6,738
Total expenditures	69,116,044	17,846,485	86,962,529

**WEST OTTAWA PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ (2,812,868)	\$ (305,336)	\$ (3,118,204)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer in	231,544	348,660	580,204
Transfer out	<u>(32,180)</u>	<u>(548,024)</u>	<u>(580,204)</u>
Total other financing sources (uses)	<u>199,364</u>	<u>(199,364)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(2,613,504)	(504,700)	(3,118,204)
<b>FUND BALANCES:</b>			
Beginning of year	<u>14,241,668</u>	<u>3,212,752</u>	<u>17,454,420</u>
End of year	<u>\$ 11,628,164</u>	<u>\$ 2,708,052</u>	<u>\$ 14,336,216</u>

**WEST OTTAWA PUBLIC SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

**Net change in fund balances total governmental funds** \$ (3,118,204)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(4,040,523)
Capital outlay	2,384,956

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	718,774
Accrued interest payable, end of the year	(680,871)

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 assets. Also, governmental funds report the effect of issuance costs, 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:

Payments on debt	6,155,907
Payments (payoff) on capital lease obligation	56,789
Net decrease in accretion on bonds	490,243
Amortization of bond issuance costs	(45,689)
Amortization of bond premium	52,519
Amortization of deferred amount on refunding	(17,466)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Unearned revenue, beginning of the year	(247,521)
Unearned revenue, end of the year	81,722

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and termination benefits	(214,556)
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<b>Change in net assets of governmental activities</b>	<b>\$ 1,576,080</b>
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**WEST OTTAWA PUBLIC SCHOOLS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2012**

	<u>Agency fund</u>
<b>ASSETS:</b>	
Cash	\$ 910,640
Investments	<u>37,837</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 948,477</u></u>
 <b>LIABILITIES:</b>	
Accounts payable	\$ 24,343
Due to general fund	20,280
Due to student and other groups	<u>903,854</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 948,477</u></u>

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. 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 government 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 No. 14 and 39.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.



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

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

**B. Government-wide and fund financial statements (Continued)**

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

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

**Governmental Funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

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.

**Other non-major funds**

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

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

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

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

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

**B. Government-wide and fund financial statements (Concluded)**

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).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**Modified Accrual Method**

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 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.

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

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

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (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. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue**

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 year ended June 30, 2012, the Foundation allowance was based on pupil membership counts taken in February and October of 2011.

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 (formerly known as Non-Homestead) 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 2011 to August 2012. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

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

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

**D. Other Accounting Policies**

1. Cash and cash equivalents include amounts in demand deposits and short-term certificates of deposit.

The District reports its investments in accordance with GASB statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools* and No. 40, *Deposit and Investment Risk Disclosures*. Under these standards, 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. The 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. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

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. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

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.

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

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

**D. Other Accounting Policies (Continued)**

For the year ended June 30, 2012, 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	7.00
Capital projects sinking fund:	
PRE and Non-PRE	0.30

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”.

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

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 fixed assets.

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

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

**D. Other Accounting Policies (Continued)**

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

Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Buses and other vehicles	8 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are analyzed on a case-by-case basis. Group technology purchases with all individual items below the capitalization threshold are expensed by the District when incurred.

6. **Compensated Absences and Termination Benefits**

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 governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. **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 assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, 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.

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.

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

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

**D. Other Accounting Policies (Continued)**

8. Use of Estimates

The process of preparing basic 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, revenues, and expenditures. 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.

9. Fund Balance

Accounting standards provide defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's Capital Projects, Food Service and Debt Service fund balances are considered restricted.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

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

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

**D. Other Accounting Policies (Concluded)**

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.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue fund.

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 are noted in the required supplementary information section.
4. The Superintendent or his designee is authorized to transfer 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. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2012. The District does not consider these amendments to be significant.



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

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The District had no investments at June 30, 2012.

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

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2012, 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, 2012, \$13,059,988 of the District's bank balance of \$13,809,988 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is \$12,483,220.

**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, 2012, the carrying amount is as follows:

Deposits	<u>\$ 12,483,220</u>
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**WEST OTTAWA PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)**

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

Cash - agency fund	\$ 910,640
Investments - agency fund	37,837
Government wide:	
Cash	11,101,884
Restricted cash - capital projects	432,859
	<u>\$ 12,483,220</u>

**NOTE 4 - CAPITAL ASSETS**

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

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Assets not being depreciated:				
Land	\$ 6,050,248	\$ -	\$ -	\$ 6,050,248
Other capital assets:				
Buildings and improvements	172,825,137	919,708	-	173,744,845
Furniture and equipment	34,661,634	233,019	-	34,894,653
Buses and other vehicles	4,966,013	1,232,229	65,560	6,132,682
Subtotal	<u>212,452,784</u>	<u>2,384,956</u>	<u>65,560</u>	<u>214,772,180</u>
Accumulated depreciation:				
Buildings and improvements	51,609,153	3,156,609	-	54,765,762
Furniture and equipment	32,695,030	588,361	-	33,283,391
Buses and other vehicles	3,456,026	295,553	65,560	3,686,019
Total accumulated depreciation	<u>87,760,209</u>	<u>4,040,523</u>	<u>65,560</u>	<u>91,735,172</u>
Net capital assets being depreciated	<u>124,692,575</u>	<u>(1,655,567)</u>	<u>-</u>	<u>123,037,008</u>
Net governmental capital assets	<u>\$ 130,742,823</u>	<u>\$ (1,655,567)</u>	<u>\$ -</u>	<u>\$ 129,087,256</u>

Depreciation expense for the fiscal year ended June 30, 2012 amounted to \$4,040,523 and was not allocated.

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

**NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS**

Due from other governmental units at June 30, 2012 consist of the following:

State aid	\$ 8,178,610
Federal revenue	770,295
Intermediate sources	<u>409,371</u>
	<u>\$ 9,358,276</u>

No allowance is considered necessary.

**NOTE 6 - 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, 2012:

	Accumulated compensated absences and termination benefits	Bonds and other debt	Total
Balance, July 1, 2011	\$ -	\$ 125,656,831	\$ 125,656,831
Additions	214,556	-	214,556
Deletions	<u>-</u>	<u>(6,681,203)</u>	<u>(6,681,203)</u>
Balance, June 30, 2012	214,556	118,975,628	119,190,184
Less current portion	<u>21,438</u>	<u>6,431,519</u>	<u>6,452,957</u>
Total due after one year	<u>\$ 193,118</u>	<u>\$ 112,544,109</u>	<u>\$ 112,737,227</u>

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

**NOTE 6 - LONG-TERM DEBT (Continued)**

Bonds payable at June 30, 2012 is comprised of the following issues:

1992 refunding bonds - due in annual installments of \$1,101,519 to \$1,286,416 through May 1, 2020 with interest at 6.350% to 6.400%; including accreted interest on capital appreciation bonds of \$23,557,753.	\$ 33,181,392
2002 Series A refunding bonds - due in annual installments of \$445,000 to \$4,300,000 through May 1, 2032 with interest from 5.000% to 5.380%.	46,560,000
2002 Series B refunding bonds - due in annual installments of \$2,415,000 to \$2,595,000 through May 1, 2020 with interest from 4.000% to 5.380%.	19,975,000
2005 refunding bonds - due in annual installments of \$885,000 to \$2,040,000 through May 1, 2022 with interest from 4.000% to 5.000%.	9,695,000
2008 refunding bonds - due in annual installments of \$300,000 to \$900,000 through May 1, 2026 with interest from 3.750% to 4.130%.	8,750,000
Less: deferred amount on bond refunding	(227,064)
Plus: premium on bond refunding	<u>1,041,300</u>
Total general obligation debt	118,975,628
Obligation under contract for compensated absences and termination benefits	<u>214,556</u>
Total general long-term debt	<u><u>\$119,190,184</u></u>

In prior years, the District 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 liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2012, \$30,575,000 bonds outstanding are considered defeased.

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

**NOTE 6 - LONG-TERM DEBT (Concluded)**

The annual requirements to amortize debt outstanding as of June 30, 2012, including interest payments of \$72,860,302 are as follows:

Year ending June 30,	Principal	Interest	Total
2013	\$ 6,431,519	\$ 6,973,707	\$ 13,405,226
2014	6,691,096	7,098,198	13,789,294
2015	6,542,729	7,246,848	13,789,577
2016	6,393,522	7,393,593	13,787,115
2017	6,207,650	7,580,438	13,788,088
2018 - 2022	27,072,123	28,437,143	55,509,266
2023 - 2027	22,940,000	6,169,125	29,109,125
2028 - 2032	12,325,000	1,961,250	14,286,250
	<u>94,603,639</u>	<u>72,860,302</u>	<u>167,463,941</u>
Accreted interest on capital appreciation bonds	23,557,753	-	23,557,753
Deferred amount on bond refunding	(227,064)	-	(227,064)
Premium on bond refunding	1,041,300	-	1,041,300
Accumulated compensated absences and termination benefits	<u>214,556</u>	<u>-</u>	<u>214,556</u>
	<u>\$ 119,190,184</u>	<u>\$ 72,860,302</u>	<u>\$ 192,050,486</u>

**NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2012 are as follows:

Receivable fund	Payable fund
General fund <u>\$49,793</u>	Special revenue funds <u>\$49,793</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 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**

Plan Description - The District participates in the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPSERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111. It is also available at <http://www.michigan.gov/orsschools>.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute 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 January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members joining the system on or after July 1, 2008 contribute at the following graduated rate: 3% of the first \$5,000, 3.6% of \$5,001 through \$15,000 and 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 interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPSERS who became a member of MPSERS after June 30, 2010 is a Pension Plus Member. The Pension Plus Plan pairs a guaranteed retirement income (defined benefit pension) with a flexible and transferable retirement savings (defined contribution) account.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the period October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. In addition, the District is required to match 50% up to 1% of the employee's contribution in the Pension Plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS were equal to the required contribution for those years.

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

**NOTE 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS  
(Continued)**

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

Contribution Period	Contribution Rate	
	Member	Pension Plus Member
October 1, 2011 - September 30, 2012	24.46%	23.23%
November 1, 2010 - September 30, 2011	20.66%	19.16%
October 1, 2010 - October 31, 2010	19.41%	17.91%
October 1, 2009 - September 30, 2010	16.94%	-
July 1, 2010 - September 30, 2010	-	15.44%
Fiscal Year Ending June 30,		Contributions to MPSERS
2012		\$ 9,867,343
2011		8,463,556
2010		7,065,468

Other Post-employment Benefits - Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit and were paid less than \$18,000 in the prior school year and members who were hired on or after July 1, 2010, with a starting salary of less than \$18,000 are required to contribute 1.5% of the members' compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account.

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

**NOTE 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS  
(Concluded)**

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

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

Pension recipients are generally eligible for Health Plan coverage and Dental Plan, Vision Plan and Hearing coverage.

The District is not responsible for the payment of retirement or post-retirement benefits which is the responsibility of the State of Michigan.

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees and natural disasters. The District is a member of the West Michigan Health Insurance Pool (non-profit corporation), a self-insurance fund which provides members with health insurance benefits. The pool is considered a public entity risk pool. The pool was created on July 1, 2005 and organized under Public Act 138 of 1982, as amended, as a governmental group self-insurance pool. There were no significant reductions in coverage and settlements did not exceed insurance coverage during the fiscal year ended June 30, 2012.

The pool does not maintain separate funds for members and consequently the District's share of the total assets and equity is unknown. Audited financial statements of the fund are available.

The District carries commercial insurance for all other risks of loss, including employee life, health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.



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

**NOTE 10 - TRANSFERS**

The food service fund transferred \$231,544 to the general fund. The transfer from the food service fund was made to allocate indirect costs between the funds. The general fund transferred \$32,180 to the food service fund. The transfer from the general fund was made to comply with requirements in Section 206 of the Healthy, Hunger-Free Kids Act of 2010. Also, various transfers were made between the debt service funds to allocate fund balances from paid-off bond issues.

**NOTE 11 - 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 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

The District is currently evaluating the impact the following standards will have on the financial statements when adopted in future fiscal years 2013 through 2015.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued in December 2010. This statement incorporates into the GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, was issued by the GASB in June 2011 and will be effective for the District's 2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued by the GASB in March 2012 and will be effective for the District's 2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement provides supplemental guidance when implementing GASB Statement 63.

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

**NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS (Concluded)**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**WEST OTTAWA PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2012**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
<b>REVENUES:</b>				
Local sources	\$ 11,506,525	\$ 11,232,000	\$ 11,284,895	\$ 52,895
State sources	43,202,272	45,070,000	44,988,224	(81,776)
Federal sources	3,388,567	3,325,000	3,517,192	192,192
Incoming transfers and other	6,736,088	6,500,000	6,512,865	12,865
Total revenues	<u>64,833,452</u>	<u>66,127,000</u>	<u>66,303,176</u>	<u>176,176</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	36,733,762	37,640,000	36,612,513	1,027,487
Added needs	10,000,004	9,230,000	9,051,212	178,788
Total instruction	<u>46,733,766</u>	<u>46,870,000</u>	<u>45,663,725</u>	<u>1,206,275</u>
Supporting services:				
Pupil	3,614,093	3,275,000	3,173,393	101,607
Instructional staff	3,353,770	2,485,000	2,155,466	329,534
General administration	481,462	511,000	483,323	27,677
School administration	4,025,162	4,100,000	4,036,416	63,584
Business	837,003	740,000	733,471	6,529
Operation/maintenance	6,501,112	6,007,000	5,911,210	95,790
Pupil transportation	3,365,392	4,365,000	4,051,102	313,898
Central	1,514,993	1,435,000	1,420,056	14,944
Athletics	1,017,815	1,160,000	1,145,113	14,887
Total supporting services	<u>24,710,802</u>	<u>24,078,000</u>	<u>23,109,550</u>	<u>968,450</u>
Community services	59,772	370,000	342,769	27,231
Total expenditures	<u>71,504,340</u>	<u>71,318,000</u>	<u>69,116,044</u>	<u>2,201,956</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(6,670,888)</u>	<u>(5,191,000)</u>	<u>(2,812,868)</u>	<u>2,378,132</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	230,000	228,000	231,544	3,544
Transfers out	(6,500)	(35,000)	(32,180)	2,820
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (6,447,388)</u>	<u>\$ (4,998,000)</u>	<u>(2,613,504)</u>	<u>\$ 2,384,496</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>14,241,668</u>	
End of year			<u>\$ 11,628,164</u>	

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**WEST OTTAWA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2012**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Nonmajor capital projects</u>	<u>Total nonmajor governmental funds</u>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 1,153,732	\$ 900,926	\$ 887,150	\$ 2,941,808
Accounts receivable	11,668	-	24,007	35,675
Property taxes receivable	-	17,385	323	17,708
Due from other governmental units	94,286	-	-	94,286
Inventories	48,052	-	-	48,052
<b>TOTAL ASSETS</b>	<u>\$ 1,307,738</u>	<u>\$ 918,311</u>	<u>\$ 911,480</u>	<u>\$ 3,137,529</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 82,737	\$ -	\$ 214,774	\$ 297,511
Accrued salaries and related items	12,083	-	-	12,083
Due to other governmental units	-	15,220	711	15,931
Due to other funds	49,793	-	-	49,793
Unearned revenue	48,885	5,029	245	54,159
<b>TOTAL LIABILITIES</b>	<u>193,498</u>	<u>20,249</u>	<u>215,730</u>	<u>429,477</u>
<b>FUND BALANCES:</b>				
Nonspendable for inventories	48,052	-	-	48,052
Restricted	1,057,791	898,062	217,452	2,173,305
Assigned	8,397	-	478,298	486,695
<b>TOTAL FUND BALANCES</b>	<u>1,114,240</u>	<u>898,062</u>	<u>695,750</u>	<u>2,708,052</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,307,738</u>	<u>\$ 918,311</u>	<u>\$ 911,480</u>	<u>\$ 3,137,529</u>

**WEST OTTAWA PUBLIC SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 2012**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Nonmajor capital projects</u>	<u>Total nonmajor governmental funds</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ -	\$ 12,848,930	\$ 550,079	\$ 13,399,009
Investment earnings	424	5,870	1,164	7,458
Food sales	1,122,335	-	-	1,122,335
Tuition	460,153	-	-	460,153
Other	26,730	-	169,143	195,873
Total local sources	1,609,642	12,854,800	720,386	15,184,828
State sources	164,213	-	-	164,213
Federal sources	2,192,108	-	-	2,192,108
Total revenues	3,965,963	12,854,800	720,386	17,541,149
<b>EXPENDITURES:</b>				
Current:				
Food service activities	3,309,241	-	-	3,309,241
Child care activities	535,076	-	-	535,076
Capital outlay	79,724	-	898,064	977,788
Debt service:				
Principal repayment	-	6,155,907	-	6,155,907
Interest expense	-	6,861,735	-	6,861,735
Other expense	-	6,738	-	6,738
Total expenditures	3,924,041	13,024,380	898,064	17,846,485
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	41,922	(169,580)	(177,678)	(305,336)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	32,180	316,480	-	348,660
Transfers out	(231,544)	(316,480)	-	(548,024)
Total other financing sources (uses)	(199,364)	-	-	(199,364)
<b>NET CHANGE IN FUND BALANCES</b>	(157,442)	(169,580)	(177,678)	(504,700)
<b>FUND BALANCES:</b>				
Beginning of year	1,271,682	1,067,642	873,428	3,212,752
End of year	\$ 1,114,240	\$ 898,062	\$ 695,750	\$ 2,708,052

**WEST OTTAWA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
JUNE 30, 2012**

<b>ASSETS</b>	<u><b>Food Service</b></u>	<u><b>Child Care</b></u>	<u><b>Totals</b></u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,122,658	\$ 31,074	\$1,153,732
Accounts receivable	6,289	5,379	11,668
Due from other governmental units	93,052	1,234	94,286
Inventories	48,052	-	48,052
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u><b>\$ 1,270,051</b></u>	<u><b>\$ 37,687</b></u>	<u><b>\$1,307,738</b></u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 80,804	\$ 1,933	\$ 82,737
Accrued salaries and related items	7,746	4,337	12,083
Due to other funds	28,923	20,870	49,793
Unearned revenue	46,735	2,150	48,885
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<u>164,208</u>	<u>29,290</u>	<u>193,498</u>
 <b>FUND BALANCES:</b>			
Nonspendable for inventories	48,052	-	48,052
Restricted	1,057,791	-	1,057,791
Assigned	-	8,397	8,397
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUND BALANCES</b>	<u>1,105,843</u>	<u>8,397</u>	<u>1,114,240</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>			
	<u><b>\$ 1,270,051</b></u>	<u><b>\$ 37,687</b></u>	<u><b>\$1,307,738</b></u>



**WEST OTTAWA PUBLIC SCHOOLS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2012**

	<u>Food Service</u>	<u>Child Care</u>	<u>Totals</u>
<b>REVENUES:</b>			
Sales	\$ 1,122,335	\$ -	\$1,122,335
Tuition	-	460,153	460,153
State aid	164,213	-	164,213
Federal aid	2,192,108	-	2,192,108
Investment earnings	385	39	424
Other	14,488	12,242	26,730
	<u>3,493,529</u>	<u>472,434</u>	<u>3,965,963</u>
Total revenues			
<b>EXPENDITURES:</b>			
Salaries	1,066,863	336,139	1,403,002
Benefits	433,972	165,383	599,355
Purchased services	65,463	1,689	67,152
Supplies and materials	1,711,806	3,547	1,715,353
Capital outlay	79,724	-	79,724
Other expenses	31,137	28,318	59,455
	<u>3,388,965</u>	<u>535,076</u>	<u>3,924,041</u>
Total expenditures			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>104,564</u>	<u>(62,642)</u>	<u>41,922</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	32,180	-	32,180
Transfers out	(231,544)	-	(231,544)
	<u>(199,364)</u>	<u>-</u>	<u>(199,364)</u>
Total other financing sources (uses)			
<b>NET CHANGE IN FUND BALANCES</b>	(94,800)	(62,642)	(157,442)
<b>FUND BALANCES:</b>			
Beginning of year	<u>1,200,643</u>	<u>71,039</u>	<u>1,271,682</u>
End of year	<u>\$ 1,105,843</u>	<u>\$ 8,397</u>	<u>\$1,114,240</u>

**WEST OTTAWA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS  
JUNE 30, 2012**

	<u>1992</u>	<u>1996</u>	<u>1996 Refunding</u>	<u>2002A</u>	<u>2002B</u>	<u>2005</u>	<u>2008 Refunding</u>	<u>Total Nonmajor</u>
<b>ASSETS</b>								
<b>ASSETS:</b>								
Cash and cash equivalents	\$ 242,191	\$ -	\$ -	\$ 345,765	\$ 264,864	\$ 28,866	\$ 19,240	\$ 900,926
Taxes receivable	4,169	-	-	6,814	5,208	565	629	17,385
<b>TOTAL ASSETS</b>	<u>\$ 246,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 352,579</u>	<u>\$ 270,072</u>	<u>\$ 29,431</u>	<u>\$ 19,869</u>	<u>\$ 918,311</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES:</b>								
Unearned revenue	\$ 741	\$ -	\$ -	\$ 2,130	\$ 1,691	\$ 171	\$ 296	\$ 5,029
Due to other governmental units	-	-	-	-	-	-	15,220	15,220
<b>TOTAL LIABILITIES</b>	<u>741</u>	<u>-</u>	<u>-</u>	<u>2,130</u>	<u>1,691</u>	<u>171</u>	<u>15,516</u>	<u>20,249</u>
<b>FUND BALANCES:</b>								
Restricted for debt service	<u>245,619</u>	<u>-</u>	<u>-</u>	<u>350,449</u>	<u>268,381</u>	<u>29,260</u>	<u>4,353</u>	<u>898,062</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 246,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 352,579</u>	<u>\$ 270,072</u>	<u>\$ 29,431</u>	<u>\$ 19,869</u>	<u>\$ 918,311</u>

**WEST OTTAWA PUBLIC SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
DEBT SERVICE FUNDS  
YEAR ENDED JUNE 30, 2012**

	<u>1992</u>	<u>1996</u>	<u>1996 Refunding</u>	<u>2002A</u>	<u>2002B</u>	<u>2005</u>	<u>2008 Refunding</u>	<u>Total Nonmajor</u>
<b>REVENUES:</b>								
Local sources:								
Property taxes	\$ 3,576,074	\$ 48	\$ (296)	\$ 4,876,878	\$ 3,661,843	\$ 410,843	\$ 323,540	\$ 12,848,930
Interest	1,954	-	-	2,006	1,701	114	95	5,870
Total revenues	<u>3,578,028</u>	<u>48</u>	<u>(296)</u>	<u>4,878,884</u>	<u>3,663,544</u>	<u>410,957</u>	<u>323,635</u>	<u>12,854,800</u>
<b>EXPENDITURES:</b>								
Redemption of bonds	1,060,907	-	-	2,485,000	2,610,000	-	-	6,155,907
Interest on bonded debt	2,549,093	-	-	2,451,053	1,096,276	415,350	349,963	6,861,735
Other	1,500	-	-	2,247	2,250	241	500	6,738
Total expenditures	<u>3,611,500</u>	<u>-</u>	<u>-</u>	<u>4,938,300</u>	<u>3,708,526</u>	<u>415,591</u>	<u>350,463</u>	<u>13,024,380</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(33,472)</u>	<u>48</u>	<u>(296)</u>	<u>(59,416)</u>	<u>(44,982)</u>	<u>(4,634)</u>	<u>(26,828)</u>	<u>(169,580)</u>
<b>OTHER FINANCING SOURCES:</b>								
Transfers in	88,090	-	-	120,116	90,195	10,117	7,962	316,480
Transfers out	-	(290,944)	(25,536)	-	-	-	-	(316,480)
Total other financing sources (uses)	<u>88,090</u>	<u>(290,944)</u>	<u>(25,536)</u>	<u>120,116</u>	<u>90,195</u>	<u>10,117</u>	<u>7,962</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>54,618</u>	<u>(290,896)</u>	<u>(25,832)</u>	<u>60,700</u>	<u>45,213</u>	<u>5,483</u>	<u>(18,866)</u>	<u>(169,580)</u>
<b>FUND BALANCES:</b>								
Beginning of year	<u>191,001</u>	<u>290,896</u>	<u>25,832</u>	<u>289,749</u>	<u>223,168</u>	<u>23,777</u>	<u>23,219</u>	<u>1,067,642</u>
End of year	<u>\$ 245,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350,449</u>	<u>\$ 268,381</u>	<u>\$ 29,260</u>	<u>\$ 4,353</u>	<u>\$ 898,062</u>

**WEST OTTAWA PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2012**

	<b>Sinking Fund</b>	<b>Building Transfer</b>	<b>Capital Projects</b>	<b>Total Nonmajor Capital Projects</b>
<b>ASSETS</b>				
<b>ASSETS:</b>				
Cash	\$432,859	\$454,291	\$ -	\$ 887,150
Accounts receivable	-	24,007	-	24,007
Taxes receivable	323	-	-	323
	<b>\$433,182</b>	<b>\$478,298</b>	<b>\$ -</b>	<b>\$ 911,480</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$214,774	\$ -	\$ -	\$ 214,774
Unearned revenue	245	-	-	245
Due to other governmental units	711	-	-	711
	<b>215,730</b>	<b>-</b>	<b>-</b>	<b>215,730</b>
<b>FUND BALANCES:</b>				
Restricted	217,452	-	-	217,452
Assigned	-	478,298	-	478,298
	<b>217,452</b>	<b>478,298</b>	<b>-</b>	<b>695,750</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$433,182</b>	<b>\$478,298</b>	<b>\$ -</b>	<b>\$ 911,480</b>

**WEST OTTAWA PUBLIC SCHOOLS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2012**

	<b>Sinking Fund</b>	<b>Building Transfer</b>	<b>Capital Projects</b>	<b>Total Nonmajor Capital Projects</b>
<b>REVENUE:</b>				
Property taxes	\$ 550,079	\$ -	\$ -	\$ 550,079
Investment earnings	669	495	-	1,164
Other	-	169,143	-	169,143
 Total revenues	 550,748	 169,638	 -	 720,386
<b>EXPENDITURES:</b>				
Capital outlay	867,383	-	30,681	898,064
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(316,635)	169,638	(30,681)	(177,678)
<b>FUND BALANCES:</b>				
Beginning of year	534,087	308,660	30,681	873,428
End of year	\$ 217,452	\$ 478,298	\$ -	\$ 695,750

**WEST OTTAWA PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2012**

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>	
2013	6.35%	\$ 1,101,519	\$ 2,888,481	\$ -	\$ 3,990,000
2014	6.35%	1,141,096	3,258,904	-	4,400,000
2015	6.40%	1,162,729	3,662,272	-	4,825,001
2016	6.40%	1,193,522	4,081,479	-	5,275,001
2017	6.40%	1,222,650	4,532,350	-	5,755,000
2018	6.40%	1,246,750	5,003,250	-	6,250,000
2019	6.40%	1,268,957	5,506,042	-	6,774,999
2020	6.40%	1,286,416	6,028,583	-	7,314,999
<b>Total 1992 bonded debt</b>		<b><u>\$ 9,623,639</u></b>	<b><u>\$ 34,961,361</u></b>	<b><u>\$ -</u></b>	<b><u>\$44,585,000</u></b>

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, 2012**

2002 Series A Refunding Bonds

June 30,	Interest rate	Principal due May 1,	Interest due		Total due annually
			May 1	November 1	
2013	5.38%	\$ 2,435,000	\$ 1,177,069	\$ 1,177,069	\$ 4,789,138
2014	5.38%	1,415,000	1,111,628	1,111,628	3,638,256
2015	5.00%	1,390,000	1,073,600	1,073,600	3,537,200
2016	5.00%	1,265,000	1,038,850	1,038,850	3,342,700
2017	5.38%	1,090,000	1,007,225	1,007,225	3,104,450
2018	5.38%	900,000	977,931	977,931	2,855,862
2019	5.38%	685,000	953,744	953,744	2,592,488
2020	5.38%	445,000	935,334	935,334	2,315,668
2021	5.00%	2,015,000	923,375	923,375	3,861,750
2022	5.00%	3,255,000	873,000	873,000	5,001,000
2023	5.00%	4,195,000	791,625	791,625	5,778,250
2024	5.00%	4,230,000	686,750	686,750	5,603,500
2025	5.00%	4,265,000	581,000	581,000	5,427,000
2026	5.00%	4,300,000	474,375	474,375	5,248,750
2027	5.00%	2,350,000	366,875	366,875	3,083,750
2028	5.00%	2,400,000	308,125	308,125	3,016,250
2029	5.00%	2,450,000	248,125	248,125	2,946,250
2030	5.00%	2,475,000	186,875	186,875	2,848,750
2031	5.00%	2,500,000	125,000	125,000	2,750,000
2032	5.00%	2,500,000	62,500	62,500	2,625,000
Total 2002 Series A bonded debt		<u>\$46,560,000</u>	<u>\$ 13,903,006</u>	<u>\$ 13,903,006</u>	<u>\$74,366,012</u>

**WEST OTTAWA PUBLIC SCHOOLS  
BONDED DEBT  
JUNE 30, 2012**

2002 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>	
2013	4.00%	\$ 2,595,000	\$ 482,888	\$ 482,888	\$ 3,560,776
2014	4.20%	2,550,000	430,988	430,988	3,411,976
2015	5.38%	2,510,000	377,438	377,438	3,264,876
2016	5.38%	2,500,000	309,982	309,982	3,119,964
2017	5.38%	2,485,000	242,794	242,794	2,970,588
2018	4.70%	2,475,000	176,010	176,010	2,827,020
2019	4.80%	2,445,000	117,848	117,848	2,680,696
2020	4.90%	<u>2,415,000</u>	<u>59,168</u>	<u>59,168</u>	<u>2,533,336</u>
Total 2002 Series B bonded debt		<u>\$ 19,975,000</u>	<u>\$ 2,197,116</u>	<u>\$ 2,197,116</u>	<u>\$ 24,369,232</u>

The above bonds dated August 8, 2002 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, 2012**

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>	
2013	5.00%	\$ -	\$ 207,675	\$ 207,675	\$ 415,350
2014	5.00%	970,000	207,675	207,675	1,385,350
2015	5.00%	885,000	183,425	183,425	1,251,850
2016	5.00%	900,000	161,300	161,300	1,222,600
2017	4.00%	950,000	138,800	138,800	1,227,600
2018	4.00%	985,000	119,800	119,800	1,224,600
2019	4.00%	1,020,000	100,100	100,100	1,220,200
2020	4.00%	1,060,000	79,700	79,700	1,219,400
2021	4.00%	2,040,000	58,500	58,500	2,157,000
2022	4.00%	885,000	17,700	17,700	920,400
Total 2005 bonded debt		<u>\$ 9,695,000</u>	<u>\$ 1,274,675</u>	<u>\$ 1,274,675</u>	<u>\$12,244,350</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, 2012**

2008 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>	
	3.75%	\$ 300,000	\$ 174,981	\$ 174,981	\$ 649,962
	3.75%	615,000	169,356	169,356	953,712
	4.00%	595,000	157,825	157,825	910,650
	4.00%	535,000	145,925	145,925	826,850
	4.00%	460,000	135,225	135,225	730,450
	4.00%	380,000	126,025	126,025	632,050
	4.00%	285,000	118,425	118,425	521,850
	4.00%	180,000	112,725	112,725	405,450
	4.00%	900,000	109,125	109,125	1,118,250
	4.00%	900,000	91,125	91,125	1,082,250
	4.00%	900,000	73,125	73,125	1,046,250
	4.00%	900,000	55,125	55,125	1,010,250
	4.13%	900,000	37,125	37,125	974,250
	4.13%	900,000	18,563	18,563	937,126
<b>Total 2008 bonded debt</b>		<b><u>\$ 8,750,000</u></b>	<b><u>\$ 1,524,675</u></b>	<b><u>\$ 1,524,675</u></b>	<b><u>\$ 11,799,350</u></b>

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.