ALLENDALE PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2013

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Allendale Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allendale Public Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 13 to the financial statements, Allendale Public Schools implemented Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, and Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allendale Public Schools basic financial statements. The additional supplementary information, as identified in the table of contents, and schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 1, 2013 on our consideration of Allendale Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Allendale Public Schools' internal control over financial reporting and compliance.

October 1, 2013

Allendale Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

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

District-Wide Financial Statements

The first two statements are district-wide financial statements that provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets, deferred outflow of resources and liabilities, both short-term 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 obligations of the District resulting in total net position.

Over time, increases or decreases in the District's net position is one indicator of whether its financial position is improving or deteriorating. To assess the District's overall financial health, one should consider additional factors which may include the State's and/or region's economic condition, changes in the District's property tax base, and age and condition of its capital assets.

Fund Financial Statements

For the most part, the fund financial statements are comparable to financial statements for the prior fiscal years. The fund level statements are reported on a modified accrual basis in that only those assets that are deemed "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds categorized as Special Revenue, Debt Service, and Capital Projects Funds.

In addition to the governmental fund types mentioned above, the District is the trustee, or fiduciary, for assets that belong to others, typically student groups. The District is responsible for ensuring that the assets reported in these accounts are used only for their intended purposes by the groups to whom the assets belong. These monies are accounted for in the Student Activity Fund and the related financial activity is appropriately excluded from the district-wide financial statements as the assets do not belong to the District.

In the fund financial statements, capital assets purchased are considered expenditures in the year of acquisition with no asset being reported. The issuance of debt is treated 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 service are not recorded in the fund financial statements.

Summary of Net Position

The following schedule summarizes the net position for the fiscal years ended June 30, 2013 and 2012:

	June 30, 2013	June 30, 2012 (as restated)
Assets:		
Current and other assets	$ 6,442,241	$ 6,194,285
Capital assets	76,986,114	79,395,696
Total assets	83,428,355	85,589,981
Deferred outflows of resources	964,854	1,028,535
Liabilities:		
Long-term liabilities outstanding	108,778,511	107,256,277
Other liabilities	4,842,307	5,190,562
Total liabilities	113,620,818	112,446,839
Net Position:		
Net investment in capital assets	(28,396,921)	(25,196,697)
Restricted for food service	68,528	68,191
Unrestricted	(899,216)	(699,817)
Total net position, as restated	$ (29,227,609)	$ (25,828,323)

Analysis of Financial Position

During the fiscal year ended June 30, 2013, the District's net position decreased by $3,399,286. A few of the more significant factors affecting net position during the year are discussed below:

- Cash Equivalents, Deposits and Investments

  At June 30, 2013, the District's cash equivalents, deposits and investments amounted to $2,819,071 (excluding fiduciary funds). This represented a decrease of $112,392 from the previous year, generally as a result of more receivables than the previous year.

- Capital Outlay Acquisitions

  For the fiscal year ended June 30, 2013, $500,662 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained below.

  The net effect of the new capital assets, assets disposed of during the fiscal year, and the current year's depreciation is a net decrease to capital assets in the amount of $2,409,582 for the fiscal year ended June 30, 2013.

- Depreciation Expense

  GASB 34 requires school districts to maintain records of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in the net position.

- Bonded Debt

  For the fiscal year ended June 30, 2013, the District's bonded debt (including the School Loan Revolving Fund) increased by $1,522,234 as a net result of new borrowing via the School Loan Revolving Fund and repayment of bonded debt issued in prior years.

Results of Operations

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

	Fiscal year ended June 30, 2013		Fiscal year ended June 30, 2012 (as restated)	
	Amount	%	Amount	%
General revenues:				
Property taxes	$ 5,881,505	22.36%	$ 5,851,354	23.15%
State sources, unrestricted	14,499,024	55.12%	14,021,229	55.47%
Federal sources, unrestricted	-	0.00%	285,481	1.13%
Investment earnings	5,110	0.02%	5,114	0.02%
Other	76,133	0.29%	89,861	0.36%
Total general revenues	20,461,772	77.79%	20,253,039	80.12%
Program revenues:				
Charges for services	792,110	3.01%	700,293	2.77%
Operating grants	5,049,393	19.20%	4,323,656	17.11%
Total revenues	26,303,275	100.00%	25,276,988	100.00%
Expenses:				
Instruction	12,916,480	43.49%	12,351,514	42.02%
Support services	8,166,442	27.49%	8,485,671	28.87%
Community services	247,794	0.83%	212,785	0.72%
Food services	751,323	2.53%	684,123	2.33%
Depreciation - unallocated	2,910,244	9.80%	2,937,833	9.99%
Interest on long-term debt	4,710,278	15.86%	4,725,645	16.07%
Total expenses	29,702,561	100.00%	29,397,571	100.00%
Change in net position	$ (3,399,286)		$ (4,120,583)	

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

- Property Taxes

  The District levied 18.0 mills of property taxes for operations on non-principal residence exempt property for the 2012 tax year. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of increase in the prior year's Consumer Price Index or 5%, whichever is less. At the time that property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is one half of the property's market value. At June 30, 2013, there was $11,229 in unpaid property taxes.

- State Sources

  The majority of the unrestricted state sources of revenues is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment which is calculated using 90% of the current year's fall count (October) and 10% of the prior year's spring count (February). For the 2012-2013 fiscal year, the District received $6,966 per student full time equivalent. The student foundation allowance amount increased by $120 per student when compared to the 2011-2012 fiscal year.

- Operating Grants

  The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2013, federal, state, and other grants amounted to $5,049,393. This represents a 16.78% increase over the $4,323,656 received for the 2011-2012 fiscal year. The primary reason for the increase was the increase in state categorical funding.

Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

Expenditures	Fiscal year ended June 30, 2013	Fiscal year ended June 30, 2012	Increase (decrease)
Instruction	$ 12,916,480	$ 12,351,514	$ 564,966
Supporting services	8,654,893	8,493,775	161,118
Food service activities	751,323	684,123	67,200
Community service activities	247,794	212,785	35,009
Capital outlay	16,973	137,800	(120,827)
Debt service	8,991,228	9,066,960	(75,732)
Total expenditures	$ 31,578,691	$ 30,946,957	$ 631,734

General Fund Budgetary Highlights

The Uniform Budgeting Act of the State of Michigan requires that the local Board of Education approve the annual operating budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30, 2013.

The following schedule shows a comparison of the original general fund budget, the final amended budget, and actual totals from operations for the fiscal year ending June 30, 2013.

	Original budget	Final budget	Actual	Final variance with budget	% variance
Total revenues	$ 20,834,400	$ 22,158,500	$ 22,120,859	$ (37,641)	-0.17%
Expenditures:					
Instruction	$ 12,601,500	$ 13,081,100	$ 12,916,480	$ 164,620	1.26%
Supporting services	8,002,100	8,772,500	8,654,893	117,607	1.34%
Community services	230,800	257,900	247,794	10,106	3.92%
Debt service	-	-	1,447	(1,447)	n/a
Total expenditures	$ 20,834,400	$ 22,111,500	$ 21,820,614	$ 290,886	1.32%
Other financing sources (uses)	$ -	$ (47,000)	$ (197,000)	$ (150,000)	319.15%

The original budget adopted by the Board in June 2012 was amended twice during the year. The amendments, approved in February and June 2013, reflected necessary changes to both revenues and expenditures based on projections made by the Chief Financial Officer.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2012-2013 fiscal year, the District had invested approximately $99.5 million as the original cost in a broad range of capital assets, including land, land improvements, school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of $375,435 over the prior fiscal year. Depreciation expense for the year amounted to $2,910,244, bringing the accumulated depreciation to roughly $22.4 million as of June 30, 2013.

	Cost	Accumulated depreciation	2013 net book value	2012 net book value
Land	$ 2,959,441	$ -	$ 2,959,441	$ 2,959,441
Construction in progress	-	-	-	174,081
Land improvements	4,115,333	2,956,829	1,158,504	1,313,221
Buildings and improvements	80,583,608	12,749,772	67,833,836	69,263,789
Furniture and equipment	9,542,168	5,090,552	4,451,616	5,443,813
Transportation equipment	2,215,312	1,632,595	582,717	241,351
	$ 99,415,862	$ 22,429,748	$ 76,986,114	$ 79,395,696

Long-term Debt

At June 30, 2013, the District had approximately $108.8 million in long-term obligations which included $78,352,097 in outstanding bonded debt. The bonded and other debt obligations were reduced during the year, as $4,821,659 of previously outstanding bonds were redeemed. In addition to the bonded debt, the District has obligations due to its participation in the School Loan Revolving Fund in the amount of $30,426,414 at the end of the fiscal year.

Factors Bearing on the District's Future

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

- The uncertainty of student foundation funding levels, as well as funding for other K-12 education programs, reflects the economic difficulties faced by the State of Michigan and the District. Analysts are predicting a continuation of the slow recovery to the situation.

- Demographic projections indicate that enrollment is likely to continue growing slowly over the next several years. While this is good news, especially compared to most districts within the State, the lack of stability in the funding stream from the State, and rising costs in many areas including employee health insurance, retirement contribution costs, and utilities, District administration continues to remain diligent in its decision-making as the Board desires to increase its level of reserves (fund balance) that will allow the District to stop the practice of short-term borrowing for cash flow needs. Measures to accomplish this include, but are not limited to, cooperative agreements with the Ottawa Area Intermediate School District as well as neighboring public and parochial schools and strategic changes to how the District handles its non-instructional support services.

- In September 2012, the Governor signed P.A. 300 of 2012 – MPSERS Reform into law (see financial statement footnote 8). This bill is the first step by the lawmakers to reform the Michigan Public Schools Employee Retirement System (MPSERS) in order to make it affordable and sustainable into the future. This law requires current school employees to make choices regarding their pension and retiree healthcare which could impact the District's and employee's contributions. It also sets the stage for addressing the ever-growing unfunded liability that MPSERS is facing. It is expected that there will be additional legislative action to fully deal with the unfunded liability and that, to some degree, the cost of addressing the issue will fall upon system participants, school districts, and possibly the State's School Aid Fund.

- In 2010, Congress enacted the Patient Protection and Affordable Care Act (PPACA) in order to increase the number of Americans covered by health insurance and decrease the cost of health care. The law puts in place comprehensive health insurance reforms that will roll out over four years and beyond, with most changes taking place by 2014. The economic impact of healthcare cost increases continue to be a challenge for the District and its employees. District administration will continue working with its healthcare providers to implement provisions of the PPACA as they become required.

- In 2007, Allendale voters approved utilizing the School Bond Loan Fund, (a program created by the Michigan Legislature to assist school districts in bonding for new facilities) to construct new school buildings in order to accommodate the District's growing population of students. New legislation passed in December 2012 obligates school districts to annually review their outstanding debt beginning in the fall of 2013 and levy a millage to ensure that the bond debt will be paid within a newly appointed 30-year period. Due to an economic recession and the new legislation, the Allendale Board of Education will levy a higher millage rate beginning in the summer of 2013. Following the recommendation of the state, the District is implementing the increase prior to the 2014 tax levy in order to lessen the impact of future millage recalculations.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional information, please contact the Chief Financial Officer at Allendale Public Schools, 10505 Learning Lane, Allendale, MI 49401.

BASIC FINANCIAL STATEMENTS

ALLENDALE PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental activities
ASSETS:	
Cash and cash equivalents	$ 1,956,506
Investments	862,565
Receivables:	
Accounts receivable	18,646
Property taxes receivable	11,229
Intergovernmental	3,574,415
Inventories	13,089
Prepaids	5,791
Capital assets, not being depreciated	2,959,441
Capital assets, net of accumulated depreciation	74,026,673
TOTAL ASSETS	83,428,355
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	964,854
LIABILITIES:	
Accounts payable	482,909
Accrued salaries and related items	1,781,097
Accrued interest	630,847
Unearned revenue	47,454
Note payable	1,900,000
Noncurrent liabilities:	
Due within one year	5,449,137
Due in more than one year	103,329,374
TOTAL LIABILITIES	113,620,818
NET POSITION:	
Net investment in capital assets	(28,396,921)
Restricted for food service	68,528
Unrestricted	(899,216)
TOTAL NET POSITION	$ (29,227,609)

See notes to financial statements.

ALLENDALE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants	Governmental activities: Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	$ 12,916,480	$ 48,324	$ 4,597,178	$ (8,270,978)
Support services	8,166,442	233,266	16,374	(7,916,802)
Community services	247,794	177,803	-	(69,991)
Outgoing transfers and other transactions	-	4,295	-	4,295
Food services	751,323	328,422	435,841	12,940
Interest on long-term debt	4,710,278	-	-	(4,710,278)
Unallocated depreciation	2,910,244	-	-	(2,910,244)
Total governmental activities	$ 29,702,561	$ 792,110	$ 5,049,393	(23,861,058)
General revenues:				
Property taxes, levied for general purposes				2,477,063
Property taxes, levied for debt service				3,404,442
Investment earnings				5,110
State sources				14,499,024
Other				76,133
Total general revenues				20,461,772
CHANGE IN NET POSITION				(3,399,286)
NET POSITION, beginning of year, as restated				(25,828,323)
NET POSITION, end of year				$ (29,227,609)

See notes to financial statements.

ALLENDALE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Capital projects	Capital projects tech fund	2007 (A) debt service fund	Total nonmajor funds	Total governmental funds
ASSETS:						
Cash and cash equivalents	$ 1,415,391	$ 352,000	$ -	$ 34,009	$ 155,106	$ 1,956,506
Investments	-	-	862,565	-	-	862,565
Receivables:						
Property taxes receivable	9,619	-	-	570	1,040	11,229
Accounts receivable	16,109	-	-	-	2,537	18,646
Intergovernmental	3,574,415	-	-	-	-	3,574,415
Due from other funds	356,075	150,000	-	-	47,300	553,375
Inventories	-	-	-	-	13,089	13,089
Prepaids	5,000	-	-	-	791	5,791
TOTAL ASSETS	$ 5,376,609	$ 502,000	$ 862,565	$ 34,579	$ 219,863	$ 6,995,616
LIABILITIES:						
Accounts payable	$ 482,840	$ -	$ -	$ -	$ 69	$ 482,909
Accrued salaries and related items	1,781,097	-	-	-	-	1,781,097
Accrued interest	14,201	-	-	-	-	14,201
State aid note	1,900,000	-	-	-	-	1,900,000
Due to other funds	381,049	-	16,973	33,500	121,853	553,375
Unearned revenue	36,421	-	-	-	11,033	47,454
TOTAL LIABILITIES	4,595,608	-	16,973	33,500	132,955	4,779,036

See notes to financial statements.

	General Fund	Capital projects	Capital projects tech fund	2007 (A) debt service fund	Total nonmajor funds	Total governmental funds
FUND BALANCES:						
Nonspendable:						
Inventories	$ -		$ -	$ -	$ 13,089	$ 13,089
Prepaids	5,000		-	-	791	5,791
Restricted for:						
Debt service	-		-	1,079	4,500	5,579
Food service	-		-	-	68,528	68,528
Assigned:						
Capital projects	-	502,000	845,592	-	-	1,347,592
Unassigned	776,001		-	-	-	776,001
TOTAL FUND BALANCES	781,001	502,000	845,592	1,079	86,908	2,216,580
TOTAL LIABILITIES AND FUND BALANCES	$ 5,376,609	$ 502,000	$ 862,565	$ 34,579	$ 219,863	$ 6,995,616
Total governmental fund balances						$ 2,216,580
Amounts reported for governmental activities in the statement of net position are different because:						
Deferred charge on refunding, net of amortization						964,854
Capital assets used in governmental activities are not financial resources and are not reported in the funds:						
The cost of the capital assets is					$ 99,415,862	
Accumulated depreciation is					(22,429,748)	
						76,986,114
Long-term liabilities are not due and payable in the current period and are not reported in the funds:						
Long-term debt						(108,778,511)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid						(616,646)
Net position of governmental activities						$ (29,227,609)

See notes to financial statements.

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

	General fund	Capital projects	Capital projects tech fund	2007 (A) debt service fund	Total nonmajor funds	Total governmental funds
REVENUES:						
Local sources:						
Property taxes	$ 2,477,063	$ -	$ -	$ 1,492,518	$ 1,911,924	$ 5,881,505
Tuition	297,977	-	-	-	-	297,977
Investment earnings	2,078	-	1,868	475	689	5,110
Food sales	-	-	-	-	328,422	328,422
Other	214,716	-	-	-	-	214,716
Total local sources	2,991,834	-	1,868	1,492,993	2,241,035	6,727,730
State sources	16,428,938	-	-	-	41,224	16,470,162
Federal sources	629,062	-	-	-	405,296	1,034,358
Interdistrict sources and other	2,071,025	-	-	-	-	2,071,025
Total revenues	22,120,859	-	1,868	1,492,993	2,687,555	26,303,275
EXPENDITURES:						
Current:						
Instruction	12,916,480	-	-	-	-	12,916,480
Supporting services	8,654,893	-	-	-	-	8,654,893
Community service activities	247,794	-	-	-	-	247,794
Food service activities	-	-	-	-	751,323	751,323
Capital outlay	-	-	16,973	-	-	16,973

See notes to financial statements.

	General fund	Capital projects	Capital projects tech fund	2007 (A) debt service fund	Total nonmajor funds	Total governmental funds
EXPENDITURES (Concluded):						
Debt service:						
Principal repayment	$ -	$ -	$ -	$ 1,175,000	$ 3,855,194	$ 5,030,194
Interest	1,447	-	-	2,037,850	1,920,162	3,959,459
Other	-	-	-	225	1,350	1,575
Total expenditures	21,820,614	-	16,973	3,213,075	6,528,029	31,578,691
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	300,245	-	(15,105)	(1,720,082)	(3,840,474)	(5,275,416)
OTHER FINANCING SOURCES (USES):						
Proceeds from school bus installment note	280,000	-	-	-	-	280,000
Proceeds from school loan revolving fund	-	-	-	1,720,898	3,827,722	5,548,620
Transfers in	25,000	502,000	-	-	-	527,000
Transfers out	(502,000)	-	-	-	(25,000)	(527,000)
Total other financing sources (uses)	(197,000)	502,000	-	1,720,898	3,802,722	5,828,620
NET CHANGE IN FUND BALANCES	103,245	502,000	(15,105)	816	(37,752)	553,204
FUND BALANCES:						
Beginning of year	677,756	-	860,697	263	124,660	1,663,376
End of year	$ 781,001	$ 502,000	$ 845,592	$ 1,079	$ 86,908	$ 2,216,580

See notes to financial statements.

ALLENDALE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Net change in fund balances total governmental funds	$	553,204
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		(2,910,244)
Capital outlay		500,662
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		659,653
Accrued interest payable, end of the year		(616,646)
The issuance of long-term debt (e.g., bonds) provides current financial resources to to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:		
Proceeds from school bus installment note		(280,000)
Proceeds from issuance of school loan revolving fund		(5,548,620)
Payments on debt		5,030,194
Long-term accrued interest on school loan revolving fund		(795,273)
Amortization of deferred loss on refunding		(63,681)
Amortization of bond premium		71,465
Change in net position of governmental activities	$	(3,399,286)

See notes to financial statements.

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

	Agency fund
ASSETS:	
Cash and cash equivalents	$ 205,757
Investments	773
TOTAL ASSETS	$ 206,530
LIABILITIES:	
Accounts payable	$ 12,685
Due to student and other groups	193,845
TOTAL LIABILITIES	$ 206,530

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

B. Reporting Entity

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

C. Basis of Presentation - Government-wide Financial Statements

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

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

D. Basis of Presentation - Fund Financial Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

The *capital projects tech fund* accounts for revenues and expenditures that have been assigned for the purchase and upgrade of technology equipment throughout the District.

The *capital projects* accounts for revenues and expenditures that have been assigned for the purchase and upgrade of the facilities throughout the District.

The *2007(A) debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Other non-major funds

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting

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

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information

Budgetary basis of accounting:

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

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

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

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

2. Public hearings are conducted to obtain taxpayer comments.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Cash and cash equivalents

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

2. Investments

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

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

3. Inventories and prepaid items

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital assets

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

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

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

Capital asset classes	Lives
Land improvements	10 - 20 years
Buildings and improvements	40 - 50 years
Transportation equipment	5 - 10 years
Furniture and equipment	3 - 10 years

5. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Net position flow assumption

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

In the computation of net invested in capital assets, school loan revolving fund principal proceeds of $27,995,792 are considered capital-related debt. Accrued interest on the school loan revolving fund of $2,430,622 has been included in the calculation of unrestricted net position.

7. Fund balance flow assumptions

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

8. Fund balance policies

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Fund balance policies (Concluded)

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

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

H. Revenues and Expenditures/Expenses

1. Program revenues

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

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and 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 date is September 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

2. Property taxes (Concluded)

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

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	8.59

3. Compensated absences

The District's policies generally provide for granting vacation or sick leave with pay. The District does not allow for these compensated absences to be carried over from year to year. If the employees do not use their allotted absences they are forfeited at year end. Therefore, no liability tracking of these amounts is necessary.

4. Long-term obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Investment Type	Fair value	Weighted average maturity (years)	Rating	%
Michigan Liquid Asset Fund - Fixed Rate	$ 862,565	0.0027	AAAm	92.6%
Michigan Liquid Asset Fund - MAX Class	68,718	0.0027	AAAm	7.4%
Total fair value	$ 931,283			100.0%
Portfolio weighted average maturity		0.0027		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2013, the fair value of the District's investments is the same as the value of the pool shares.

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, the District did not have investments in commercial paper and corporate bonds.

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2013, $1,734,886 of the District's bank balance of $2,382,639 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount on the financial statements is $2,094,318.

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

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

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

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

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

Deposits - including fiduciary funds of $205,757	$ 2,094,318
Investments	931,283
	$ 3,025,601

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

Fiduciary fund:	
Cash and cash equivalents	$ 205,757
Investments	773
Government-wide:	
Cash and cash equivalents	1,956,506
Investments	862,565
	$ 3,025,601

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2012	Additions	Deletions/ reclassification	Balance June 30, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 2,959,441	$ -	$ -	$ 2,959,441
Construction in progress	174,081	-	174,081	-
Total capital assets not being depreciated	3,133,522	-	174,081	2,959,441
Capital assets, being depreciated:				
Land improvements	4,115,333	-	-	4,115,333
Buildings and improvements	80,355,823	227,785	-	80,583,608
Furniture and equipment	9,542,168	-	-	9,542,168
Transportation equipment	1,893,581	446,958	125,227	2,215,312
Total capital assets, being depreciated	95,906,905	674,743	125,227	96,456,421
Accumulated depreciation:				
Land improvements	2,802,112	154,717	-	2,956,829
Buildings and improvements	11,092,034	1,657,738	-	12,749,772
Furniture and equipment	4,098,355	992,197	-	5,090,552
Transportation equipment	1,652,230	105,592	125,227	1,632,595
Total accumulated depreciation	19,644,731	2,910,244	125,227	22,429,748
Net capital assets being depreciated	76,262,174	(2,235,501)	-	74,026,673
Net governmental capital assets	$ 79,395,696	$ (2,235,501)	$ 174,081	$ 76,986,114

Depreciation expense for the fiscal year ended June 30, 2013 amounted to $2,910,244 and was unallocated.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2013 consist of the following:

	Governmental funds
Other governmental units:	
State aid	$ 3,082,532
Federal revenue	222,907
ISD and other	268,976
	$ 3,574,415

Amounts reported in intergovernmental receivables include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

NOTE 5 - NOTES PAYABLE

On August 20, 2012, the District issued short-term State School Aid Anticipation Notes in the amount of $1,045,000 and $855,000. The notes have interest rates of .27% and 1.46%, respectively, and mature August 20, 2013. The notes are secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
$ 2,255,097	$ 1,900,000	$ 2,255,097	$ 1,900,000

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, 2013:

	School loan revolving fund including interest	Bonds and other debt	Total
Balance, July 1, 2012, as restated	$ 24,082,521	$ 83,173,756	$ 107,256,277
Additions	6,343,893	280,000	6,623,893
Deletions	-	(5,101,659)	(5,101,659)
Balance, June 30, 2013	30,426,414	78,352,097	108,778,511
Due in one year	-	5,449,137	5,449,137
Due in more than year	$ 30,426,414	$ 72,902,960	$ 103,329,374

Borrowing from the State of Michigan - The school loan revolving fund payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates of 3.53% for the School Loan Revolving Fund notes have been assessed for the year ended June 30, 2013. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 8.59 mills. The school district is required to levy 8.59 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. The District currently levies 8.59 debt mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the following amortization schedule.

NOTE 6 - LONG-TERM DEBT (Continued)

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

2005 refunding bonds due in annual installments of $65,000 to $1,185,000 through May 1, 2027 with interest from 3.50% to 4.30%	$ 6,700,000
2006 refunding bonds due in annual installments of $20,000 to $1,120,000 through May 1, 2032 with interest from 3.625% to 4.350%	7,290,000
2007 Series A building and site bonds due in annual installments of $1,175,000 to $2,160,000 through May 1, 2037 with interest from 5.00% to 5.25%	38,950,000
2007 refunding bonds due in annual installments of $735,000 to $1,915,000 through May 1, 2026 with interest from 4.00% to 5.00%	16,480,000
2007 Series B SBLF refunding bonds due in annual installments of $2,305,000 to $2,525,000 through May 1, 2016 with interest of 5.852%	7,160,000
Bus installment purchase due in annual installments of $142,609 through February 1, 2015 with interest of 1.24%	280,000
Plus: premium on bond refunding	1,492,097
Total general obligation debt	78,352,097
Borrowing from the State of Michigan under the School Loan Revolving Fund, including interest at 3.53% at June 30, 2013	30,426,414
Total general long-term debt	$ 108,778,511

NOTE 6 - LONG-TERM DEBT (Concluded)

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, 2013, $20,850,000 bonds outstanding are considered defeased.

The annual requirements to amortize debt outstanding as of June 30, 2013, including interest payments of $38,863,686 are as follows:

Year ending June 30,	Principal	Interest	Amounts payable
2014	$ 5,449,137	$ 3,703,349	$ 9,152,486
2015	5,755,863	3,418,033	9,173,896
2016	5,505,000	3,109,532	8,614,532
2017	3,310,000	2,809,819	6,119,819
2018	3,405,000	2,659,746	6,064,746
2019-2023	17,170,000	11,026,038	28,196,038
2024-2028	14,720,000	7,240,301	21,960,301
2029-2033	13,475,000	3,869,868	17,344,868
2034-2037	8,070,000	1,027,000	9,097,000
	76,860,000	38,863,686	115,723,686
Premium on bond refunding	1,492,097	-	1,492,097
School loan revolving fund	30,426,414	-	30,426,414
	$ 108,778,511	$ 38,863,686	$ 147,642,197

Interest expense (all funds) for the year ended June 30, 2013 was approximately $4,000,000.

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

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

Receivable fund		Payable fund	
General fund	$ 356,075	General fund	$ 381,049
Capital projects	150,000	2007(A) debt service fund	33,500
Other nonmajor funds	47,300	Capital projects tech	16,973
		Other nonmajor funds	121,853
	$ 553,375		$ 553,375

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

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

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

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

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

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Benefit Provisions - Pension

Introduction

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

Pension Reform 2010

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

Pension Reform 2012

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

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Benefit Provisions - Pension (Continued)

Option 1 - members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

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

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

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

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

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

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Benefit Provisions - Pension (Concluded)

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

Funding Policy

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first $5,000; 3.6% of $5,001 through $15,000; 4.3% of all wages over $15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first $5,000; 3.6% of $5,001 through $15,000; 6.4% of all wages over $15,000.

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

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

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Employer Contributions

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

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

Fiscal Year Ending June 30,	Contributions to MPSERS
2013	$ 3,055,635
2012	2,713,029
2011	2,241,922

Included in the amounts paid above, the District received $222,207 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2013.

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

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Fiscal Year 2013

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

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

Fiscal Years 2012 and 2011

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

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Concluded)

Benefit Provisions - Other Postemployment

Introduction

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

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

Retiree Healthcare Reform of 2012

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

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

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Benefit Provisions - Other Postemployment (Continued)

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

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

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

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

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

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

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

NOTE 8 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Concluded)

Benefit Provisions - Other Postemployment (Concluded)

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

Other Information

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

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

NOTE 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 Risk Management Trust (Trust), a self-insurance program with 31 districts pooling together to insure property, liability and auto exposures. Premiums from members of the Trust are arrived at through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to $250,000 and $1,295,405, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A $1,000 per occurrence deductible for property losses is maintained to place the responsibility for small charges with the members of the Trust.

The District also participates in a pool, the SET-SEG Self-Insured Workers' Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The District has no liability for additional assessments based on claims filed against the pool nor do they have any rights to dividends.

NOTE 10 - TRANSFERS

The food service fund transferred $25,000 to the general fund. The funds were transferred to cover the indirect costs related to the food service fund. The general fund transferred $502,000 to the capital projects fund. The funds were transferred to set funds aside for future athletic facilities repairs, replacement, and electrical upgrades.

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 - SUBSEQUENT EVENTS

The District has approved borrowing of $1,700,000 for fiscal year 2014 to replace the notes payable as described in Note 5.

NOTE 13 - NEW ACCOUNTING STANDARDS

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

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

Summary:

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

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

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

Summary:

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

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

NOTE 13 - NEW ACCOUNTING STANDARDS (Concluded)

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

	Governmental activities
Net position as previously stated, July 1, 2012	$ (25,368,106)
Adoption of GASB 65	(460,217)
Net position as restated, July 1, 2012	$ (25,828,323)

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	$ 2,843,300	$ 2,967,200	$ 2,991,834	$ 24,634
State sources	15,269,100	16,446,500	16,428,938	(17,562)
Federal sources	596,000	668,900	629,062	(39,838)
Interdistrict sources and other	2,126,000	2,075,900	2,071,025	(4,875)
Total revenues	20,834,400	22,158,500	22,120,859	(37,641)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	10,449,200	10,915,800	10,792,297	123,503
Added needs	2,152,300	2,165,300	2,124,183	41,117
Total instruction	12,601,500	13,081,100	12,916,480	164,620
Supporting services:				
Pupil	1,108,400	1,142,500	1,134,552	7,948
Instructional staff	742,000	774,900	723,108	51,792
General administration	490,600	482,900	472,474	10,426
School administration	1,270,700	1,285,700	1,286,314	(614)
Business	380,000	382,900	360,394	22,506
Operation/maintenance	2,253,300	2,381,200	2,313,599	67,601
Pupil transportation	943,200	1,456,300	1,442,990	13,310
Central	352,600	389,200	438,311	(49,111)
Athletics	461,300	476,900	483,151	(6,251)
Total supporting services	8,002,100	8,772,500	8,654,893	117,607
Community services	230,800	257,900	247,794	10,106
Debt service	-	-	1,447	(1,447)
Total expenditures	20,834,400	22,111,500	21,820,614	290,886
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	47,000	300,245	253,245
OTHER FINANCING SOURCES (USES):				
Proceeds from school bus installment note		280,000	280,000	-
Transfers in	-	25,000	25,000	-
Transfers out	-	(352,000)	(502,000)	(150,000)
Total other financing sources (uses)	-	(47,000)	(197,000)	(150,000)
NET CHANGE IN FUND BALANCE	$ -	$ -	103,245	$ 103,245
FUND BALANCE:				
Beginning of year			677,756	
End of year			$ 781,001	

ADDITIONAL SUPPLEMENTARY INFORMATION

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

	Special revenue food service	Debt service	Total nonmajor funds
ASSETS:			
Cash and cash equivalents	$ 112,536	$ 42,570	$ 155,106
Accounts receivable	2,537	-	2,537
Property taxes receivable	-	1,040	1,040
Due from other funds	-	47,300	47,300
Inventories	13,089	-	13,089
Prepaids	791	-	791
TOTAL ASSETS	$ 128,953	$ 90,910	$ 219,863
LIABILITIES:			
Accounts payable	$ 69	$ -	$ 69
Due to other funds	35,443	86,410	121,853
Unearned revenue	11,033	-	11,033
TOTAL LIABILITIES	46,545	86,410	132,955
FUND BALANCES:			
Nonspendable:			
Inventories	13,089	-	13,089
Prepaids	791	-	791
Restricted for:			
Debt service	-	4,500	4,500
Food service	68,528	-	68,528
TOTAL FUND BALANCES	82,408	4,500	86,908
TOTAL LIABILITIES AND FUND BALANCES	$ 128,953	$ 90,910	$ 219,863

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

	Special revenue food service	Debt service	Total nonmajor funds
REVENUES:			
Local sources:			
Property taxes	$ -	$ 1,911,924	$ 1,911,924
Investment earnings	86	603	689
Food sales	328,422	-	328,422
Total local sources	328,508	1,912,527	2,241,035
State sources	30,545	10,679	41,224
Federal sources	405,296	-	405,296
Total revenues	764,349	1,923,206	2,687,555
EXPENDITURES:			
Current:			
Salaries	220,637	-	220,637
Benefits	92,540	-	92,540
Purchased services	68,587	-	68,587
Supplies and materials	359,387	-	359,387
Capital outlay	435	-	435
Outgoing transfers and other transactions	9,737	-	9,737
Debt service:			
Principal repayment	-	3,855,194	3,855,194
Interest expense	-	1,920,162	1,920,162
Other expense	-	1,350	1,350
Total expenditures	751,323	5,776,706	6,528,029
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	13,026	(3,853,500)	(3,840,474)
OTHER FINANCING SOURCES (USES):			
Transfers out	(25,000)	-	(25,000)
Proceeds from school loan revolving fund	-	3,827,722	3,827,722
Total other financing sources (uses)	(25,000)	3,827,722	3,802,722
NET CHANGE IN FUND BALANCES	(11,974)	(25,778)	(37,752)
FUND BALANCES:			
Beginning of year	94,382	30,278	124,660
End of year	$ 82,408	$ 4,500	$ 86,908

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

	2005 Refunding	2006 Refunding	2007	2007 (B)	Total nonmajor
ASSETS:					
Cash and cash equivalents	$ 293	$ 3,615	$ 13,217	$ 25,445	$ 42,570
Property taxes receivable	67	76	423	474	1,040
Due from other funds	-	-	-	47,300	47,300
TOTAL ASSETS	$ 360	$ 3,691	$ 13,640	$ 73,219	$ 90,910
LIABILITIES:					
Due to other governmental funds	$ -	$ 800	$ 13,000	$ 72,610	$ 86,410
FUND BALANCES:					
Restricted for debt service	360	2,891	640	609	4,500
TOTAL LIABILITIES AND FUND BALANCES	$ 360	$ 3,691	$ 13,640	$ 73,219	$ 90,910

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

	1998 Durant	2001 Refunding	2002	2005 Refunding	2006 Refunding	2007	2007 (B)	Total nonmajor
REVENUES:								
Local sources:								
Property taxes	$ -	$ 156,769	$ 150,014	$ 164,343	$ 195,864	$ 539,088	$ 705,846	$ 1,911,924
Interest	-	54	53	53	63	131	249	603
Total local revenues	-	156,823	150,067	164,396	195,927	539,219	706,095	1,912,527
State sources	10,679	-	-	-	-	-	-	10,679
Total revenues	10,679	156,823	150,067	164,396	195,927	539,219	706,095	1,923,206
EXPENDITURES:								
Redemption of bonds	10,194	770,000	700,000	110,000	35,000	85,000	2,145,000	3,855,194
Interest on bonded debt	485	35,805	29,050	269,790	310,584	729,919	544,529	1,920,162
Other	-	225	225	225	225	225	225	1,350
Total expenditures	10,679	806,030	729,275	380,015	345,809	815,144	2,689,754	5,776,706
DEFICIENCY OF REVENUES UNDER EXPENDITURES	-	(649,207)	(579,208)	(215,619)	(149,882)	(275,925)	(1,983,659)	(3,853,500)
OTHER FINANCING SOURCES:								
Proceeds from school loan revolving fund	-	642,196	569,497	209,308	146,279	276,294	1,984,148	3,827,722
NET CHANGE IN FUND BALANCES	-	(7,011)	(9,711)	(6,311)	(3,603)	369	489	(25,778)
FUND BALANCES:								
Beginning of year	-	7,011	9,711	6,671	6,494	271	120	30,278
End of year	$ -	$ -	$ -	$ 360	$ 2,891	$ 640	$ 609	$ 4,500

ALLENDALE PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2013

2005 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1,	Interest due May 1	Interest due November 1	Total due annually
2014	3.65%	$ 110,000	$ 132,970	$ 132,970	$ 375,940
2015	3.65%	110,000	130,962	130,963	371,925
2016	3.75%	110,000	128,955	128,955	367,910
2017	3.90%	115,000	126,893	126,892	368,785
2018	3.90%	115,000	124,650	124,650	364,300
2019	3.90%	110,000	122,408	122,407	354,815
2020	3.90%	1,185,000	120,262	120,263	1,425,525
2021	4.00%	1,175,000	97,155	97,155	1,369,310
2022	4.00%	1,165,000	73,655	73,655	1,312,310
2023	4.00%	1,155,000	50,355	50,355	1,255,710
2024	4.00%	1,145,000	27,255	27,255	1,199,510
2025	4.20%	70,000	4,355	4,355	78,710
2026	4.25%	70,000	2,885	2,885	75,770
2027	4.30%	65,000	1,398	1,397	67,795
Total 2005 bonded debt		$ 6,700,000	$ 1,144,158	$ 1,144,157	$ 8,988,315

The above bonds dated August 26, 2005 were issued for the purpose of creating an Escrow Fund, which a portion will be used to pay principal of and interest on the 1998 School Building and Site Bonds which are due and payable May 1, 2010 through May 1, 2018, inclusive, May 1, 2023 and May 1, 2027. Also, the Escrow Fund will be used to pay principal of and interest on the 2002 School Building and Site Bonds which are due and payable May 1, 2021 ($2,150,000 only) and May 1, 2027 ($3,225,000 only).

ALLENDALE PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2013

2006 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1,	Interest due May 1	Interest due November 1	Total due annually
2014	3.625%	$ 20,000	$ 154,658	$ 154,657	$ 329,315
2015	3.750%	20,000	154,295	154,295	328,590
2016	4.000%	20,000	153,920	153,920	327,840
2017	4.000%	25,000	153,520	153,520	332,040
2018	4.125%	25,000	153,020	153,020	331,040
2019	4.125%	25,000	152,505	152,504	330,009
2020	4.125%	25,000	151,989	151,989	328,978
2021	4.125%	30,000	151,473	151,473	332,946
2022	4.125%	30,000	150,855	150,854	331,709
2023	4.125%	30,000	150,236	150,235	330,471
2024	4.125%	35,000	149,617	149,617	334,234
2025	4.125%	35,000	148,895	148,895	332,790
2026	4.125%	325,000	148,173	148,173	621,346
2027	4.150%	1,110,000	141,470	141,470	1,392,940
2028	4.200%	1,115,000	118,438	118,437	1,351,875
2029	4.250%	1,120,000	95,023	95,022	1,310,045
2030	4.300%	1,110,000	71,223	71,222	1,252,445
2031	4.300%	1,100,000	47,358	47,357	1,194,715
2032	4.350%	1,090,000	23,707	23,706	1,137,413
Total 2006 bonded debt		$ 7,290,000	$ 2,470,375	$ 2,470,366	$ 12,230,741

The above bonds dated February 1, 2006 were issued for the purpose of refunding a portion of the School District's outstanding 2002 School Building and Site Bonds.

ALLENDALE PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2013

2007 Series A School Building and Site Bonds

Fiscal year	Interest rate	Principal due May 1,	Interest due May 1	Interest due November 1	Total due annually
2014	5.00%	$ 1,210,000	$ 989,550	$ 989,550	$ 3,189,100
2015	5.50%	1,245,000	959,300	959,300	3,163,600
2016	5.50%	1,280,000	925,063	925,062	3,130,125
2017	5.00%	1,315,000	889,863	889,862	3,094,725
2018	5.00%	1,350,000	856,988	856,987	3,063,975
2019	5.00%	1,385,000	823,238	823,237	3,031,475
2020	5.25%	1,420,000	788,613	788,612	2,997,225
2021	5.00%	1,455,000	751,338	751,337	2,957,675
2022	5.25%	1,490,000	714,963	714,962	2,919,925
2023	5.25%	1,525,000	675,850	675,850	2,876,700
2024	5.25%	1,560,000	635,819	635,819	2,831,638
2025	5.25%	1,595,000	594,869	594,868	2,784,737
2026	5.00%	1,630,000	553,000	553,000	2,736,000
2027	5.00%	1,665,000	512,250	512,250	2,689,500
2028	5.00%	1,700,000	470,625	470,625	2,641,250
2029	5.00%	1,735,000	428,125	428,125	2,591,250
2030	5.00%	1,770,000	384,750	384,750	2,539,500
2031	5.00%	1,810,000	340,500	340,500	2,491,000
2032	5.00%	1,850,000	295,250	295,250	2,440,500
2033	5.00%	1,890,000	249,000	249,000	2,388,000
2034	5.00%	1,930,000	201,750	201,750	2,333,500
2035	5.00%	1,970,000	153,500	153,500	2,277,000
2036	5.00%	2,010,000	104,250	104,250	2,218,500
2037	5.00%	2,160,000	54,000	54,000	2,268,000
Total 2007 Series A bonded debt		$ 38,950,000	$ 13,352,454	$ 13,352,446	$ 65,654,900

The above bonds dated July 9, 2007 were issued for school building and site purposes. The Series A bonds are being issued for the purpose of paying all or a portion of the cost of certain capital projects and paying the costs of issuing the Series A Bonds.

ALLENDALE PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2013

2007 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1,	Interest due May 1	Interest due November 1	Total due annually
2014	4.00%	$ 1,640,000	$ 363,260	$ 363,259	$ 2,366,519
2015	5.00%	1,715,000	322,260	322,259	2,359,519
2016	5.00%	1,790,000	279,385	279,384	2,348,769
2017	5.00%	1,855,000	234,635	234,634	2,324,269
2018	4.25%	1,915,000	195,216	195,215	2,305,431
2019	4.00%	1,890,000	156,916	156,915	2,203,831
2020	4.00%	790,000	119,116	119,115	1,028,231
2021	4.00%	780,000	103,316	103,315	986,631
2022	4.13%	760,000	87,228	87,228	934,456
2023	4.13%	745,000	71,553	71,553	888,106
2024	4.50%	735,000	54,791	54,790	844,581
2025	4.13%	1,080,000	39,632	39,631	1,159,263
2026	4.25%	785,000	16,681	16,681	818,362
Total 2007 bonded debt		$ 16,480,000	$ 2,043,989	$ 2,043,979	$ 20,567,968

The above bonds dated February 8, 2007 were issued for the purpose of refunding portions of the School District's outstanding 1997 Refunding Bonds and portions of the School District's outstanding 2002 School Building and Site Bonds.

ALLENDALE PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2013

2007 Series B SBLF Refunding Bonds

Fiscal year	Interest rate	Principal due May 1,	Interest due May 1	Interest due November 1	Total due annually
2014	5.852%	$ 2,330,000	$ 209,502	$ 209,501	$ 2,749,003
2015	5.852%	2,525,000	141,326	141,326	2,807,652
2016	5.852%	2,305,000	67,444	67,444	2,439,888
Total 2007 Series B Bonds		$ 7,160,000	$ 418,272	$ 418,271	$ 7,996,543

The above bonds dated June 13, 2007 will be used to refund certain outstanding indebtedness of the School District to the State of Michigan pursuant to the State of Michigan School Bond Qualification and Loan Program.

ALLENDALE PUBLIC SCHOOLS
SCHEDULE OF SCHOOL BUS INSTALLMENT PURCHASE
JUNE 30, 2013

Bus installment purchase

Fiscal year	Interest rate	Principal due February 1	Interest due February 1	Total due annually
2014	1.24%	$ 139,137	$ 3,472	$ 142,609
2015	1.24%	140,863	1,747	142,610
		$ 280,000	$ 5,219	$ 285,219

The above note dated February 1, 2013 was issued to purchase five new buses.

ALLENDALE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued revenue July 1, 2012	(Memo only) Prior year expenditures	Adjustments	Current year expenditures	Current year cash receipts	Accrued revenue June 30, 2013
U.S. Department of Agriculture:									
Passed through Michigan Department of Education:									
Child Nutrition Cluster:									
Non-cash assistance (donated foods):									
National School Program - Non-bonus	10.555		$ 45,833	$ -	$ -	$ -	$ 45,833	$ 45,833	$ -
National School Lunch Program - Breakfast	10.553	131970	54,494	-	-	-	54,494	54,494	-
National School Lunch Program - Breakfast		121970	5,528	-	-	-	5,528	5,528	-
			60,022	-	-	-	60,022	60,022	-
Cash assistance									
National School Lunch Program - Section 11	10.555	131960	263,706	-	-	-	263,706	263,706	-
National School Lunch Program - Section 11		121960	35,478	-	-	-	35,478	35,478	-
			299,184	-	-	-	299,184	299,184	-
Special Milk Program	10.556	131940	222	-	-	-	222	222	-
Special Milk Program		121940	35	-	-	-	35	35	-
			257	-	-	-	257	257	-
Total Child Nutrition Cluster			405,296	-	-	-	405,296	405,296	-
Total U.S. Department of Agriculture			405,296	-	-	-	405,296	405,296	-

The accompanying notes are an integral part of this schedule

ALLENDALE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued revenue July 1, 2012	(Memo only) Prior year expenditures	Adjustments	Current year expenditures	Current year cash receipts	Accrued revenue June 30, 2013
U.S. Department of Education:									
Passed through Michigan Department of Education:									
Title I:									
E.C.I.A. Title I	84.010	131530-1213	$ 191,698	$ -	$ -	$ -	$ 147,493	$ 129,723	$ 17,770
E.C.I.A. Title I		121530-1112	165,479	19,096	165,479	-	-	19,096	-
			357,177	19,096	165,479	-	147,493	148,819	17,770
Title IIA, Improving Teacher Quality	84.367	130520-1213	51,864	-	-	-	44,196	28,568	15,628
Title IIA, Improving Teacher Quality		120520-1112	52,872	7,715	52,872	-	-	7,715	-
			104,736	7,715	52,872	-	44,196	36,283	15,628
Total passed through Michigan Department of Education			461,913	26,811	218,351	-	191,689	185,102	33,398
U.S. Department of Education:									
Passed through Ottawa Area Intermediate School District:									
Special Education Cluster:									
IDEA	84.027	130450-1213	396,966	-	-	-	396,966	227,391	169,575
IDEA		120450-1112	384,722	161,669	384,722	-	-	161,669	-
			781,688	161,669	384,722	-	396,966	389,060	169,575
Pre School Incentive	84.173	130460-1213	12,366	-	-	-	12,366	6,955	5,411
Pre School Incentive		120460-1112	12,422	5,536	12,422	-	-	5,536	-
			24,788	5,536	12,422	-	12,366	12,491	5,411
Total Special Education Cluster:			806,476	167,205	397,144	-	409,332	401,551	174,986
McKinney-Vento Homeless	84.196	132320-1213	4,659	-	-	-	4,659	-	4,659
		122320-1112C	1,486	-	-	-	1,486	1,138	348
			6,145	-	-	-	6,145	1,138	5,007
Total passed through Ottawa Area Intermediate School District			812,621	167,205	397,144	-	415,477	402,689	179,993

The accompanying notes are an integral part of this schedule

ALLENDALE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Approved grant award amount	Accrued revenue July 1, 2012	(Memo only) Prior year expenditures	Adjustments	Current year expenditures	Current year cash receipts	Accrued revenue June 30, 2013
U.S. Department of Education:									
Passed through Zeeland Public Schools:									
English Language Acquisition	84.365		$ 10,836	$ -	$ -	$ -	$ 9,516	$ -	$ 9,516
English Language Acquisition			17,835	4,872	4,872	-	8,548	13,420	-
			28,671	4,872	4,872	-	18,064	13,420	9,516
Total U.S. Department of Education			1,303,205	198,888	620,367	-	625,230	601,211	222,907
U.S. Department of Health and Human Services:									
Passed through Michigan Department of Community Health									
Passed through Ottawa Area Intermediate School District:									
Medicaid - Administrative Outreach Claiming	93.778		3,832	1,336	-	-	3,832	5,168	-
TOTAL FEDERAL AWARDS			$ 1,712,333	$ 200,224	$ 620,367	$ -	$ 1,034,358	$ 1,011,675	$ 222,907

The accompanying notes are an integral part of this schedule

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

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

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

3. Special Education Cluster (CFDA #84.027 and #84.173) and the Child Nutrition Cluster (CFDA #10.553, #10.555 and #10.556) were audited as major programs representing 79% of expenditures.

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

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

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

General fund	$ 629,062
Food service fund	405,296
	$ 1,034,358

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Allendale Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allendale Public Schools as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Allendale Public Schools' basic financial statements and have issued our report thereon dated October 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Allendale Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Allendale Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Allendale Public Schools' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

October 1, 2013

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Allendale Public Schools

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Maner Costerisan PC

October 1, 2013

ALLENDALE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	*Unmodified*			
Internal control over financial reporting:				
➢ Material weakness(es) identified ?	____	Yes	X	No
➢ Significant deficiency(ies) identified that are not considered to be material weakness(es) ?	____	Yes	X	No
Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Internal control over major programs:				
➢ Material weakness(es) identified:	____	Yes	X	No
➢ Significant deficiency(ies) identified that are not considered to be material weakness(es) ?	____	Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*			
Any audit findings disclosed that are required to be reported in accordance with Sections 510(a) of Circular A-133?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555 & 10.556	Child Nutrition Cluster
84.027 & 84.173	Special Education Cluster

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

ALLENDALE PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS`
YEAR ENDED JUNE 30, 2013

There were no audit findings required to be reported on this schedule for the year ended June 30, 2012.

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October 1, 2013

To the Board of Education
Allendale Public Schools

We have audited the financial statements of Allendale Public Schools for the year ended June 30, 2013, and have issued our report thereon dated October 1, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Allendale Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Allendale Public Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Allendale Public Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Allendale Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Allendale Public Schools' compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

1. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Allendale Public Schools are described in Note 1 to the financial statements. During 2013 the District implemented Governmental Accounting Standard 62, *Codification of Accounting and Financial Reporting Guidance*, No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*. The application of existing policies was not changed during 2013. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management estimated lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

2. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

4. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

5. Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 1, 2013.

6. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Education and management of Allendale Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC