

# West Michigan Academy of Arts and Academics

Spring Lake, Michigan

Audited Financial Statements

June 30, 2013

CROSKEY LANNI, PC  
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of West Michigan Academy of Arts and Academics

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Michigan Academy of Arts and Academics, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise West Michigan Academy of Arts and Academic'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are the 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 opinion.

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages v - x and 21 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 provided any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurances.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Michigan Academy of Arts and Academic's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Croskey Lanni, PC

October 23, 2013  
Rochester, Michigan

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

**To the Board of Directors  
of West Michigan Academy of Arts and Academics**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Michigan Academy of Arts and Academics, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise West Michigan Academy of Arts and Academic's basic financial statements, and have issued our report thereon dated October 23, 2013.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether West Michigan Academy of Arts and Academic's 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.

A handwritten signature in blue ink that reads "Croskey Lanni, PC". The signature is written in a cursive, flowing style.

Croskey Lanni, PC

October 23, 2013  
Rochester, Michigan

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

This section of West Michigan Academy of Arts and Academic’s, “WMAAA”, annual financial report presents our discussion and analysis of the school’s financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

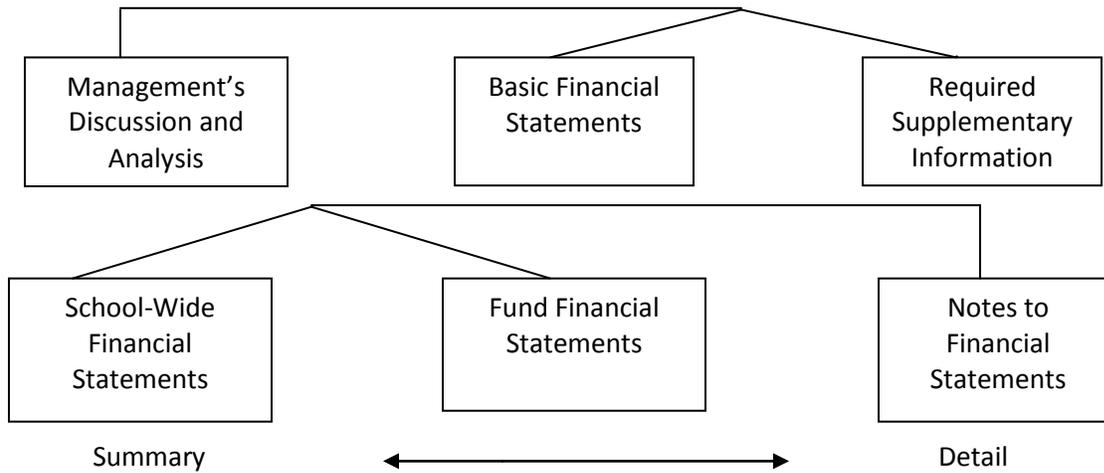
- ❖ The school’s financial status remains stable.
  - The total cost of basic programs was \$1,668,535.
- ❖ Revenues were at \$3,480,434 while expenses were \$3,565,178.
  - Blended enrollment used for state aid purposes was 427.67 compared to 405 last year.
- ❖ The school reduced its outstanding long-term debt by \$1,946,186, however, issued Revenue Bonds in the amount of \$4,960,000 to cover the cost of the building expansion.
- ❖ The school has a positive fund balance in the General Fund of \$2,102,754.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements which include two kinds of statements that present different views of the school:

- The first two statements are school-wide financial statements that provide both short-term and long-term information about the school’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school, reporting the schools operations in more detail.
- The governmental fund statements tell how basic services like regular and special education were financed.
- Fiduciary funds statements provide information about the financial relationships in which the school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school on behalf of the student group.

**Figure A-1  
Organization of WMAAA's Annual Financial Report**



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the school's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-2  
Major Features of School-Wide and Fund Financial**

**Fund Financial Statements**

	School-Wide Statements	Government Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net position *Statement of activities	*Balance sheet *Statement of revenues expenditures and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when good or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the school's financial statements, including the portion of the schools activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

## **SCHOOL-WIDE STATEMENTS**

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the school's assets, deferred outflows and liabilities and deferred inflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the school's net position and how they have changed. Net position – the difference between the school's assets, deferred outflows and liabilities, and inflows – are one way to measure the school's financial health or position.

- ❖ Over time, increases or decreases in the school's assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school's enrollment and the condition of school buildings and other facilities.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the school's funds, focusing on its most significant or "major" funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- ❖ *Governmental activities* – Most of the school's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has two kinds of funds:

- ❖ *Governmental funds* – Most of the school's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explain the relationship (or differences) between them.
- ❖ *Fiduciary funds* – The school is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the school-wide financial statements because the school cannot use these assets to finance its operations.

## **FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

The comparison of current year to prior year financial information is on the following pages. See tables A-3, A-4, and A-5.

The school's financial position is the product of many factors. New asset purchases have been kept to a minimum.

### **School Governmental**

The stability of the school's finances is a result of the following measures:

- ❖ A strong fund balance has been accumulated over the years
- ❖ Capital outlay spending kept to a minimum
- ❖ Continuous budget review

### **General Fund Budgetary Analysis**

Over the course of the year, the school reviewed the annual operating budget three times. The following operational changes were made:

- ❖ Changes were made during the year to account for final enrollment counts, state aid indecisions, capital outlay improvements, and changes in assumptions since the original budget was adopted.

### **Financial Outlook**

WMAAA's financial forecast is optimistic heading into the 2013-2014 school year.

- ❖ Enrollment remains good and continues to grow.
- ❖ Land and facility expansion.

**Table A-3  
WMAAA's Net Position**

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 5,140,972	\$ 2,071,972
Capital assets	<u>2,473,245</u>	<u>2,646,405</u>
Total assets and deferred outflows	7,614,217	4,718,377
Long-term debt outstanding	4,820,621	1,946,186
Other liabilities and deferred inflows	<u>328,787</u>	<u>222,638</u>
Total liabilities and deferred inflows	5,149,408	2,168,824
Net position:		
Restricted	420,636	700,219
Unrestricted	<u>2,044,173</u>	<u>1,849,334</u>
Total net position	<u>\$ 2,464,809</u>	<u>\$ 2,549,553</u>

**Table A-4**  
**Changes in WMAAA's Net Position**

	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 60,182	\$ 57,124
Federal and state operating grants	537,829	418,909
General revenues:		
State aid – unrestricted	3,033,777	2,865,274
Miscellaneous	234,345	22,260
Gain (loss) on disposal of assets	(388,079)	(7,198)
Unrestricted contributions	1,257	12,800
Interest income	1,123	3,867
	<u>3,480,434</u>	<u>3,373,036</u>
Expenses:		
Instruction	1,991,780	1,851,895
Support services	1,338,181	1,045,150
Interest on long-term debt	136,731	115,616
Depreciation	98,486	93,112
	<u>3,565,178</u>	<u>3,105,773</u>
Increase in net position	<u>\$ (84,744)</u>	<u>\$ 267,263</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2013, the school had invested \$2,473,245 in capital assets, including computers and land purchase. See table A-5 below for a listing of capital assets, and accumulated depreciation.

<b>Table A-5</b> <b><u>WMAAA's Capital Assets</u></b>	
Buildings and Improvements	\$ 3,365,387
Computers	69,102
Land	40,000
Equipment	<u>111,038</u>
Subtotal	\$ 3,585,527
Accumulated Depreciation	<u>(1,112,282)</u>
Net Book Value of Assets	<u>\$ 2,473,245</u>

**Long-Term Debt**

At year end the school had debt of \$4,820,621 consisting of Revenue Bonds further described in Note 7 to the financial statements.

- The school continued to pay down its debt, retiring \$1,946,186.

**FACTORS BEARING ON THE SCHOOL'S FUTURE**

- Continuation of positive enrollment trends
- Facility Expansion

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our students, parents and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the school's office at:

West Michigan Academy of Arts & Academics, 17350 Hazel Street, Spring Lake, MI 49456

# WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

STATEMENT OF NET POSITION  
JUNE 30, 2013  
See Independent Auditor's Report

## ASSETS AND DEFERRED OUTFLOWS

### Current Assets

Cash and cash equivalents	\$ 1,690,135
Investments in debt service and capital projects	2,768,012
Accounts receivable	1,312
Due from other governmental units	681,182
Prepaid expenses	331
	<hr/>
Total current assets	5,140,972

### Capital Assets - Net of Accumulated Depreciation

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2,473,245

Total assets and deferred outflows \$ 7,614,217

## LIABILITIES, DEFERRED INFLOWS AND NET POSITION

### Current Liabilities

Accounts payable	\$ 35,649
Other accrued expenses	247,646
Long-term debt - current portion	45,315
	<hr/>
Total current liabilities	328,610

### Long-Term Debt - Long-Term Portion

4,775,306

### Deferred Inflows

Grant funds received in advance of meeting timing requirements 45,492

### Net Position

Net investment in capital assets	(2,347,376)
Restricted for debt services and capital projects	2,768,012
Unrestricted	2,044,173
	<hr/>
Total net position	2,464,809

Total liabilities, deferred inflows and net position \$ 7,614,217

See accompanying notes to financial statements

## WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

		Program Revenues		Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants	Government Type Activities
<b>Functions</b>				
Instruction				
Basic programs	\$ 1,668,535	\$ -	\$ 173,351	\$ (1,495,184)
Added needs	323,245	-	323,245	-
Support services				
Pupil support services	39,435	-	39,435	-
Instructional staff support services	68,336	-	-	(68,336)
General administration	221,473	-	-	(221,473)
School administration	487,136	-	1,798	(485,338)
Business support services	307,046	-	-	(307,046)
Operations and maintenance	135,958	-	-	(135,958)
Pupil transportation services	22,937	-	-	(22,937)
Community services	55,860	58,387	-	2,527
Unallocated depreciation	98,486	-	-	(98,486)
Unallocated interest	136,731	1,795	-	(134,936)
Total primary government	\$ 3,565,178	\$ 60,182	\$ 537,829	(2,967,167)
<b>General Purpose Revenues</b>				
State school aid - unrestricted				3,033,777
Gain (loss) on disposal of assets				(388,079)
Miscellaneous revenues				236,725
Total general purpose revenues				2,882,423
Change in net position				(84,744)
Net position - July 1, 2012				2,549,553
Net position - June 30, 2013				\$ 2,464,809

See accompanying notes to financial statements

**WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS**

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2013

See Independent Auditor's Report

**ASSETS**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,690,135	\$ -	\$ -	\$ 1,690,135
Investments	-	420,694	2,347,318	2,768,012
Accounts receivable	1,312	-	-	1,312
Due from other governmental units	681,182	-	-	681,182
Prepaid expenses	331	-	-	331
 Total assets	 <u>\$ 2,372,960</u>	 <u>\$ 420,694</u>	 <u>\$ 2,347,318</u>	 <u>\$ 5,140,972</u>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	\$ 35,649	\$ -	\$ -	\$ 35,649
Unearned revenue	45,492	-	-	45,492
Other accrued expenses	189,065	-	-	189,065
 Total liabilities	 270,206	 -	 -	 270,206

**Fund Balance**

Nonspendable	331	-	-	331
Restricted	-	420,694	2,347,318	2,768,012
Assigned	1,000,000	-	-	1,000,000
Unassigned	1,102,423	-	-	1,102,423
 Total fund balance	 <u>2,102,754</u>	 <u>420,694</u>	 <u>2,347,318</u>	 <u>4,870,766</u>
 Total liabilities and fund balance	 <u>\$ 2,372,960</u>	 <u>\$ 420,694</u>	 <u>\$ 2,347,318</u>	 <u>\$ 5,140,972</u>

See accompanying notes to financial statements



**WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION  
OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2013

See Independent Auditor's Report

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

<b>Total Governmental Fund Balances</b>	\$ 4,870,766
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$3,585,527 and the accumulated depreciation is \$1,112,282.	2,473,245
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(58,581)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,820,621)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 2,464,809</u></u>

## WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

	General	Debt Service	Capital Projects	Total
<b>Revenues</b>				
Local sources	\$ 295,112	\$ 7	\$ 1,788	\$ 296,907
State sources	3,142,552	-	-	3,142,552
Federal sources	150,437	-	-	150,437
Interdistrict sources	278,617	-	-	278,617
<b>Total governmental fund revenues</b>	<b>3,866,718</b>	<b>7</b>	<b>1,788</b>	<b>3,868,513</b>
<b>Expenditures</b>				
Instruction				
Basic program	1,668,535	-	-	1,668,535
Added needs	323,245	-	-	323,245
Support services				
Pupil support services	39,435	-	-	39,435
Instructional staff support services	68,336	-	-	68,336
General administration	221,473	-	-	221,473
School administration	487,136	-	-	487,136
Business support services	24,283	225,850	56,913	307,046
Operations and maintenance	135,958	-	-	135,958
Pupil transportation services	22,937	-	-	22,937
Community services	55,860	-	-	55,860
Capital outlay	313,405	-	-	313,405
Debt principal and interest	2,023,165	-	-	2,023,165
<b>Total governmental fund expenditures</b>	<b>5,383,768</b>	<b>225,850</b>	<b>56,913</b>	<b>5,666,531</b>
Excess (deficiency) of revenues over expenditures	(1,517,050)	(225,843)	(55,125)	(1,798,018)
<b>Other Financing Sources (Uses)</b>				
Proceeds from long-term debt	1,931,532	3,028,468	-	4,960,000
Discount on bonds	(79,250)	(61,300)	-	(140,550)
Operating transfers in	-	-	2,402,443	2,402,443
Operating transfers out	(81,812)	(2,320,631)	-	(2,402,443)
<b>Total other financing sources (uses)</b>	<b>1,770,470</b>	<b>646,537</b>	<b>2,402,443</b>	<b>4,819,450</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	253,420	420,694	2,347,318	3,021,432
Fund balance - July 1, 2012	1,849,334	-	-	1,849,334
Fund balance - June 30, 2013	<u>\$ 2,102,754</u>	<u>\$ 420,694</u>	<u>\$ 2,347,318</u>	<u>\$ 4,870,766</u>

See accompanying notes to financial statements

## WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

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

**Net Change in Fund Balances - Total Governmental Funds** \$ 3,021,432

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period

Capital outlay	\$	313,405	
Depreciation and amortization expense		(98,486)	
Gain (loss) on disposal of assets		<u>(388,079)</u>	(173,160)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from long-term debt	\$	(4,819,450)	
Repayment of loan principal		1,946,186	
Interest expense		<u>(59,752)</u>	<u>(2,933,016)</u>

**Change in Net Position of Governmental Activities** \$ (84,744)

See accompanying notes to financial statements

**WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2013  
See Independent Auditor's Report

**ASSETS**

	<u>Agency</u>
Cash and cash equivalents	\$ 28,573
Total assets	<u>\$ 28,573</u>

**LIABILITIES**

Due to student groups	\$ 28,573
Total liabilities	<u>\$ 28,573</u>

See accompanying notes to financial statements



## WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of West Michigan Academy of Arts and Academics (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

West Michigan Academy of Arts and Academics was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on June 5, 1996, and began operation in July 1996.

In November 2007, the Academy entered into a seven-year contract with Grand Valley State University's Board of Trustees to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Grand Valley State University's Board of Trustees three percent of State aid as administrative fees. Total administrative fees paid for the year ended June 30, 2013 were approximately \$89,900.

In November 2010, the Academy entered into an agreement with HR Educational Services, LLC, "HRES". Under the terms of this agreement, HRES will provide a variety of services including payroll, and human resource services. Accounting services will continue to be provided by Advance Accounting Services, Inc. The Academy is obligated to pay HRES 3.7 percent of its gross pay for payroll services, and Advance Accounting Services, Inc. \$1,250 monthly for accounting services. The total paid for these services amounted to approximately \$68,800 for the year ended June 30, 2013.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

#### **Fund Financial Statements**

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

## WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### **Basis of Presentation – Fund Accounting**

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

#### **Governmental Funds**

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

**General Fund** - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**Special Revenue Fund** - The special revenue fund, which the Academy does not currently maintain, is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the special revenue fund will be covered by an operating transfer from the general fund. The special revenue fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

**Debt Service Fund** - The debt service fund, which the Academy does not currently maintain, is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

**Capital Projects Fund** - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

**Fiduciary Fund** - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

**Activity (Agency) Fund** - The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

## WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. 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 Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

### 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 non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

## WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government - wide financial statements.

#### **Cash and Cash Equivalents**

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held no investments during the year ended June 30, 2013. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and 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 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 Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

#### **Receivables**

Receivables at June 30, 2013 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2013 and are considered current for the purposes of these financial statements.

#### **Prepaid Assets**

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

# WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Net Position

Net position represents the difference between assets, deferred outflow and liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

### Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

## WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available.

#### Accounting Change

Effective July 1, 2012, the Academy implemented the provisions of Governmental Accounting Standards Board No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. This statement did not have significant impact on the Academy's financial statements.

Effective July 1, 2012, the Academy implemented the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position, format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. This statement impacted the format and report of the balance sheet at the government-wide and also the fund level.

## WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Also effective July, 1, 2012, the Academy implemented the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and school service fund budgets. During the year ended June 30, 2013 the budget was amended in a legally permissible manner. The Academy had expenditures in certain budgetary functions that were insignificantly in excess of the amounts appropriated for the year ended June 30, 2013 as detailed on page 21 of these financial statements.

## WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2013, the Academy had the following investments:

<u>Type</u>	<u>S&amp;P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,718,708
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>2,768,012</u>
Total deposits and investments			<u>\$ 4,486,720</u>

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

Deposits:			
Cash - Academy Wide			\$ 1,690,135
Cash - Fiduciary Fund			<u>28,573</u>
Subtotal			1,718,708
Investments:			
Investments - Debt Service			420,694
Investments - Capital Projects			<u>2,347,318</u>
Subtotal			2,768,012
Total deposits and investments			<u>\$ 4,486,720</u>

## WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

#### **Interest Rate Risk**

In accordance with its investment policy, the Academy 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 Academy's cash requirements.

#### **Credit Risk**

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2013, Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

#### **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. More than 5% of the Academy's investments are in pooled investment accounts which represents 100% of the Academy's total investments.

#### **Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2013, \$1,452,143 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2013.

#### **Custodial Credit Risk - Investments**

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

The Academy 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 Academy will do business.

#### **Foreign Currency Risk**

The Academy is not authorized to invest in investments which have this type of risk.

## WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued  
 FOR THE YEAR ENDED JUNE 30, 2013  
 See Independent Auditor's Report

### NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 573,015
Federal sources	<u>108,167</u>
Total	<u>\$ 681,182</u>

### NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not subject to depreciation				
Land	\$ 425,155	\$ -	\$ 385,155	\$ 40,000
Capital assets subject to depreciation				
Building	2,899,253	310,157	-	3,209,410
Improvements	159,082	-	3,105	155,977
Equipment	107,790	3,248	-	111,038
Computer	<u>69,102</u>	<u>-</u>	<u>-</u>	<u>69,102</u>
Sub-total	3,660,382	313,405	388,260	3,585,527
Accumulated depreciation				
Building	905,220	79,287	-	984,507
Improvements	7,563	3,932	181	11,314
Equipment	50,273	10,609	-	60,882
Computer	<u>50,921</u>	<u>4,658</u>	<u>-</u>	<u>55,579</u>
Sub-total	<u>1,013,977</u>	<u>98,486</u>	<u>181</u>	<u>1,112,282</u>
Total net capital assets	<u>\$ 2,646,405</u>	<u>\$ 214,919</u>	<u>\$ 388,079</u>	<u>\$ 2,473,245</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

**WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS**

NOTES TO FINANCIAL STATEMENTS - Continued  
 FOR THE YEAR ENDED JUNE 30, 2013  
 See Independent Auditor's Report

**NOTE 6 - ACCRUED EXPENSES**

Accrued expenses may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 172,551	\$ 172,551
Oversight and management fee	16,514	16,514
Other	58,581	-
	<u>58,581</u>	<u>-</u>
Total accrued expenses	<u>\$ 247,646</u>	<u>\$ 189,065</u>

**NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE**

Long-term obligations as of June 30, 2013 can be summarized as follows:

**Loan Information**

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Facilities loan	6.00%	October, 2021	Paid in full with Revenue bond in April 2013 Semi-annual interest payments, collateralized by pledge for state aid
Revenue bond	5% Average	April, 2043	

**Loan Activity**

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Facilities loan	\$ 1,946,186	\$ -	\$ 1,946,186	\$ -	\$ -
Revenue bond	-	4,960,000	-	4,960,000	45,315
	<u>\$ 1,946,186</u>	<u>\$ 4,960,000</u>	<u>\$ 1,946,186</u>	<u>\$ 4,960,000</u>	<u>\$ 45,315</u>
Less unamortized discount				139,379	
				<u>\$ 4,820,621</u>	

**WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS**

NOTES TO FINANCIAL STATEMENTS - Continued  
 FOR THE YEAR ENDED JUNE 30, 2013  
 See Independent Auditor's Report

**NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE - Continued**

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 45,315	\$ 246,543
2015	75,315	256,450
2016	80,315	252,750
2017	85,315	248,819
2018	85,315	244,656
2019 - 2023	501,575	1,156,219
2024 - 2028	636,575	1,019,881
2029 - 2033	826,575	836,713
2034 - 2038	1,076,575	586,013
2039 - 2043	1,407,746	250,312

**NOTE 8 - RETIREMENT PLAN**

All leased employees of the Academy are eligible to participate in a retirement plan established by HRES which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The Academy contributes 3% of eligible employees salary and will match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan.

**NOTE 9 – INTERFUND TRANSFERS**

During the normal course of the school year, the Academy transferred amounts between its funds as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projets</u>
Transfer In	\$ -	\$ -	\$ 2,402,443
Transfer Out	81,812	2,320,631	-

## **WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor's Report

### **NOTE 9 – INTERFUND TRANSFERS - Continued**

As stipulated by the Academy's revenue bond agreement which is described in Note 7, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. A portion of the bond proceeds were also transferred to the Capital Projects Fund in order to account for the construction on the building. The above transactions account for the major activity in the Academy's interfund transfer accounts.

### **NOTE 10 - RISK MANAGEMENT**

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

# SUPPLEMENTAL INFORMATION

## WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor’s Report

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Local sources	\$ 38,728	\$ 305,522	\$ 295,112	\$ (10,410)
State sources	3,179,656	3,143,623	3,142,552	(1,071)
Federal sources	134,079	150,602	150,437	(165)
Interdistrict sources	-	278,616	278,617	1
Total governmental fund revenues	3,352,463	3,878,363	3,866,718	(11,645)
<b>Expenditures</b>				
Instruction				
Basic programs	1,680,443	1,712,780	1,668,535	(44,245)
Added needs	385,731	337,116	323,245	(13,871)
Support services				
Pupil support services	50,000	35,000	39,435	4,435
Instructional staff support services	65,500	72,900	68,336	(4,564)
General administration	217,128	224,170	221,473	(2,697)
School administration	458,215	497,955	487,136	(10,819)
Business support services	19,293	24,194	24,283	89
Operations and maintenance	165,189	145,247	135,958	(9,289)
Pupil transportation services	24,071	25,312	22,937	(2,375)
Community services	-	56,960	55,860	(1,100)
Capital outlay	-	313,407	313,405	(2)
Debt principal and interest	227,843	2,023,166	2,023,165	(1)
Total governmental fund expenditures	3,293,413	5,468,207	5,383,768	(84,439)
Excess (deficiency) of revenues over expenditures	59,050	(1,589,844)	(1,517,050)	72,794
<b>Other Financing Sources (Uses)</b>				
Proceeds from long-term debt	-	1,852,282	1,931,532	79,250
Discount on bonds	-	-	(79,250)	(79,250)
Operating transfers out	-	(94,400)	(81,812)	12,588
Total other financing sources (uses)	-	1,757,882	1,770,470	12,588
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	59,050	168,038	253,420	85,382
Fund balance - July 1, 2012	1,849,334	1,849,334	1,849,334	-
Fund balance - June 30, 2013	\$ 1,908,384	\$ 2,017,372	\$ 2,102,754	\$ 85,382

# WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

## SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2013 See Independent Auditor’s Report

### Local Sources

Authorizer grant	\$ 18,225
Earnings on investments	1,123
Other local revenues	<u>275,764</u>
Total local sources	295,112

### State Sources

At risk	43,182
Special education	65,593
State aid	<u>3,033,777</u>
Total state sources	3,142,552

### Federal Sources

IDEA	97,112
Title I	44,337
Title II A	<u>8,988</u>
Total federal sources	150,437

### Interdistrict Sources

	<u>278,617</u>
Total general fund revenues	<u><u>\$ 3,866,718</u></u>

# WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

## SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2013 See Independent Auditor’s Report

### Basic Programs

Purchased services	\$ 1,543,207
Rentals	9,844
Other purchased services	5,188
Supplies and materials	89,059
Non-depreciable capital assets	14,906
Other expenditures	<u>6,331</u>
Total basic programs	1,668,535

### Added Needs

Purchased services	308,143
Supplies and materials	10,499
Non-depreciable capital assets	4,561
Other expenditures	<u>42</u>
Total added needs	323,245

### Pupil Support Services

Speech pathology and audiology	39,435
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### Instructional Staff Support Services

Purchased services	29,061
Repairs and maintenance	2,917
Supplies and materials	1,407
Non-depreciable capital assets	<u>34,951</u>
Total instructional staff support services	68,336

### General Administration

Purchased services	42,550
Management fees	83,780
University oversight	89,878
Other expenditures	<u>5,265</u>
Total general administration	221,473

**WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS**

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013  
See Independent Auditor’s Report

**School Administration**

Purchased services	464,452
Supplies and materials	17,892
Non-depreciable capital assets	294
Other expenditures	4,498
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Total school administration	487,136

**Business Support Services**

Purchased services	23,910
Other expenditures	373
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Total business support services	24,283

**Operations and Maintenance**

Purchased services	48,158
Repairs and maintenance	28,652
Supplies and materials	59,133
Other expenditures	15
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Total operations and maintenance	135,958

**Pupil Transportation Services**

Purchased services	7,819
Repairs and maintenance	327
Rentals	13,120
Supplies and materials	1,671
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Total pupil transportation services	22,937

**Community Services**

Purchased services	53,317
Supplies and materials	1,952
Other expenditures	591
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Total community services	55,860

**Capital Outlay**

313,405

**Debt Principal and Interest**

2,023,165

Total general fund expenditures

\$ 5,383,768