

**Chippewa Valley Schools
Clinton Township, Michigan**

**Financial Report
with Supplemental Information
June 30, 2013**

Chippewa Valley Schools

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Independent Auditor's Report

To the Board of Education
Chippewa Valley 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 Chippewa Valley Schools (the "School District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Chippewa Valley Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Education
Chippewa Valley Schools

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 Chippewa Valley Schools as of June 30, 2013 and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I to the basic financial statements, effective July 1, 2012, the School District adopted the provisions of Governmental Accounting Standards Board Statements Nos. 62, 63, and 65. Our opinion is not modified with respect to this matter.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedule on pages 4-14 and page 42, respectively, 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, which 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 supplemental 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 the School District's basic financial statements. The nonmajor governmental funds combining balance sheet and combining statement of revenue, expenditures, and changes in fund balance, and the schedule of bonded indebtedness are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

To the Board of Education
Chippewa Valley Schools

The nonmajor governmental funds combining balance sheet, combining statement of revenue, expenditures, and changes in fund balance, and the schedule of bonded indebtedness 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 accounting 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 nonmajor governmental funds combining balance sheet, combining statement of revenue, expenditures, and changes in fund balance, and the schedule of bonded indebtedness are fairly stated in all material respects in relation to the basic 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 14, 2013 on our consideration of Chippewa Valley Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Chippewa Valley Schools' internal control over financial reporting and compliance.

Plante & Morse, PLLC

Auburn Hills, Michigan
October 14, 2013

Chippewa Valley Schools

Management's Discussion and Analysis

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

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Chippewa Valley Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, 2010A Capital Projects Fund, and 2010B Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Other Supplemental Information

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is “As a whole, what is the School District’s financial condition as a result of the year’s activities?” The statement of net position and the statement of activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year’s revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District’s net position - the difference between total assets and deferred outflows and liabilities, as reported in the statement of net position - as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District. The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District’s services, including instruction, support services, building activities, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District’s Most Significant Funds - Fund Financial Statements

The School District’s fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the food service and building activities are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental Funds - All of the School District’s services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District’s programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table I provides a summary of the School District's net position as of June 30, 2013 and 2012:

	Governmental Activities	
	2013	2012
	(in millions)	
Assets		
Current and other assets	\$ 77.5	\$ 93.2
Capital assets	388.5	388.8
Total assets	466.0	482.0
Deferred outflows	15.5	-
Total assets and deferred outflows	481.5	482.0
Liabilities		
Current liabilities	48.9	55.1
Long-term liabilities	506.6	500.5
Total liabilities	555.5	555.6
Net Position		
Net investment in capital assets	(56.5)	(59.5)
Restricted	2.8	2.9
Unrestricted	(20.3)	(17.0)
Total net position	<u>\$ (74.0)</u>	<u>\$ (73.6)</u>

The above analysis focuses on the net position (see Table I). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was (\$74.0) million at June 30, 2013.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

Net investment in capital assets totaling (\$56.5) million, compares the original cost, less depreciation, of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Key reasons for the net investment in capital assets totaling (\$56.5) million include the School District's participation with the School Bond Loan Fund program and the retirement of debt not equal to the current level of depreciation. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due.

Restricted net position is reported separately to show legal constraints from debt covenants, the fund balance from the International Academy and Cafeteria Fund, and enabling legislation that limits the School District's ability to use the net position for day-to-day operations.

The remaining amount of net position (\$20.3) million was unrestricted. The (\$20.3) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Included in the (\$20.3) million is \$32.3 million in accrued interest owed to the State of Michigan on amounts borrowed by the School District from the School Bond Loan Fund program.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal year 2013 and, for comparative purposes, the changes in net position for fiscal year 2012.

Table 2

	Governmental Activities	
	2013	2012
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 10.2	\$ 10.8
Federal grants and entitlements	6.8	6.4
State categoricals	11.8	8.5
Other operating grants	4.2	4.5
General revenue:		
Property taxes	35.6	37.4
State foundation allowance	101.5	96.9
Federal source - Unrestricted	-	0.3
Investment earnings, loss on sale, and other	8.6	2.4
Total revenue	178.7	167.2

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

Table 2 (Continued)

	Governmental Activities	
	2012	2011
	(in millions)	
Functions/Program Expenses		
Instruction	\$ 87.5	\$ 86.0
Support services	46.7	45.1
Community services	0.9	0.9
Building activities	1.7	2.0
Food services	3.4	3.5
International Academy	3.0	3.1
Interest on long-term debt and other	21.9	24.5
Depreciation (unallocated)	14.0	13.5
Total functions/program expenses	179.1	178.6
Decrease in Net Position	\$ (0.4)	\$ (11.4)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$179.1 million. Certain activities were partially funded from those who benefited from the programs (\$10.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$22.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$35.6 million in taxes, \$101.5 million in State foundation allowance, and with our other revenue, i.e., interest and general entitlements.

The School District experienced a decrease in net position of \$0.4 million. Reasons for the change in net position include:

- Depreciation of capital assets in the amount of \$14.0 million
- Reduction in bonded debt liability of \$11.7 million resulting from the difference in long-term debt payments and increase in School Bond Loan Fund and School Bond Revolving Fund owed amount along with savings from bond refunding
- Decrease of liability for employee related obligation of \$2.8 million
- Increase in accrued interest payable of \$1.2 million

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$57.2 million, which is a decrease of \$13.3 million from last year. The primary reasons for the decrease were:

- Capital Projects Fund fund balance decrease of \$13.9 million resulting from completion of capital projects
- General Fund fund balance increase of \$0.6 million
- Food Service Fund fund balance decrease of \$0.1 million
- Building Activities/Childcare Fund fund balance decrease of \$0.2 million
- Macomb International Fund fund balance increase of \$0.2 million

There remains \$31.6 million from the 2010 bond issue and \$4.7 million from the 2005 bond issue to complete remaining projects. The projects for the 2010 bond issue are estimated to be 65 percent complete and the projects for the 2005 bond issue are estimated to be 97 percent complete as of June 30, 2013.

In the General Fund, our principal operating fund, the fund balance increased by \$0.6 million from \$16.7 million to \$17.3 million. The fund balance remained stable from the prior year.

Special Revenue Funds include Food Service, Building Activities/Childcare, and Macomb International Academy Funds. The combined Special Revenue Funds fund balance decreased by \$71,892. Food Services Fund balance decreased by \$61,143, Building Activities/Childcare Fund balance decreased by \$209,178, and Macomb International Academy Fund balance increased by \$198,429.

Combined, the Debt Service Funds showed a fund balance increase of \$19,027. Chippewa Valley Schools continues to assess the maximum allowable millage rate to fund operations (18 mills on nonhomestead property) and the required millage rate for debt retirement to participate in the School Bond Loan Fund. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual State appropriation, and no fund balance exists at year end. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the school year, the School District revises its budget to reflect changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. Amendments to the General Fund budget were approved on January 14, 2013 and June 3, 2013. A schedule showing the School District's original and final budget compared with amounts actually received and expended is provided in the supplemental information section of these financial statements.

From the original adopted budget to the final amended budget, total projected revenues including other financing sources was increased by 3.45 percent or about \$4,645,370, while total projected expenditures including other financing uses was increased by 1.68 percent or about \$2,310,244, bringing projected revenues to \$139,382,575 and projected expenditures to \$140,067,488 in the final amended budget.

Projected revenue changes from original budget to final amended budget in total were increased by \$4,645,370 (3.45 percent) which included approximately:

- \$556,000 total increase in local revenue (+0.41 percent of the 3.45 percent total increase) reflecting a \$69,000 decrease in property taxes, a \$115,000 increase in admissions, fees, and miscellaneous, a \$329,000 increase in Medicaid from the Intermediate School District, and a \$181,000 increase attributable to the sale of used school buses;
- \$4,167,000 total increase in state revenue (+3.09 percent of the 3.45 percent total increase) resulting from a \$1,223,000 increase in unrestricted state aid (foundation allowance), a \$349,000 increase in special education categorical funding, an \$831,000 increase in At Risk Grant funding, a \$1,671,000 in new funding for MPSERS rate stabilization, and a \$93,000 increase in all other categorical funding;
- \$208,000 total increase in federal revenue (+0.16 percent of the 3.45 percent total increase) resulting from a combined increase of \$444,000 in Title I, Title II, and Title III funding, a decrease of \$224,000 in IDEA funding, and a decrease of \$12,000 in all other federal grant sources;
- And a \$286,000 total decrease in transfers (-0.21 percent of the total 3.45 percent total increase) consisting of a \$286,000 decrease from Macomb International Baccalaureate Academy.

Projected expenditure changes included provisions of expenditures for carryover grant amounts for federal and state programs and adjustment to expenditures categories in the areas of wages, benefits, purchased services, supplies and materials, and transfers. In total, there were increases of \$2,310,244 (1.68 percent).

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

Overall, when looking at major object code adjustments, the expenditure budget was increased due to the following:

- Wages accounted for \$329,000 of the increase (+0.24 percent of the 1.68 percent total increase);
- Benefit budgeted costs decreased \$462,000 (-0.33 percent of the 1.68 percent total increase);
- Purchased services increased \$979,000 (+0.71 percent of the 1.68 percent total increase) of which \$610,000 of the increase was for contracted positions and subs and \$270,000 was for legal fees;
- And all other expenses increased \$1,464,000 (+1.06 percent of the 1.68 percent total increase) of which \$575,000 of the increase was for property tax abatement, \$458,000 was for textbooks, \$139,000 was for teaching supplies, and \$177,000 was for equipment.

When comparing budget to actual figures for revenue and expenditures, actual revenue was \$955,000 under projected revenue (-0.69 percent) and actual expenditures were \$2,203,000 under projected expenditures (-1.58 percent). Actual revenue was under in all major categories: local (\$154,000 under or -0.09 percent of the -0.69 percent), state (\$255,000 under or -0.22 percent of the -0.69 percent), and federal/fund modifications (\$572,000 under or -0.38 percent of the -0.69 percent). Actual expenditures were under budget in all major categories except wages: wages (\$391,000 over or +.28 percent of the -1.57 percent), benefits (\$2,011,000 under or -1.44 percent of the -1.57 percent), purchased services (\$544,000 under or -0.39 percent of the -1.57 percent), and supplies, materials, other (\$30,000 under or -0.02 percent of the -1.57 percent). For both revenue and expenditures, approximately \$735,000 (0.52 percent of budgeted expenditures) was attributable to grant revenue not earned and thus not received or expended.

Actual fund balance increased by \$553,028 to \$17,297,127 (rather than the projected decrease of \$684,913 to \$16,059,185). The higher than projected increase in fund balance of \$1,237,943 is about +0.90 percent of actual expenditures. As a percentage of expenditures, fund balance decreased from 12.7 percent to 12.5 percent.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the School District had \$519.3 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase from last year of \$7.4 million.

	2013	2012
Land	\$ 13,092,570	\$ 13,092,570
Construction in progress	3,742,701	12,693,043
Buildings and building improvements	455,075,885	436,429,235
Buses and other vehicles	7,967,117	8,517,781
Furniture and equipment	39,401,078	41,170,852
Total capital assets	<u>\$ 519,279,351</u>	<u>\$ 511,903,481</u>

This year's net additions of approximately \$14.1 million included vehicles, technology, building renovations, and buses. The additions were financed primarily from the 2010B Capital Projects Fund. We anticipate capital additions in 2013-2014 will be less than the 2012-2013 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$340.7 million in general obligation bonds outstanding versus \$371.7 million in the previous year - a change of approximately 8.3 percent. The decrease in the outstanding debt was a result of the principal payments made on the outstanding bond issues along with a bond refunding which took place in the current year.

Those bonds consisted of the following:

	2013	2012
General obligation bonds	<u>\$ 340,681,000</u>	<u>\$ 371,697,000</u>

The School District's general obligation bond rating was AAA per S&P and/or Fitch at its issuance. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to the debt limit. The School District's outstanding qualified general obligation debt of \$340.7 million does not apply to the \$477 million statutory limit. The School District has no unqualified general obligation debt.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

In addition, the School District has accumulated debt and accrued interest of approximately \$48.4 million and \$115.5 million to be paid to Michigan's School Bond Loan Fund and Michigan's School Bond Loan Revolving Fund, respectively.

Other obligations include accrued vacation pay and sick leave, voluntary retirement supplement, and self-insurance liability. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Economic conditions and the commitment of the State of Michigan to fund K-12 education as a priority continue to be a concern for Chippewa Valley Schools and all school districts in Michigan for the 2013-2014 school year and beyond. While there has been improvement in the economy and resources available to the State have grown, there has not been significant change in the level of funding to K-12. The State Aid Bill for 2013-2014 was approved prior to the start of the fiscal year with a modest improvement in funding for Chippewa Valley Schools (2013-2014 foundation allowance increased by \$60 per pupil to \$7,026 per pupil; by contrast, the 2008-2009 foundation allowance was \$7,316 per pupil).

The impact of the 2013-2014 State Aid Bill (includes \$60 per pupil foundation allowance increase and an increase in retirement rate stabilization funding of \$1,968,000) along with a projected increase in enrollment of 100 students shows revenue increased by about \$3.3 million going from \$139.4 million in 2012-2013 to \$142.7 million in 2013-2014. Expenditures for 2013-2014 are estimated to be \$141.5 million and include employees receiving minimal increase in wages after two years of no change in wages.

During the past nine years, Chippewa Valley Schools has made adjustments and implemented cost-savings measures that have reduced costs by over \$27.6 million. In addition to cost reductions and savings, the School District has successfully opened several new facilities to accommodate the continued student growth in the School District. In February 2010, the community approved a bond proposal for over \$89 million, allowing the School District to continue to invest in its facilities, technology, and equipment.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

The preliminary budget revenue for the General Fund for the 2013-2014 school year adopted on June 17, 2013 includes the increased foundation allowance of \$60 per pupil, increased retirement rate stabilization funding, and an enrollment increase of 100 students. The preliminary budget expenditures include continuation of cost reductions from prior years, addition of staff to accommodate projected enrollment growth, minor increases in wages, a change from self-funded health insurance to a fully insured plan with employees responsible for costs in excess of State-set hard cap, and an effective increase in the retirement contribution rate. Using the factors indicated and other best estimates, the adopted budget projects that revenue will exceed expenditures by \$1.2 million or 0.9 percent. Compared to the prior year final amended budget, revenues go from \$139.4 million to \$142.7 million (an increase of \$3.3 million or 2.4 percent) and expenditures go from \$140.1 million to \$141.5 million (an increase \$1.4 million or 1.0 percent). The excess of revenue over expenditures of \$1.2 million will be added to fund balance.

Opportunities to enhance revenue and control costs will be monitored on an ongoing basis. Chippewa Valley Schools has managed its finances in this difficult period and has had great support from employee groups to restructure employee costs to address the changes in the funding commitment from the State of Michigan for K-12 education. Unless K-12 education funding becomes a priority at the State level once again, the long-term potential for program reductions that impact students directly remains.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

Chippewa Valley Schools

Statement of Net Position June 30, 2013

	Primary Government <u>Governmental Activities</u>
Assets	
Cash and investments (Note 3)	\$ 14,240,643
Receivables	23,141,363
Inventories	103,936
Prepaid costs	1,600,381
Restricted assets (Note 3)	38,404,172
Capital assets - Net (Note 5)	<u>388,493,389</u>
Total assets	465,983,884
Deferred Outflows of Resources - Deferred charges on bond refunding (Note 7)	
	<u>15,513,428</u>
Total assets and deferred outflows of resources	481,497,312
Liabilities	
Accounts payable	1,959,234
Accrued payroll and other liabilities	16,264,642
Employee fringe benefits payable	1,317,947
Retirement benefits payable	3,124,298
Retainage payable	338,806
Unearned revenue (Note 4)	917,561
Noncurrent liabilities (Note 7):	
Due within one year	24,950,494
Due in more than one year	<u>506,616,430</u>
Total liabilities	<u>555,489,412</u>
Net Position	
Net investment in capital assets	(56,446,820)
Restricted:	
Capital projects	119,651
Special Revenue	2,638,185
Unrestricted	<u>(20,303,116)</u>
Total net position	<u>\$ (73,992,100)</u>

Chippewa Valley Schools

Statement of Activities Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 87,520,613	\$ -	\$ 15,853,571	\$ (71,667,042)
Support services	46,704,522	1,331,090	5,284,523	(40,088,909)
Food services	3,457,017	1,978,111	1,688,368	209,462
Community services	948,762	2,536,489	-	1,587,727
International academy	2,964,973	2,934,058	-	(30,915)
Building activities	1,655,039	1,445,861	-	(209,178)
Interest on long-term debt	21,947,754	-	-	(21,947,754)
Depreciation expense (unallocated)	13,953,587	-	-	(13,953,587)
Total primary government	<u>\$ 179,152,267</u>	<u>\$ 10,225,609</u>	<u>\$ 22,826,462</u>	(146,100,196)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				12,110,827
Property taxes, levied for debt service				23,524,053
State aid not restricted to specific purposes				101,469,269
Interest and investment earnings				260,879
Loss on the sale of capital assets				(270,061)
Bond premium amortization and other				8,602,197
Total general revenues				<u>145,697,164</u>
Change in Net Position				(403,032)
Net Position - Beginning of year				<u>(73,589,068)</u>
Net Position - End of year				<u>\$ (73,992,100)</u>

Chippewa Valley Schools

Governmental Funds Balance Sheet June 30, 2013

	General Fund	2010A Capital Projects Fund	2010B Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 12,699,276	\$ -	\$ -	\$ 1,541,367	\$ 14,240,643
Accounts receivable	81,633	-	-	-	81,633
Accrued interest receivable	-	139,912	47,497	-	187,409
Due from other governmental units	22,872,321	-	-	-	22,872,321
Due from other funds (Note 6)	774,149	2,797,224	-	2,066,766	5,638,139
Inventories	49,941	-	-	53,995	103,936
Prepaid costs	1,600,381	-	-	-	1,600,381
Restricted assets (Note 3)	-	17,141,498	15,953,801	5,308,873	38,404,172
Total assets	<u>\$38,077,701</u>	<u>\$20,078,634</u>	<u>\$16,001,298</u>	<u>\$ 8,971,001</u>	<u>\$ 83,128,634</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 719,263	\$ -	\$ 1,381,734	\$ -	\$ 2,100,997
Accrued payroll-related liabilities	12,585,283	-	-	-	12,585,283
Employee fringe benefits payable	1,317,947	-	-	-	1,317,947
Retirement benefits payable	3,124,298	-	-	-	3,124,298
Retainage payable	-	-	338,806	-	338,806
Due to other funds (Note 6)	2,178,853	-	2,797,224	520,299	5,496,376
Unearned revenue (Note 4)	854,931	-	-	62,630	917,561
Total liabilities	20,780,575	-	4,517,764	582,929	25,881,268
Fund Balances					
Nonspendable - Inventory and prepaid items	1,650,322	-	-	53,995	1,704,317
Restricted:					
Capital projects	-	20,078,634	11,483,534	4,715,221	36,277,389
Debt service	-	-	-	599,769	599,769
Cafeteria	-	-	-	517,424	517,424
International Academy	-	-	-	2,066,766	2,066,766
Committed:					
Building activities	-	-	-	434,897	434,897
Accumulated employment obligations	1,189,072	-	-	-	1,189,072
Resale activities	82,212	-	-	-	82,212
Unassigned	14,375,520	-	-	-	14,375,520
Total fund balances	<u>17,297,126</u>	<u>20,078,634</u>	<u>11,483,534</u>	<u>8,388,072</u>	<u>57,247,366</u>
Total liabilities and fund balances	<u>\$38,077,701</u>	<u>\$20,078,634</u>	<u>\$16,001,298</u>	<u>\$ 8,971,001</u>	<u>\$ 83,128,634</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Chippewa Valley Schools

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2013

Fund Balance Reported in Governmental Funds \$ 57,247,366

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

Cost of capital assets	\$ 519,279,351	
Accumulated depreciation	<u>(130,785,962)</u>	388,493,389

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds payable - Plus bond premium, net of bond discount	(528,947,029)	
Employee compensated absences	(1,189,072)	
Self-insurance liability	(1,007,719)	
Voluntary retirement supplement	<u>(423,104)</u>	(531,566,924)

Accrued interest payable is not included as a liability in governmental funds (3,679,359)

Deferred outflows of resources (deferred interest) that do not benefit the current period are not reported in the governmental funds 15,513,428

Net Position of Governmental Activities **\$ (73,992,100)**

Chippewa Valley Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

	General Fund	2010A Capital Projects Fund	2010B Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 19,264,807	\$ 76,140	\$ 43,511	\$ 27,120,515	\$ 46,504,973
State sources	113,140,183	-	-	121,604	113,261,787
Federal sources	5,202,309	-	-	3,038,547	8,240,856
Interdistrict sources	-	-	-	2,934,058	2,934,058
Governmental - Intergovernmental	23,667	-	-	-	23,667
Total revenue	137,630,966	76,140	43,511	33,214,724	170,965,341
Expenditures					
Current:					
Instruction	89,456,899	-	-	-	89,456,899
Support services	46,222,143	-	-	922,544	47,144,687
Food services	-	-	-	3,454,728	3,454,728
Community services	948,121	-	-	-	948,121
International Academy	-	-	-	2,960,466	2,960,466
Building activities	-	-	-	1,655,039	1,655,039
Debt service:					
Principal	-	-	-	25,102,946	25,102,946
Interest	-	-	-	20,301,234	20,301,234
Other	-	-	-	386,789	386,789
Capital outlay	242,631	-	13,114,820	1,108,287	14,465,738
Total expenditures	136,869,794	-	13,114,820	55,892,033	205,876,647
Excess of Revenue Over (Under) Expenditures	761,172	76,140	(13,071,309)	(22,677,309)	(34,911,306)
Other Financing Sources (Uses)					
Payment to escrow agent	-	-	-	(152,605,237)	(152,605,237)
Transfers in	793,722	-	-	1,080,596	1,874,318
Transfers out	(1,001,866)	-	-	(872,452)	(1,874,318)
Face value of debt issued	-	-	-	132,945,000	132,945,000
Premium on debt issued	-	-	-	20,588,557	20,588,557
Long-term debt issued	-	-	-	20,635,553	20,635,553
Total other financing (uses) sources	(208,144)	-	-	21,772,017	21,563,873
Net Change in Fund Balances	553,028	76,140	(13,071,309)	(905,292)	(13,347,433)
Fund Balances - Beginning of year	16,744,098	20,002,494	24,554,843	9,293,364	70,594,799
Fund Balances - End of year	<u>\$ 17,297,126</u>	<u>\$ 20,078,634</u>	<u>\$ 11,483,534</u>	<u>\$ 8,388,072</u>	<u>\$ 57,247,366</u>

Chippewa Valley Schools

Governmental Funds Reconciliation of the Statement of Revenue, 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 \$ (13,347,433)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (13,953,587)	
Capitalized capital outlay	<u>14,066,362</u>	112,775

The net effect of the sale of transactions involving capital assets that decreased net position including disposals (449,161)

Deferred interest is reported as an expenditure in the governmental funds, but is capitalized and amortized in the statement of activities 13,512,299

Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position (174,181,097)

Underwriter's discount/premium reported as expenditures/revenue in the funds and amortized in the statement of activities 8,375,993

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 164,052,946

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid (1,247,744)

Compensated absences, as well as self-insured liability claims, are recorded when earned in the statement of activities. In the current year, more was paid out than was earned 2,768,390

Change in Net Position of Governmental Activities \$ (403,032)

Chippewa Valley Schools

Fiduciary Funds Statement of Fiduciary Assets and Liabilities June 30, 2013

	<u>Agency Funds</u>
Assets	
Cash and investments (Note 3)	\$ 1,392,955
Due from other funds (Note 6)	<u>155,924</u>
Total assets	<u><u>\$ 1,548,879</u></u>
Liabilities	
Due to student activities	\$ 1,251,192
Due to other funds (Note 6)	<u>297,687</u>
Total liabilities	<u><u>\$ 1,548,879</u></u>

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of Chippewa Valley Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. 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 financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

District-wide and Fund Financial Statements

The district-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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

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

Note I - Nature of Business and Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Financial Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Note I - Nature of Business and Significant Accounting Policies (Continued)

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

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

2010A Bond Capital Projects Fund - The 2010A Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

2010B Bond Capital Projects Fund - The 2010B Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Funds include the Cafeteria Fund, International Academy, and Building Activities Fund. Revenue sources of the Cafeteria Fund include sales to customers and dedicated grants from state and federal sources. Revenue of the Building Activities Fund and International Academy consists primarily of tuition and fees charged to users. Any operating deficit generated by these activities is the responsibility of the General Fund.

Debt Service Funds - The School District's Debt Service Funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the related bond issues.

Capital Projects Fund - The 2005 Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

Note I - Nature of Business and Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investment income is recorded in the fund for which the investment account was established.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 14 with the final collection date of February 28. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased, including United States Department of Agriculture Commodities inventory received by the Cafeteria Fund. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both the district-wide and fund financial statements.

Restricted Assets - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. In addition, unspent property taxes levied in the Debt Service Funds are required to be set aside for future principal and interest payments. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year, except for computer purchases which are deemed capital assets at a minimum purchase price of \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	20 to 50 years
Buses and other vehicles	7 years
Furniture and other equipment	5 to 20 years

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of earned but unused accumulated vacation and sick leave benefits and early retirement incentives. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Balance - Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are comprised of the following - nonspendable, restricted, committed, assigned, and unassigned.

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

- Committed: Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- Assigned: Intent to spend resources on specific purposes expressed by the Board of Education or superintendent of business services and operations, who is authorized by policy approved by the Board of Education to make assignments
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Accounting Change - Effective July 1, 2012, the School District 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 a significant impact on the School District's financial statements.

Effective July 1, 2012, the School District 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 district-wide level and also at the fund level.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Also effective July 1, 2012, the School District 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.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. Various administrators are authorized to transfer budgeted amounts within functions with any fund. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. The School District did not have any expenditure overruns. State law permits districts to amend their budgets during the year. The School District amended its budget twice during the fiscal year. These budget amendments were adopted by the school board on January 14, 2013 and June 3, 2013.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The School District budgets and reports capital outlay expenditures within the related function in the budgetary comparison schedule - General Fund. In accordance with generally accepted accounting principles, the School District reports capital outlay separately in the statement of revenue, expenditures, and changes in fund balance.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance - The 2005 Capital Projects Fund, 2010A Capital Projects Fund, and 2010B Capital Projects Fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated 20 financial institutions for the deposit of its funds.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits. At year end, the School District's deposit balance of \$35,581,028 had \$35,045,488 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law. At June 30, 2013, the School District did not hold any investment securities that were uninsured and unregistered.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities. The School District's policy minimizes interest rate risk 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; 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 School District's cash requirements.

Chippewa Valley Schools

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. agency bonds - Series A	\$ 16,300,173	.75 years	AAA	Standard & Poor's
U.S. agency bonds - Series B	<u>2,415,848</u>	.09 year	AAA	Standard & Poor's
Total investments	<u>\$ 18,716,021</u>			

Concentration of Credit Risk - The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5 percent of the School District's investments are in U.S. agency bonds. The investment issuers and the percent of total investments of these bonds are as follows:

<u>Issuer</u>	<u>Percent of Investments</u>
Federal Home Loan Bank	27.60 %
Federal Home Loan Mortgage Corp	16.30
Federal National Mortgage Association	56.10

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

Note 4 - Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the School District has \$640,747 of unearned revenue related to grants received and tuition payments received but not yet earned, \$214,184 of estimated tax overpayment, and \$62,630 of deposits received for the subsequent year's food service program.

Chippewa Valley Schools

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets

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

	Balance July 1, 2012	Reclassifications	Additions/ Transfers	Disposals	Balance June 30, 2013
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 13,092,570	\$ -	\$ -	\$ -	\$ 13,092,570
Construction in progress	12,693,043	(8,950,342)	-	-	3,742,701
Subtotal	25,785,613	(8,950,342)	-	-	16,835,271
Capital assets being depreciated:					
Buildings and building improvements	436,429,235	8,950,342	9,757,957	61,649	455,075,885
Furniture and equipment	41,170,852	-	3,738,478	5,508,252	39,401,078
Buses and other vehicles	8,517,781	-	569,927	1,120,591	7,967,117
Subtotal	486,117,868	8,950,342	14,066,362	6,690,492	502,444,080
Accumulated depreciation:					
Buildings and building improvements	95,579,028	-	8,735,361	4,932	104,309,457
Furniture and equipment	23,060,800	-	4,430,879	5,227,867	22,263,812
Buses and other vehicles	4,433,878	-	787,347	1,008,532	4,212,693
Subtotal	123,073,706	-	13,953,587	6,241,331	130,785,962
Net capital assets being depreciated	363,044,162	8,950,342	112,775	449,161	371,658,118
Net capital assets	\$ 388,829,775	\$ -	\$ 112,775	\$ 449,161	\$ 388,493,389

Depreciation expense was not charged to activities, as the School District considers its assets to impact multiple activities and allocation is not practical.

Construction Commitments - The School District has active construction projects at year end. The projects are reported in the 2005, 2010A, and 2010B Capital Projects Funds. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
2005 Capital Projects Fund	\$ 177,491,159	\$ -
2010B Capital Projects Fund	60,490,852	6,195,495
Total	\$ 237,982,011	\$ 6,195,495

Chippewa Valley Schools

Notes to Financial Statements June 30, 2013

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From				Total
	General Fund	2010B Capital Projects Fund	Other Nonmajor Governmental Funds	Fiduciary Fund	
General Fund	\$ -	\$ -	\$ 476,462	\$ 297,687	\$ 774,149
2010A Capital Projects Fund	-	2,797,224	-	-	2,797,224
Other nonmajor governmental funds	2,066,766	-	-	-	2,066,766
Fiduciary Fund	112,087	-	43,837	-	155,924
Total	\$ 2,178,853	\$ 2,797,224	\$ 520,299	\$ 297,687	\$ 5,794,063

Interfund balances resulted 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.

Interfund Transfers

Transfers of \$1,001,866 from the General Fund to the International Academy covered the School District's tuition owed to the International Academy. The International Academy transferred \$603,722 to the General Fund to reimburse the School District for staff working at the Academy and other expenditures. A transfer of \$62,768 from the 2003 Debt Fund and \$15,944 from the 2009 Refunding Debt Fund to the 2003 Refunding Debt Fund closed out the School Bond Loan Refunding Fund and the 2009 Refunding Debt Fund and a transfer of \$190,000 was made from the Cafeteria Fund to the General Fund to contribute to the costs of operation incurred by the General Fund for Cafeteria Fund operations.

Note 7 - Long-term Debt

The School District issues bonds and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations include compensated absences, termination benefits, and certain risk liabilities.

Chippewa Valley Schools

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 371,697,000	\$ 132,945,000	\$ 163,961,000	\$ 340,681,000	\$ 21,701,000
Durant Non-Plaintiff Bond	91,946	-	91,946	-	-
School Bond Loan Fund	46,340,675	2,025,350	-	48,366,025	-
School Loan Revolving Fund	96,834,662	18,622,190	-	115,456,852	-
Bond premium	12,638,806	20,588,557	8,404,897	24,822,466	1,830,031
Less bond discount	(408,218)	-	(28,904)	(379,314)	(28,904)
Deferred outflow - Deferred refunding charges	(2,001,129)	(13,655,237)	(142,938)	(15,513,428)	-
Other obligations	5,388,285	11,790,803	14,559,193	2,619,895	1,448,367
Total governmental activities	<u>\$ 530,582,027</u>	<u>\$ 172,316,663</u>	<u>\$ 186,845,194</u>	<u>\$ 516,053,496</u>	<u>\$ 24,950,494</u>

Annual debt service requirements to maturity for the above general and Durant bond obligations are as follows:

Years Ending June 30	Governmental Activities				
	Principal	Interest	Maximum Interest Subsidy	Net Interest	Total - Net
2014	\$ 21,701,000	\$ 17,801,663	\$ (1,538,718)	\$ 16,262,945	\$ 37,963,945
2015	17,595,000	16,242,525	(1,538,718)	14,703,807	32,298,807
2016	19,655,000	15,412,813	(1,538,718)	13,874,095	33,529,095
2017	19,765,000	14,452,724	(1,528,419)	12,924,305	32,689,305
2018	19,935,000	13,452,812	(1,459,605)	11,993,207	31,928,207
2019-2023	96,720,000	52,540,300	(6,258,149)	46,282,151	143,002,151
2024-2028	79,425,000	29,444,158	(4,331,128)	25,113,030	104,538,030
2029-2033	51,640,000	12,059,160	(2,207,975)	9,851,185	61,491,185
2034-2035	14,245,000	1,008,480	(266,123)	742,357	14,987,357
Total	<u>\$ 340,681,000</u>	<u>\$ 172,414,635</u>	<u>\$ (20,667,553)</u>	<u>\$ 151,747,082</u>	<u>\$ 492,428,082</u>

Chippewa Valley Schools

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

Governmental Activities

General obligation bonds consist of the following:

2003 School Bond Loan - \$34,761,580 serial bonds due in one remaining installment of \$4,266,000 on May 1, 2014; fixed interest at 3.318 percent	\$ 4,266,000
2004 Refunding Issue - \$19,570,000 serial bonds due in annual installments of \$1,100,000 to \$1,130,000 through May 1, 2015; interest from 3.5 to 5.0 percent	2,230,000
2005 Issue - \$158,335,000 serial bonds due in annual installments of \$5,325,000 to \$5,350,000 through May 1, 2015; interest from 3.8 to 5.0 percent	10,675,000
2005 Refunding Issue - \$64,285,000 serial bonds due in annual installments of \$2,425,000 to \$7,730,000 through May 1, 2027; interest at 5.0 percent	56,235,000
2006 Refunding Issue - \$63,575,000 serial bonds due in annual installments of \$1,110,000 to \$8,435,000 through May 1, 2027; interest from 4.0 to 5.0 percent	53,280,000
2010 Issue - \$19,065,000 Series A general obligation - unlimited tax; federally taxable due in annual installments of \$3,125,000 to \$3,625,000 through May 1, 2016; interest from 1.15 to 4.25 percent	10,350,000
2010 Issue - \$70,700,000 Series B general obligation - unlimited tax; federally taxable - Build America Bonds - direct payment due in annual installments of \$550,000 to \$3,700,000 through May 1, 2035; interest from 5.35 to 6.85 percent with up to 35 percent Build America Bonds interest subsidy	70,700,000
2013 Refunding Issue - \$132,945,000 serial bonds due in annual installments of \$5,775,000 to \$8,530,000 through May 1, 2034; interest from 3.63 percent to 5.25 percent	<u>132,945,000</u>
Total bonded debt	<u>\$ 340,681,000</u>

Chippewa Valley Schools

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$ 1,189,072
Voluntary retirement supplement	423,104
Self-insurance liability	<u>1,007,719</u>
Total	<u>\$ 2,619,895</u>

School Bond Loan - The school bond loan payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 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, at an annual rate ranging from 3.533 to 4.625 percent from July 1, 2012 to June 30, 2013, has been assessed for the year ended June 30, 2013. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 7 mills. The School District is required to levy 7 mills and repay to the State any excess of the amount levied over the bonded debt service requirements. 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 above amortization schedule.

School Loan Revolving Fund - 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 1963 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 in accordance with Section 9 of Act No. 92 of the Public Acts of 2005, as amended. Interest rates went into effect beginning October 1, 2005 pursuant to Public Act 92. Interest at an annual rate ranging from 3.0 percent to 3.669 percent from July 1, 2012 to June 30, 2013 has been assessed for the year ended June 30, 2012. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is May 1, 2040. 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 above amortization schedule.

Note 7 - Long-term Debt (Continued)

Voluntary Retirement Supplement - The School District has a long-term voluntary retirement incentive program in place that calls for a total payout of \$423,104 through June 2016 to be paid in monthly installments ranging from \$167.50 to \$335.

Advance and Current Refundings - During the year, the School District issued \$132,945,000 in general obligation bonds with an average interest rate of 5.00 percent. The proceeds of these bonds were used to advance refund \$24,150,000 of outstanding 2003 refunding bonds with an average interest rate of 5.00 percent and \$114,800,000 of outstanding 2005 school building and site bonds with an average interest rate of 4.79 percent. The net proceeds of \$152,605,237 (after payment of \$922,003 in underwriting fees and other issuance costs) were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligations. The advance refunding reduced total debt service payments by \$10,237,163, which represents an economic gain of \$9,706,643.

Debt Defeasances - In prior years, the School District defeased certain 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's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2013, \$166,300,000 of prior years' bonds outstanding are considered defeased.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for for all claims except workers' compensation, dental, and medical. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. For dental, claims are limited to various maximum amounts, which depend on employee contractual groups.

Note 8 - Risk Management (Continued)

The School District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the district-wide statements. The School District's maximum exposure is limited to the specific stop-loss for workers' compensation claims of \$300,000. Changes in the estimated liability for the past two fiscal years were as follows:

Self-insured Workers' Compensation

	<u>2013</u>	<u>2012</u>
Estimated liability - Beginning of year	\$ 111,228	\$ 154,402
Estimated claims incurred - Including changes in estimates	165,589	98,850
Claim payments	<u>(120,682)</u>	<u>(142,024)</u>
Estimated liability - End of year	<u>\$ 156,135</u>	<u>\$ 111,228</u>

The School District was partially self-insured for medical benefits provided to employees. The School District's maximum loss exposure for the fiscal year ended June 30, 2013 was limited to a specific stop-loss of \$75,000 and an aggregate stop-loss at 120 percent of estimated medical claims, excluding prescription coverage not to exceed \$11,616,752. The School District has purchased commercial excess insurance coverage to pay employee claims in excess of deductible amounts.

Effective July 1, 2013, the School District is no longer self-insured and has purchased premium-based health insurance for all employees. The estimated liability at June 30, 2013 relates to claims which have been incurred but have not been reported to the School District. Changes in the estimated liability for the year were as follows:

Self-insured Health

	<u>2013</u>	<u>2012</u>
Estimated liability - Beginning of year	\$ 2,918,509	\$ 852,000
Estimated claims incurred - Including changes in estimates	10,922,307	13,441,998
Claim payments	<u>(12,989,232)</u>	<u>(11,375,489)</u>
Estimated liability - End of year	<u>\$ 851,584</u>	<u>\$ 2,918,509</u>

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate for basic plan members was 15.96 percent of covered payroll for the period from July 1, 2012 through September 30, 2012. The employer contribution rate for pension plus plan members was 14.73 percent for the period from July 1, 2012 through September 30, 2012. Beginning October 1, 2012 through January 31, 2013, employees were given the following plan options with the corresponding employer contribution rates:

	First Worked Before July 1, 2010*	First Worked on or After July 1, 2010 Through September 3, 2012**	First Worked on or After September 4, 2012 and Remain Pension Plus	First Worked on or After September 4, 2012 and Elect DC
Pension contributions	16.25 %	15.02 %	15.02 %	12.78 %
Health contributions	9.11 %	9.11 %	8.18 %	8.18 %

* Basic, MIP Fixed, MIP Graded, MIP Plus

** Pension Plus

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

For the period from February 1, 2013 through June 30, 2013, employees could transition to a defined contribution plan (DC) and could also elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF), depending upon their date of hire and retirement plan election. Employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF*	Pension Plus to DC with PHF*	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21 %	15.02 %	15.02 %	12.78 %	12.78 %	12.78 %	15.21 %
Health contributions	9.11 %	9.11 %	8.18 %	8.18 %	9.11 %	8.18 %	8.18 %
Defined contribution plan employer 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 %

* First worked September 4, 2012 or later

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the years ended June 30, 2013, 2012, and 2011 were approximately \$11,967,000, \$12,105,000, and \$9,603,000, respectively.

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 8.5 percent of covered payroll for the period from July 1, 2012 through September 30, 2012. For the period from October 1, 2012 through June 30, 2013, the employer contribution rate ranged from 8.18 percent to 9.11 percent dependent upon the employee's date of hire and plan election as noted above. Effective February 1, 2013, members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

The School District's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2013, 2012, and 2011 were approximately \$6,943,000, \$6,823,000, and \$6,589,000, respectively.

Note 10 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

Required Supplemental Information

Chippewa Valley Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 18,863,280	\$ 19,419,225	\$ 19,264,807	\$ (154,418)
State sources	109,227,545	113,394,693	113,140,183	(254,510)
Federal sources	5,564,090	5,771,896	5,202,309	(569,587)
Intergovernmental	-	-	23,667	23,667
Total revenue	<u>133,654,915</u>	<u>138,585,814</u>	<u>137,630,966</u>	<u>(954,848)</u>
Expenditures				
Current:				
Instruction:				
Basic program	74,591,084	75,069,340	74,769,844	(299,496)
Added needs	14,587,134	15,161,821	14,595,627	(566,194)
Adult/Continuing education	160,641	164,690	148,904	(15,786)
Support services:				
Pupil	12,672,148	12,595,790	12,380,132	(215,658)
Instructional staff	3,598,574	3,761,188	3,400,300	(360,888)
General administration	670,508	947,834	860,990	(86,844)
School administration	9,165,241	9,118,081	8,944,560	(173,521)
Business	1,915,547	2,492,151	2,484,886	(7,265)
Operations and maintenance	9,488,168	9,531,593	9,410,533	(121,060)
Pupil transportation services	4,128,616	4,112,460	3,908,754	(203,706)
Central	2,647,832	2,943,657	2,933,996	(9,661)
Other support	2,101,337	2,067,358	2,059,933	(7,425)
Community services	1,035,666	1,106,784	971,335	(135,449)
Total expenditures	<u>136,762,496</u>	<u>139,072,747</u>	<u>136,869,794</u>	<u>(2,202,953)</u>
Other Financing Sources (Uses)				
Transfers in	1,082,290	796,761	793,722	(3,039)
Transfers out	(994,748)	(994,741)	(1,001,866)	(7,125)
Net Change in Fund Balance	<u>(3,020,039)</u>	<u>(684,913)</u>	<u>553,028</u>	<u>1,237,941</u>
Fund Balance - Beginning of year	<u>16,744,098</u>	<u>16,744,098</u>	<u>16,744,098</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 13,724,059</u></u>	<u><u>\$ 16,059,185</u></u>	<u><u>\$ 17,297,126</u></u>	<u><u>\$ 1,237,941</u></u>

Other Supplemental Information

Chippewa Valley Schools

	Special Revenue Funds			Debt Service Funds		
	Cafeteria	International	Building	2003	2004	2005 Issue
		Academy	Activities	Refunding Issue	Refunding Issue	
Assets						
Cash and investments	\$ 671,700	\$ -	\$ 863,550	\$ -	\$ -	\$ -
Due from other funds	-	2,066,766	-	-	-	-
Inventories	53,995	-	-	-	-	-
Restricted assets	-	-	-	-	25,602	148,603
Total assets	\$ 725,695	\$ 2,066,766	\$ 863,550	\$ -	\$ 25,602	\$ 148,603
Liabilities and Fund Balances						
Liabilities						
Unearned revenue	\$ 62,630	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	91,646	-	428,653	-	-	-
Total liabilities	154,276	-	428,653	-	-	-
Fund Balances						
Nonspendable - Inventory	53,995	-	-	-	-	-
Restricted:						
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	-	25,602	148,603
Cafeteria	517,424	-	-	-	-	-
International Academy	-	2,066,766	-	-	-	-
Committed - Building activities	-	-	434,897	-	-	-
Total fund balances	571,419	2,066,766	434,897	-	25,602	148,603
Total liabilities and fund balances	\$ 725,695	\$ 2,066,766	\$ 863,550	\$ -	\$ 25,602	\$ 148,603

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

Debt Service Funds							Capital Projects Fund	
2005 Refunding	School Bond Loan Refunding	2006 Refunding	2009 Refunding	2010 Series A	2010 Series B	2013 Refunding	2005 Building & Site	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,117	\$ -	\$ 1,541,367
-	-	-	-	-	-	-	-	2,066,766
-	-	-	-	-	-	-	-	53,995
<u>116,632</u>	<u>139,207</u>	<u>60,765</u>	<u>-</u>	<u>58,752</u>	<u>44,091</u>	<u>-</u>	<u>4,715,221</u>	<u>5,308,873</u>
<u>\$ 116,632</u>	<u>\$ 139,207</u>	<u>\$ 60,765</u>	<u>\$ -</u>	<u>\$ 58,752</u>	<u>\$ 44,091</u>	<u>\$ 6,117</u>	<u>\$ 4,715,221</u>	<u>\$ 8,971,001</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,630
-	-	-	-	-	-	-	-	520,299
-	-	-	-	-	-	-	-	582,929
-	-	-	-	-	-	-	-	53,995
-	-	-	-	-	-	-	4,715,221	4,715,221
<u>116,632</u>	<u>139,207</u>	<u>60,765</u>	<u>-</u>	<u>58,752</u>	<u>44,091</u>	<u>6,117</u>	<u>-</u>	<u>599,769</u>
-	-	-	-	-	-	-	-	517,424
-	-	-	-	-	-	-	-	2,066,766
-	-	-	-	-	-	-	-	434,897
<u>116,632</u>	<u>139,207</u>	<u>60,765</u>	<u>-</u>	<u>58,752</u>	<u>44,091</u>	<u>6,117</u>	<u>4,715,221</u>	<u>8,388,072</u>
<u>\$ 116,632</u>	<u>\$ 139,207</u>	<u>\$ 60,765</u>	<u>\$ -</u>	<u>\$ 58,752</u>	<u>\$ 44,091</u>	<u>\$ 6,117</u>	<u>\$ 4,715,221</u>	<u>\$ 8,971,001</u>

Chippewa Valley Schools

	Special Revenue Funds			Debt Service Funds			
	Cafeteria	International Academy	Building Activities	1998 Durant	2003	2004	2005 Issue
					Refunding Issue	Refunding Issue	
Revenue							
Local sources	\$ 1,978,111	\$ -	\$ 1,445,861	\$ 91,946	\$ 2,558,819	\$ 741,407	\$ 6,510,529
State sources	121,604	-	-	-	-	-	-
Federal sources	1,566,764	-	-	-	-	-	-
Interdistrict sources	-	2,934,058	-	-	-	-	-
Total revenue	3,666,479	2,934,058	1,445,861	91,946	2,558,819	741,407	6,510,529
Expenditures							
Current:							
Support services	-	341	-	-	-	-	-
Food services	3,454,728	-	-	-	-	-	-
International Academy	-	2,960,466	-	-	-	-	-
Building activities	-	-	1,655,039	-	-	-	-
Debt service:							
Principal	-	-	-	91,946	3,185,000	1,180,000	5,300,000
Interest	-	-	-	-	2,388,236	574,665	4,538,547
Other	-	-	-	-	66,916	13,893	110,193
Capital outlay	82,894	172,966	-	-	-	-	-
Total expenditures	3,537,622	3,133,773	1,655,039	91,946	5,640,152	1,768,558	9,948,740
Excess of Revenue Over (Under) Expenditures	128,857	(199,715)	(209,178)	-	(3,081,333)	(1,027,151)	(3,438,211)
Other Financing Sources (Uses)							
Payment to escrow agent	-	-	-	-	-	-	-
Transfers in	-	1,001,866	-	-	-	-	-
Transfers out	(190,000)	(603,722)	-	-	(62,786)	-	-
Face value of debt issued	-	-	-	-	-	-	-
Premium on debt issued	-	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	3,050,839	1,030,282	3,402,298
Total other financing (uses) sources	(190,000)	398,144	-	-	2,988,053	1,030,282	3,402,298
Net Change in Fund Balances	(61,143)	198,429	(209,178)	-	(93,280)	3,131	(35,913)
Fund Balances - Beginning of year	632,562	1,868,337	644,075	-	93,280	22,471	184,516
Fund Balances - End of year	\$ 571,419	\$ 2,066,766	\$ 434,897	\$ -	\$ -	\$ 25,602	\$ 148,603

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

Debt Service Funds							Capital Projects Fund	
2005 Refunding	School Bond Loan Refunding	2006 Refunding	2009 Refunding	2010 Series A	2010 Series B	2013 Refunding	2005 Building & Site	Total
\$ 4,749,063	\$ 2,503,034	\$ 2,438,820	\$ 278,157	\$ 2,220,139	\$ 1,604,629	\$ -	\$ -	\$ 27,120,515
-	-	-	-	-	-	-	-	121,604
-	-	-	-	-	1,471,783	-	-	3,038,547
-	-	-	-	-	-	-	-	2,934,058
<u>4,749,063</u>	<u>2,503,034</u>	<u>2,438,820</u>	<u>278,157</u>	<u>2,220,139</u>	<u>3,076,412</u>	<u>-</u>	<u>-</u>	<u>33,214,724</u>
-	-	-	-	-	-	922,203	-	922,544
-	-	-	-	-	-	-	-	3,454,728
-	-	-	-	-	-	-	-	2,960,466
-	-	-	-	-	-	-	-	1,655,039
5,365,000	4,131,000	1,905,000	470,000	3,475,000	-	-	-	25,102,946
3,495,610	752,933	2,792,057	660,789	595,241	4,503,156	-	-	20,301,234
46,388	46,906	47,552	4,424	26,699	23,818	-	-	386,789
-	-	-	-	-	-	-	852,427	1,108,287
<u>8,906,998</u>	<u>4,930,839</u>	<u>4,744,609</u>	<u>1,135,213</u>	<u>4,096,940</u>	<u>4,526,974</u>	<u>922,203</u>	<u>852,427</u>	<u>55,892,033</u>
(4,157,935)	(2,427,805)	(2,305,789)	(857,056)	(1,876,801)	(1,450,562)	(922,203)	(852,427)	(22,677,309)
-	-	-	-	-	-	(152,605,237)	-	(152,605,237)
-	78,730	-	-	-	-	-	-	1,080,596
-	-	-	(15,944)	-	-	-	-	(872,452)
-	-	-	-	-	-	132,945,000	-	132,945,000
-	-	-	-	-	-	20,588,557	-	20,588,557
<u>4,205,798</u>	<u>2,456,908</u>	<u>2,304,774</u>	<u>861,270</u>	<u>1,878,354</u>	<u>1,445,030</u>	<u>-</u>	<u>-</u>	<u>20,635,553</u>
<u>4,205,798</u>	<u>2,535,638</u>	<u>2,304,774</u>	<u>845,326</u>	<u>1,878,354</u>	<u>1,445,030</u>	<u>928,320</u>	<u>-</u>	<u>21,772,017</u>
47,863	107,833	(1,015)	(11,730)	1,553	(5,532)	6,117	(852,427)	(905,292)
<u>68,769</u>	<u>31,374</u>	<u>61,780</u>	<u>11,730</u>	<u>57,199</u>	<u>49,623</u>	<u>-</u>	<u>5,567,648</u>	<u>9,293,364</u>
<u>\$ 116,632</u>	<u>\$ 139,207</u>	<u>\$ 60,765</u>	<u>\$ -</u>	<u>\$ 58,752</u>	<u>\$ 44,091</u>	<u>\$ 6,117</u>	<u>\$ 4,715,221</u>	<u>\$ 8,388,072</u>

Chippewa Valley Schools

June 30	2013 Refunding	Series A 2010	Series B 2010	2006 Refunding	2005 Refunding
	Issue	Issue	Issue	Issue	Issue
	Principal	Principal	Principal	Principal	Principal
2014	\$ -	\$ 3,600,000	\$ -	\$ 1,890,000	\$ 5,490,000
2015	-	3,625,000	-	110,000	7,410,000
2016	8,345,000	3,125,000	550,000	115,000	7,520,000
2017	8,345,000	-	3,675,000	120,000	7,625,000
2018	8,405,000	-	3,675,000	125,000	7,730,000
2019	8,495,000	-	3,700,000	5,530,000	2,435,000
2020	8,510,000	-	3,675,000	5,615,000	2,425,000
2021	8,530,000	-	3,675,000	8,285,000	-
2022	5,775,000	-	3,675,000	8,435,000	-
2023	5,860,000	-	3,675,000	8,425,000	-
2024	5,950,000	-	3,700,000	4,345,000	3,900,000
2025	6,035,000	-	3,700,000	4,320,000	3,900,000
2026	6,145,000	-	3,700,000	4,290,000	3,900,000
2027	6,235,000	-	3,700,000	1,675,000	3,900,000
2028	6,330,000	-	3,700,000	-	-
2029	6,425,000	-	3,700,000	-	-
2030	6,520,000	-	3,700,000	-	-
2031	6,625,000	-	3,700,000	-	-
2032	6,730,000	-	3,700,000	-	-
2033	6,840,000	-	3,700,000	-	-
2034	6,845,000	-	3,700,000	-	-
2035	-	-	3,700,000	-	-
Total principal	\$ 132,945,000	\$ 10,350,000	\$ 70,700,000	\$ 53,280,000	\$ 56,235,000
Principal payments due	May 1	May 1	May 1	May 1	May 1
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	3.63% to 5.25%	1.15% to 4.25%	5.35% to 6.85%	4.0% to 5.0%	5.0%
Original issue	\$ 132,945,000	\$ 19,065,000	\$ 70,700,000	\$ 63,575,000	\$ 64,285,000

**Other Supplemental Information
Schedule of Bonded Indebtedness
Year Ended June 30, 2013**

2005 Issue	2004 Refunding Issue	2003 SBL Refunding Issue	Total
Principal	Principal	Principal	
\$ 5,325,000	\$ 1,130,000	\$ 4,266,000	\$ 21,701,000
5,350,000	1,100,000	-	17,595,000
-	-	-	19,655,000
-	-	-	19,765,000
-	-	-	19,935,000
-	-	-	20,160,000
-	-	-	20,225,000
-	-	-	20,490,000
-	-	-	17,885,000
-	-	-	17,960,000
-	-	-	17,895,000
-	-	-	17,955,000
-	-	-	18,035,000
-	-	-	15,510,000
-	-	-	10,030,000
-	-	-	10,125,000
-	-	-	10,220,000
-	-	-	10,325,000
-	-	-	10,430,000
-	-	-	10,540,000
-	-	-	10,545,000
-	-	-	3,700,000
\$ 10,675,000	\$ 2,230,000	\$ 4,266,000	\$ 340,681,000
May 1	May 1	May 1	
May 1 and November 1	May 1 and November 1	May 1 and November 1	
3.8% to 5.0%	3.5% to 5.0%	3.318%	
\$ 158,335,000	\$ 19,570,000	\$ 34,761,580	