

Chippewa Valley school district receives highest audit rating

District officials adjusting to first enrollment drop in 21 years

By Jeremy Selweski
C & G Staff Writer

CLINTON TOWNSHIP/MACOMB TOWNSHIP — A recent audit of Chippewa Valley Schools confirmed that officials are doing a good job of managing the district's finances, but declining enrollment numbers could present new challenges on the horizon.

Representatives from the accounting firm Plante Moran appeared before the Board of Education on Oct. 20 to present a summary of the district's 2013-14 audit. Their data included analyses of Chippewa Valley's general fund balance, its per-pupil funding, its allocation of revenues, its financial records over time and comparisons to other districts across Macomb County.

According to Donna Hanson, an audit partner at Plante Moran, after crunching the numbers, "We have issued an unmodified opinion, which is the highest rating that a school district can receive."

Brianne Huber, a certified public accountant (CPA) for Plante Moran, pointed out that Chippewa Valley spends more money on classroom instruction than many other public school districts in Michigan. During the 2013-14 fiscal year — which ran from July 1, 2013, through June 30, 2014 — the district allocated about 78.6 percent of its total expenditures to classroom instruction. Statewide, the average in this area was only about 74.2 percent.

In a subsequent interview, Scott Sederlund, Chippewa Valley's assistant superintendent of business and operations, noted that this is the result of very careful budgeting.

"Every year, our biggest goal with the budget process is to make sure that we're devoting as much funding as possible to classroom instruction," he said. "That's a major source of pride for us — that we spend more money on things that directly impact our students than most other districts do."

Another source of pride for the district, Sederlund added, is how it consistently manages to do a lot with a little. Although Chippewa Valley received a foundation allowance of just \$7,076 per pupil in 2013-14 — the lowest amount given out by the state of Michigan last year — it still managed its money more responsibly than many other Michigan school districts.

According to data provided by Jennifer Chambers, another Plante Moran CPA, Chippewa Valley was able to add almost \$1.8 million to its general fund balance in 2013-14, bringing the total balance to nearly \$19.1 million. This raised the district's fund balance as a percentage of its overall expenditures to about 13.6 percent, enough to operate the district for more than 49 days.

Chambers stated that Plante Moran recommends this number to be at least 15 percent, but Chippewa Valley is projected to add roughly \$1 million to its fund balance by the end of the current fiscal year. Countywide, only three other districts had a higher percentage than Chippewa Valley as of June 30, 2013 — Warren Woods, Utica and Center Line — while four districts — Mount Clemens, East Detroit, Clintondale and New Haven — found themselves in debt.

"It's always nice to be able to add to our fund balance," Sederlund said, "because it means that there's less of a chance that we'll need to borrow money to meet our cash flow needs. That (\$1 million) number is just a projection, and whether we can meet it or not depends a lot on our (student) enrollment level. We had originally projected flat enrollment for this year."

The numbers from Chippewa Valley's fall 2014 Count Day on Oct. 1 showed a total enrollment of 16,501 students, a decline of 61 students from a year ago. According to Diane Blain, the district's director of school and community relations, the new Count Day figures represent Chippewa Valley's first decline in enrollment in 21 years.

"This can be attributed to a lot of things: fewer available school-age children in Macomb County and Michigan overall, and a drop in the birth rate," she wrote via email. "This could be a temporary change based on the effects of the recession, or it could be a trend moving forward. We are very fortunate not to be experiencing a severe decline in enrollment."

At recent Board of Education meetings, district officials have acknowledged that after two decades of booming expansion, Chippewa Valley could be headed for a new era where it struggles to maintain its current enrollment level. As Sederlund put it, "We're very aware of the fact that our period of growth may be coming to an end."

Beyond student enrollment, the other major factor going forward will be the stability of state funding. According to the Plante Moran audit report, about 76.3 percent of Chippewa Valley's revenue currently comes from its foundation allowance, while the remainder comes from local property taxes, other state and county funds, federal grants, and student transfers.

But as Chambers pointed out, "The discrepancy between the highest-funded districts and the lowest-funded districts is not as wide as it once was. That gap narrowed by \$80 per pupil last year."

And it looks like it may continue to narrow. This year, Chippewa Valley and other Michigan districts at the bottom will receive an additional \$50 in their foundation allowance, raising their total to \$7,126 per student. The \$146.4 million budget that the Board of Education adopted in June also included a one-time equity payment of \$125 per pupil, as well as a retirement cost offset of \$66 per pupil, a high school student performance benchmark of \$40 per pupil and, should the district qualify, \$50 per pupil for meeting at least seven of nine of the state's Best Practices requirements.

At the Oct. 20 meeting, Board President Denise Aquino thanked Sederlund for positioning Chippewa Valley to receive every bit of available funding.

"It looks like Scott and his team have done another great job of keeping us moving in a strong financial direction," she said.

Trustee Frank Bednard also acknowledged that the district's financial health is largely the result of concessions taken by its employees in recent years. In 2013, negotiations were reached with four of the district's labor unions — teachers, support staff, secretaries and paraprofessionals — which included a hard cap on employee health care benefits. The contract with the teachers' union alone is expected to save the district about \$2.4 million over a three-year period.

According to Sederlund, "We're very fortunate to have a great relationship with our labor unions, so it's been a team effort more than anything else."

Sederlund pointed out that Chippewa Valley officials plan to adopt their first budget revision of 2014-15 "sometime between now and December." Those meetings should give them a better idea of the district's current state of affairs after taking this fall's enrollment decrease into account.

"That will tell us what we need to know about how much things have changed since June," he explained. "We're always looking ahead to try to make as much of a long-term plan as possible. But you can only plan so far ahead, which is the biggest challenge of all."