

**Chippewa Valley Schools
Clinton Township, Michigan**

**Financial Report
with Supplemental Information
June 30, 2015**

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, 2015, 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.

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, 2015, 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.

To the Board of Education
Chippewa Valley Schools

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective July 1, 2014, the School District adopted the provision of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and No. GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The School District's Unrestricted Net Position has been restated as of July 1, 2014 as a result of this change in accounting principle. 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 on pages 4-13 and the budgetary comparison schedule and the schedules of Chippewa Valley Schools' proportionate share of the net pension liability and Chippewa Valley Schools' contributions on pages 44-46 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 Chippewa Valley Schools' basic financial statements. The nonmajor governmental funds combining balance sheet, combining statement of revenue, expenditures, and changes in fund balance, and the schedule of bonded indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

To the Board of Education
Chippewa Valley Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 & Moran, PLLC

October 20, 2015

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, 2015. 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 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

Pension System Schedules

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 revenues 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 assets 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 revenues 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, community services, 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 Cafeteria Fund and the Building Activities Fund 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:

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

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.

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.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

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, 2015 and 2014:

TABLE I

	Governmental Activities	
	June 30	
	2015	2014
	(in millions)	
Assets		
Current and other assets	\$ 59.5	\$ 67.8
Capital assets	381.8	383.8
Total assets	441.3	451.6
Deferred Outflows	25.1	14.7
Total assets and deferred outflows	466.4	466.3
Liabilities		
Current liabilities	39.1	40.8
Long-term liabilities	502.3	280.8
Net pension liability	213.1	226.6
Total liabilities	754.5	548.2
Deferred Inflows	15.7	-
Total liabilities and deferred inflows	770.2	548.2
Net Position (Deficit)		
Net investment in capital assets	(113.4)	(83.8)
Restricted	6.3	18.8
Unrestricted	(196.7)	(233.0)
Total net position	<u>\$ (303.8)</u>	<u>\$ (298.0)</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 (\$303.8) million at June 30, 2015. Net investments in capital assets totaling (\$113.4) 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. 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 and enabling legislation that limit the School District's ability to use the net position for day-to-day operations. The remaining amount of net position, (\$196.7) million, is considered unrestricted.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

As required by the Government Accounting Standards Board (GASB) the School District adopted GASB No. 68 and No. 71. These standards required the inclusion of the district's proportionate share of the Michigan Public School Employees Retirement Plan within the District's financial statements, effective July 1, 2014. The effect of the adoption was to decrease July 1, 2014 beginning net position by \$216.1 million and the inclusion of the obligation, and related deferred inflows and outflows, in the June 30, 2015 financial statements. All governments participating in the retirement plan were required to adopt these new standards.

The (\$196.7) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Included in the (\$196.7) million is \$213.1 million in net pension liability. The district's portion of the MPERS (Michigan Public School Employees Retirement System) unfunded liability will have the greatest impact on the change in unrestricted net position from year to year.

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 2015 and, for comparative purposes, the changes in net position for fiscal year 2014.

TABLE 2

	Governmental Activities	
	Year Ended June 30	
	2015	2014
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 10.7	\$ 10.2
Federal grants and entitlements	8.2	8.2
State categoricals	10.1	9.2
Other operating grants	9.8	3.0
General revenue:		
Property taxes	39.4	35.5
State foundation allowance	105.6	108.4
Investment earnings, loss on sale, and other	0.4	0.1
Total revenue	184.2	174.6

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

	Governmental Activities	
	Year Ended June 30	
	2015	2014
	(in millions)	
Functions/Program Expenses		
Instruction	93.2	90.2
Support services	50.3	47.3
Community services	0.9	0.9
Building activities	2.0	1.5
Food services	3.4	3.4
International Academy	4.8	3.0
Interest on long-term debt and other	21.0	22.1
Depreciation (unallocated)	14.4	14.1
Total functions/program expenses	190.0	182.5
Decrease in Net Position (Deficit)	(5.8)	(7.9)
Net Position (Deficit) - Beginning of year	(298.0)	(74.0)
Impact of GASB Statement No. 68 and No 71	-	(216.1)
Net Position (Deficit) - End of year	\$ (303.8)	\$ (298.0)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$190.0 million. Certain activities were partially funded from those who benefited from the programs, \$10.7 million, or by other governments and organizations that subsidized certain programs with grants and contributions, \$28.1 million. We paid for the remaining "public benefit" portion of our governmental activities with \$39.4 million in taxes, \$105.6 million in state foundation allowance, and \$400,000 with our other revenues, i.e., interest and general entitlements.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

The School District experienced a 2 percent decrease in net position of \$5.8 million which represents the net difference between revenue and functions/program expenses.

As discussed above, the net cost shows the financial burden that was placed on the School District and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

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 \$38.3 million, which is a decrease of \$11.2 million from last year. The primary reasons for the decrease are as follows:

- Capital Projects Fund - fund balance decrease of \$13.0 million resulting from the completion of capital projects
- General Fund - fund balance increase of \$2.9 million
- Cafeteria Fund - fund balance increase of \$0.2 million

In the General Fund, our principal operating fund, the fund balance increased by \$2.9 million from \$19.1 million to \$22.0 million.

Combined, the Debt Service Funds showed a fund balance increase of \$97,534. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. The millage for Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations. It has been determined that the statutorily limited debt mills to be levied for the upcoming year is 8.64.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues 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 12, 2015 and May 18, 2015. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information to these financial statements.

Budgeted revenues increased by an insignificant amount from the original budget to the final amendment. Budgeted expenditures increased just over \$578,000.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

A larger than typical positive variance exists this year between final budgeted and actual expenditures. A transition in budget responsibility is in process which resulted in a more conservative budget approach in preparing the final budget amendment. Lower than anticipated costs in areas including electricity, diesel bus fuel, and retirement costs related to MPSERS UAAL also contributed to the higher positive variance.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the School District had \$535.9 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$11.5 million.

	2015	2014
Land	\$ 13,092,570	\$ 13,092,570
Construction in progress	641,923	1,182,646
Buildings and building improvements	471,344,219	464,328,805
Buses and other vehicles	7,910,635	8,183,648
Furniture and equipment	42,902,610	37,593,271
Total capital assets	535,891,957	524,380,940
Less accumulated depreciation	154,054,976	140,607,274
Net capital assets	\$ 381,836,981	\$ 383,773,666

This year's additions of approximately \$11.5 million included vehicles, technology, building renovations, buses, and furniture. The additions were financed primarily through the completion of the 2010B Capital Projects Fund and initial expenditures within the 2010A Capital Projects Fund.

The 2015-2016 fiscal year will see additions financed through the 2010A Capital Projects Fund. We present more detailed information about our capital assets in Note 5 to the financial statements.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

Debt

At the end of this year, the School District had \$491.9 million in bonds outstanding versus \$340.7 million in the previous year, a change of 44.4 percent primarily attributable to issuing district bonds to refund the School Bond Loan Fund and the School Loan Revolving Fund debt. Those bonds consisted of the following:

	2015	2014
General obligation bonds	<u>\$ 491,895,000</u>	<u>\$ 318,980,000</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 this debt limit. The School District's outstanding debt meets the qualified status requirements and is not subject to the general obligation \$513 million statutorily imposed limit.

Other obligations include accrued vacation pay, sick leave, and capital leases. 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

Our elected officials and administration consider many factors when setting the School District's 2015-2016 fiscal year budget. One of the most important factors affecting the budget is student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2015-2016 fiscal year is based on 10 percent of the prior year and 90 percent of the current year, February 2015 and October 2015 counts, respectively. The 2015-2016 fiscal year budget was adopted in May 2015, based on an estimate of an enrollment amount of 100 less students than the 2014-2015 counts. The majority of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per-pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriations to school districts. Revenue assumptions for the 2015-2016 fiscal year included an increased foundation allowance of \$50 per pupil (\$140 increase to foundation allowance and elimination of Best Practices of \$50 and elimination of Performance Funding at \$40 for a net increase of \$50), a change to the equity payment (now factored as part of the foundation allowance but same amount as in 2014-15), and an increase in at-risk funding by approximately \$27 per pupil. Budgeted expenditures for 2015-2016 include increased health insurance costs due to the increased hard cap limit under PA 152 for health insurance benefits and cash in lieu of health. Health insurance costs are also budgeted to increase due to employees qualifying and enrolling as newly eligible for insurance under the Affordable Care Act. Using the factors indicated above and other best estimates available, the adopted budget for 2015-2016 projects that revenue will exceed expenditures by approximately \$675,000.

Economic conditions and the commitment of the State of Michigan to fund K-12 education as a priority continues to be a concern for Chippewa Valley Schools and all districts in Michigan for the 2015-2016 school year and beyond. The 2016 calendar year being an election year will also prove to be challenging as political agendas begin to take precedence. While there continues to be improvement to Michigan's economy, there has not been a significant change in the level of funding to K-12. The School District remains committed to its goals and is moving forward with strategic plans that will refine our focus in preparing students with a global educational experience.

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, 2015

	Primary Government <u>Governmental Activities</u>
Assets	
Cash and investments (Note 3)	\$ 16,482,620
Receivables	23,594,147
Inventories	86,117
Prepaid costs	1,668,565
Restricted assets (Note 3)	17,652,154
Capital assets - Net (Note 5)	<u>381,836,981</u>
Total assets	441,320,584
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 7)	11,818,386
Deferred outflows related to pensions (Note 9)	<u>13,327,742</u>
Total deferred outflows of resources	<u>25,146,128</u>
Total assets and deferred outflows of resources	466,466,712
Liabilities	
Accounts payable	4,008,393
Accrued payroll and other liabilities	18,342,867
Unearned revenue (Note 4)	1,031,763
Noncurrent liabilities (Note 7):	
Due within one year	15,702,310
Due in more than one year	502,301,182
Net pension liability	<u>213,151,629</u>
Total liabilities	754,538,144
Deferred Inflows of Resources - Deferred inflows related to pensions (Note 9)	<u>15,700,157</u>
Total total liabilities and deferred inflows of resources	<u>770,238,301</u>
Net Position	
Net investment in capital assets	(69,152,679)
Restricted:	
Capital projects	4,547,542
Special revenue	1,801,878
Unrestricted	<u>(240,968,330)</u>
Total net position	<u>\$ (303,771,589)</u>

Chippewa Valley Schools

Statement of Activities Year Ended June 30, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 93,229,358	\$ -	\$ 18,621,336	\$ (74,608,022)
Support services	50,338,038	1,288,592	6,207,112	(42,842,334)
Food services	3,379,231	1,844,006	1,797,508	262,283
Community services	851,560	2,623,857	-	1,772,297
International Academy	4,765,843	3,039,503	-	(1,726,340)
Building activities	2,011,454	1,945,959	-	(65,495)
Interest	20,924,669	-	1,426,392	(19,498,277)
Debt issuance costs	53,654	-	-	(53,654)
Depreciation expense (unallocated)	14,400,030	-	-	(14,400,030)
Total primary government	<u>\$ 189,953,837</u>	<u>\$ 10,741,917</u>	<u>\$ 28,052,348</u>	(151,159,572)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				11,719,120
Property taxes, levied for debt service				27,680,818
State aid not restricted to specific purposes				105,614,367
Interest and investment earnings				7,614
Loss on the sale of capital assets				(118,264)
Other				493,340
Total general revenues				<u>145,396,995</u>
Change in Net Position				(5,762,577)
Net Position - As restated - Beginning of year (Note 1)				<u>(298,009,012)</u>
Net Position - End of year				<u>\$ (303,771,589)</u>

Chippewa Valley Schools

Governmental Funds Balance Sheet June 30, 2015

	General Fund	2010A Capital Projects Fund	2010B Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 13,791,039	\$ -	\$ -	\$ 2,691,581	\$ 16,482,620
Receivables:					
Accounts receivable	76,650	-	-	121,545	198,195
Due from other governmental units	23,395,952	-	-	-	23,395,952
Due from other funds (Note 6)	919,679	-	-	24,924	944,603
Inventories	45,180	-	-	40,937	86,117
Prepaid costs	1,661,371	7,194	-	-	1,668,565
Restricted assets (Note 3)	-	13,960,506	-	3,691,648	17,652,154
Total assets	\$ 39,889,871	\$ 13,967,700	\$ -	\$ 6,570,635	\$ 60,428,206
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 706,642	\$ 3,419,436	\$ -	\$ -	\$ 4,126,078
Accrued payroll-related liabilities	16,105,620	-	-	-	16,105,620
Due to other funds (Note 6)	130,210	299	-	696,409	826,918
Unearned revenue (Note 4)	957,587	-	-	74,176	1,031,763
Total liabilities	17,900,059	3,419,735	-	770,585	22,090,379
Fund Balances					
Nonspendable - Inventory and prepaid items	1,706,551	-	-	40,937	1,747,488
Restricted:					
Capital projects	-	10,547,965	-	3,170,813	13,718,778
Debt service	-	-	-	520,835	520,835
Cafeteria	-	-	-	906,474	906,474
International Academy	-	-	-	854,467	854,467
Committed:					
Building activities	-	-	-	306,524	306,524
Accumulated employment obligation	1,305,968	-	-	-	1,305,968
Resale activities	57,764	-	-	-	57,764
Unassigned	18,919,529	-	-	-	18,919,529
Total fund balances	21,989,812	10,547,965	-	5,800,050	38,337,827
Total liabilities, deferred inflows of resources and fund balances	\$ 39,889,871	\$ 13,967,700	\$ -	\$ 6,570,635	\$ 60,428,206

Chippewa Valley Schools

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2015

Fund Balance Reported in Governmental Funds \$ 38,337,827

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	\$ 535,891,957	
Accumulated depreciation	<u>(154,054,976)</u>	381,836,981

Deferred outflows related to pension payments made subsequent to the measurement date	13,327,742
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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	(516,289,974)	
Employee compensated absences	(1,305,968)	
Self-insurance liability	(70,876)	
Voluntary retirement supplement	<u>(336,674)</u>	(518,003,492)

Accrued interest payable is not included as a liability in governmental funds	(2,237,247)
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Deferred outflows of resources (deferred interest) that do not benefit the current period are not reported in the governmental funds	11,818,386
--	------------

Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities	(213,151,629)
--	---------------

Deferred inflows related to pension investment returns and changes in assumptions are not reported in the governmental funds	<u>(15,700,157)</u>
--	---------------------

Net Position of Governmental Activities **\$ (303,771,589)**

Chippewa Valley Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

	General Fund	2010A Capital Projects Fund	2010B Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 18,684,311	\$ -	\$ -	\$ 31,622,132	\$ 50,306,443
State sources	122,613,968	-	-	157,768	122,771,736
Federal sources	5,081,595	-	-	3,110,247	8,191,842
Interdistrict sources	-	-	-	3,039,503	3,039,503
Total revenue	146,379,874	-	-	37,929,650	184,309,524
Expenditures					
Current:					
Instruction	93,580,778	-	-	-	93,580,778
Support services	48,451,756	160,975	-	1,381,705	49,994,436
Food services	-	-	-	3,386,363	3,386,363
Community services	852,242	-	-	-	852,242
International Academy	-	-	-	4,634,993	4,634,993
Building activities	-	-	-	2,014,321	2,014,321
Debt service:					
Principal	-	-	-	17,595,000	17,595,000
Interest	-	-	-	22,342,756	22,342,756
Other	-	-	-	53,654	53,654
Capital outlay	257,689	9,578,685	2,002,202	1,356,071	13,194,647
Total expenditures	143,142,465	9,739,660	2,002,202	52,764,863	207,649,190
Excess of Revenue Over (Under) Expenditures	3,237,409	(9,739,660)	(2,002,202)	(14,835,213)	(23,339,666)
Other Financing Sources (Uses)					
Payment to escrow agent/repayment of SBLF (Note 7)	-	-	-	(238,354,605)	(238,354,605)
Transfers in (Note 6)	707,494	-	-	1,319,175	2,026,669
Transfers out (Note 6)	(1,030,051)	-	-	(996,618)	(2,026,669)
Face value of debt issued	-	-	-	244,690,667	244,690,667
Premium on debt issued	-	-	-	5,841,515	5,841,515
Total other financing sources (uses)	(322,557)	-	-	12,500,134	12,177,577
Net Change in Fund Balances	2,914,852	(9,739,660)	(2,002,202)	(2,335,079)	(11,162,089)
Fund Balances - Beginning of year	19,074,960	20,287,625	2,002,202	8,135,129	49,499,916
Fund Balances - End of year	\$21,989,812	\$10,547,965	\$ -	\$ 5,800,050	\$ 38,337,827

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

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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (11,162,089)

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	\$ (14,400,030)	
Capitalized capital outlay	<u>12,581,609</u>	(1,818,421)

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets (118,264)

Deferred interest is reported an expenditure/income in the governmental funds, but is capitalized and amortized in the statement of activities (2,901,855)

Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities (244,690,667)

Underwriter's discount/premium reported as expenditures/revenue in the funds and amortized in the statement of activities (1,614,696)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 255,498,197

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 544,531

Change in pension expense related to deferred items 538,373

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 (or more was earned than paid out) (37,686)

Change in Net Position of Governmental Activities **\$ (5,762,577)**

Chippewa Valley Schools

Fiduciary Funds Statement of Fiduciary Assets and Liabilities June 30, 2015

	<u>Agency Funds</u>
Assets	
Cash and investments (Note 3)	\$ 1,320,447
Due from other funds (Note 6)	<u>194,536</u>
Total assets	<u>\$ 1,514,983</u>
Liabilities	
Due to student activities	\$ 1,202,762
Due to other funds (Note 6)	<u>312,221</u>
Total liabilities	<u>\$ 1,514,983</u>

Chippewa Valley Schools

Notes to Financial Statements June 30, 2015

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.

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 was established.

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

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 is 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 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, the unspent property taxes levied in the Debt Service Funds are required to be set aside for future bond 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 I - 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 voluntary 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 at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement 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.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The School District has two types of items that qualify for reporting in this category. First, the deferred charge on refunding reported in the district-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other deferred outflow is related to the pension plan.

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District only has one item that qualifies for reporting in this category. It is the deferred inflow related to the pension plan.

Fund Balance - 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
- **Committed:** Amounts that have been formally set aside by the Board of Education for use 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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Chippewa Valley Schools

Notes to Financial Statements June 30, 2015

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

Adoption of New Standard - The Governmental Accounting Standards Board issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB 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. GASB Statement No. 71 is a clarification to GASB Statement No. 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with the statement, the School District has reported a Net Pension Liability of \$226,615,176 million and a beginning deferred outflow for pension contributions of \$10,552,759 made subsequent to the September 30, 2013 measurement date, as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014.

Net position at June 30, 2014	\$ (81,946,595)
Net pension liability	(226,615,176)
Deferred outflow for pension contributions	<u>10,552,759</u>
Net position at June 30, 2014 - As restated	<u><u>\$ (298,009,012)</u></u>

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 12, 2015 and May 18, 2015.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

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 18 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 \$36,010,605 had \$35,382,088 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.

Note 3 - Deposits and Investments (Continued)

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, 2015, 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.

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 School District has no investments.

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.

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 \$351,589 of unearned revenue related to grants received and tuition payments received but not yet earned, \$605,998 of estimated tax overpayment, and \$74,176 of deposits received for the subsequent year's food service program.

Chippewa Valley Schools

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets

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

	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 13,092,570	\$ -	\$ -	\$ -	\$ 13,092,570
Construction in progress	1,182,646	(540,723)	-	-	641,923
Subtotal	14,275,216	(540,723)	-	-	13,734,493
Capital assets being depreciated:					
Buildings and building improvements	464,328,805	540,723	6,474,691	-	471,344,219
Furniture and equipment	37,593,271	-	6,039,939	730,600	42,902,610
Buses and other vehicles	8,183,648	-	66,979	339,992	7,910,635
Subtotal	510,105,724	540,723	12,581,609	1,070,592	522,157,464
Accumulated depreciation:					
Buildings and building improvements	113,279,002	-	9,137,859	-	122,416,861
Furniture and equipment	22,424,127	-	4,580,446	646,335	26,358,238
Buses and other vehicles	4,904,145	-	681,725	305,993	5,279,877
Subtotal	140,607,274	-	14,400,030	952,328	154,054,976
Net capital assets being depreciated	369,498,450	540,723	(1,818,421)	118,264	368,102,488
Net capital assets	<u>\$ 383,773,666</u>	<u>\$ -</u>	<u>\$ (1,818,421)</u>	<u>\$ 118,264</u>	<u>\$ 381,836,981</u>

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 relating to the 2010A Building and Site Fund. The Fund has \$9,893,264 of expenditures spent to date, and there are commitments with contractors totaling \$4,918,105 at June 30, 2015.

Chippewa Valley Schools

Notes to Financial Statements June 30, 2015

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From				Total
	General Fund	2010A Capital Projects Fund	Other Nonmajor Governmental Funds	Fiduciary Fund	
General Fund	\$ -	\$ 299	\$ 609,574	\$ 309,806	\$ 919,679
Other nonmajor governmental funds	24,548	-	25	351	24,924
Fiduciary Fund	105,662	-	86,810	2,064	194,536
Total	<u>\$ 130,210</u>	<u>\$ 299</u>	<u>\$ 696,409</u>	<u>\$ 312,221</u>	<u>\$ 1,139,139</u>

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 \$1,030,051 from the General Fund to the International Academy covered the School District's tuition owed to the International Academy. The International Academy transferred \$607,494 to the General Fund to reimburse the School District for staff working at the Academy and other expenditures. Transfers totaling \$289,124 were made from the 2004 Refunding Fund, the 2005 Debt Fund, and the 2005 Refunding Fund to the 2006 Refunding Fund to close out the various debt funds and reallocate revenues. Finally, a transfer of \$100,000 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. Other long-term obligations include compensated absences, termination benefits, and certain risk liabilities.

Chippewa Valley Schools

Notes to Financial Statements June 30, 2015

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	\$ 318,980,000	\$233,845,000	\$ 60,930,000	\$ 491,895,000	\$ 13,385,000
School Bond Loan Fund	50,069,502	1,655,268	51,723,767	1,003	-
School Loan Revolving Fund	133,654,031	9,190,399	142,844,430	-	-
Bond premium	23,129,685	5,841,515	4,255,723	24,715,477	1,837,293
Less bond discount	(350,410)	-	(28,904)	(321,506)	(28,906)
Deferred outflow - Deferred refunding charges	(14,720,241)	-	(2,901,855)	(11,818,386)	(605,553)
Other obligations	1,675,832	843,833	806,147	1,713,518	508,923
Total governmental activities	<u>\$ 512,438,399</u>	<u>\$251,376,015</u>	<u>\$257,629,308</u>	<u>\$ 506,185,106</u>	<u>\$ 15,096,757</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
2016	\$ 13,385,000	\$ 18,519,544	\$ (1,426,392)	\$ 17,093,152	\$ 30,478,152
2017	45,890,000	18,680,311	(1,416,845)	17,263,466	63,153,466
2018	46,805,000	17,663,398	(1,353,054)	16,310,344	63,115,344
2019	47,850,000	16,474,096	(1,289,263)	15,184,833	63,034,833
2020	49,200,000	14,997,571	(1,225,038)	13,772,533	62,972,533
2021-2025	173,400,000	50,458,793	(5,190,561)	45,268,232	218,668,232
2026-2030	69,825,000	21,623,636	(3,495,853)	18,127,783	87,952,783
2031-2035	45,540,000	6,516,728	(1,330,613)	5,186,115	50,726,115
Total	<u>\$ 491,895,000</u>	<u>\$ 164,934,077</u>	<u>\$ (16,727,619)</u>	<u>\$ 148,206,458</u>	<u>\$ 640,101,458</u>

Chippewa Valley Schools

Notes to Financial Statements June 30, 2015

Note 7 - Long-term Debt (Continued)

Governmental Activities

General obligation bonds consist of the following:

2006 Refunding Issue - \$63,575,000 serial bonds due in annual installments of \$115,000 to \$8,435,000 through May 1, 2027; interest from 4.0 percent to 4.5 percent	\$ 51,280,000
2010 Issue Series A - \$19,065,000 general obligation - unlimited tax; federally taxable due in one remaining installment of \$3,125,000 on May 1, 2016; interest at 4.25 percent	3,125,000
2010 Issue Series B - \$70,700,000 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 percent to 6.85 percent with up to 35 percent Build America Bonds interest subsidy reduced by 7.3 percent due to sequestration	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 3.50 percent to 5.25 percent	132,945,000
2015 Refunding Issue Series A - \$38,170,000 General Obligation - Unlimited Tax - due in installments of \$3,975,000 to \$9,730,000 beginning May 1, 2023 through May 1, 2027; interest from 3.13 percent to 5.00 percent	38,170,000
2015 Refunding Issue Series B - \$195,675,000 General Obligation - Unlimited Tax - federally taxable - due in installments of \$1,250,000 to \$34,600,000 through May 2022; interest from 0.68 percent to 2.98 percent	<u>195,675,000</u>
Total bonded debt	<u>\$ 491,895,000</u>

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$ 1,305,968
Voluntary retirement supplement	336,674
Self-insurance liability	<u>70,876</u>
Total	<u>\$ 1,713,518</u>

Note 7 - Long-term Debt (Continued)

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 3.41183 percent to 3.45980 percent from July 1, 2014 to June 30, 2015, has been assessed for the year ended June 30, 2015. 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 seven mills and repay to the State any excess of the amount levied over the bonded debt service requirements. As a result of the issuance of the 2015 Series B Refunding bonds, the School District repaid \$51,723,767 towards the outstanding School Bond Loan balance. The balance at June 30, 2015 is \$1,002.

School Loan Revolving Fund - The School Loan Revolving Fund 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 3.41183 percent to 3.45980 percent from July 1, 2014 to June 30, 2015 has been assessed for the year ended June 30, 2015. 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. As a result of the issuance of the 2015 Series B Refunding bonds, the School District repaid \$142,844,430 of the outstanding School Loan Revolving Fund balance. The full obligation of the School Loan Revolving Fund has been satisfied.

Voluntary Retirement Supplement - The School District has a long-term voluntary retirement incentive program in place that calls for a total payout of \$336,674 through June 2016 to be paid in monthly installments ranging from \$167.50 to \$335.

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, 2015, \$175,975,000 of prior years' bonds outstanding are considered defeased.

Note 7 - Long-term Debt (Continued)

Advance and Current Refundings - During the year, the School District issued \$38,170,000 in general obligation bonds with an average interest rate of 4.76 percent. The proceeds of these bonds were used to advance refund \$43,335,000 of outstanding 2005 Refunding bonds with an average interest rate of 5.00 percent. The net proceeds of \$43,786,406 (after payment of \$225,109 in underwriting fees, insurance, 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 resulted in an economic gain of approximately \$3,610,836.

During the current year, the School District defeased \$194,574,606 of Michigan School Bond Loan Fund and School Loan Revolving Fund debt through the issuance of 2015 Series B refunding bonds. This defeasance was completed pursuant to terms as outlined by the State of Michigan and resulted in the reduction of debt service payments of approximately \$15,282,158. In addition, the State of Michigan provided for a General Fund incentive payment to districts that opted to advance refund their School Bond Loan Fund debt. The economic gain resulting from this transaction approximated \$7,083,911, which included the School District's General Fund incentive payment. All issuance costs related to the defeasance of this debt were paid by the State of Michigan and the portion of Michigan School Bond Loan Fund debt defeased has been removed from long-term debt.

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 all claims except workers' compensation and dental. 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.

Chippewa Valley Schools

Notes to Financial Statements June 30, 2015

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>2015</u>	<u>2014</u>
Estimated liability - Beginning of year	\$ 51,229	\$ 156,135
Estimated claims incurred - Including changes in estimates	116,379	(9,369)
Claim payments	<u>(96,732)</u>	<u>(95,537)</u>
Estimated liability - End of year	<u>\$ 70,876</u>	<u>\$ 51,229</u>

Effective July 1, 2013, the School District is no longer self-insured for medical and has purchased premium-based health insurance for all employees. The estimated liability at June 30, 2015 and 2014 relates to claims which have been incurred but have not been reported to the School District related to the prior contract in place. As of June 30, 2015, the School District is no longer obligated to pay claims from the prior self-insured plan. Changes in the estimated liability for the year were as follows:

Self-insured Health

	<u>2015</u>	<u>2014</u>
Estimated liability - Beginning of year	\$ 26,552	\$ 851,584
Estimated claims incurred - Including changes in estimates	-	1,391,182
Claim payments	<u>(26,552)</u>	<u>(2,216,214)</u>
Estimated liability - End of year	<u>\$ -</u>	<u>\$ 26,552</u>

Note 9 - Michigan Public School Employees' Retirement System

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), 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 post-employment health care benefits to retirees and beneficiaries who elect to receive those benefits.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and post-employment 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 (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing MI 48909.

Contributions - Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

The School District's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS.

The range of rates are as follows:

School District

July 1, 2013 – September 30, 2013	12.78% - 16.25%
October 1, 2013 – September 30, 2014	15.44% - 18.34%
October 1, 2014 – June 30, 2015	18.76% - 23.07%

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, 2015 and 2014 were \$18,137,000 and \$13,795,000, respectively. Contributions include \$7,215,000 and \$4,064,000 received from the State of Michigan and remitted to the system to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2015 and 2014, respectively.

Benefits Provided - Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death, and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members that do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2015, the School District reported a liability of \$213,151,629 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013 which used updated procedures to roll forward the estimated liability to September 30, 2014. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2014, the School District's proportion was 0.96771 percent.

For the year ended June 30, 2015, the School District recognized pension expense of \$14,490,749, exclusive of payments to the System to fund the MPSERS UAAL stabilization rate. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions - The total pension liability as of September 30, 2014 is based on the results of an actuarial valuation date of September 30, 2013 and rolled forward was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	7.00 to 8.00 percent, net of investment and administrative expenses based on the groups
Rate of pay increases	3.50 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB

The actuarial assumptions used for the June 30, 2015 valuation were based on the results of an actuarial experience study for the period October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Chippewa Valley Schools

Notes to Financial Statements June 30, 2015

Note 9 - Michigan Public School Employees' Retirement System (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity Pools	28 %	4.8 %
Private Equity Pools	18 %	8.5 %
International Equity Pools	16 %	6.1 %
Fixed-income Pools	10 %	1.5 %
Real Estate & Infrastructure Pools	10 %	5.3 %
Real Return, Opportunistic, and Absolute Pool	16 %	6.3 %
Short Term Investment Pools	2 %	(0.2)%
Total	100 %	

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the School District, calculated using the discount rate of 7.00 to 8.00 percent, depending on the plan option, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (7.00 percent) or 1.00 percentage point higher (9.00 percent) than the current rate:

1.00 percent decrease (7.00/6.00 percent)	Current Discount Rate (8.00/7.00 percent)	1.00 percent increase (9.00/8.00 percent)
\$ 281,023,384	\$ 213,152,783	\$ 155,970,800

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan - At June 30, 2015, the School District reported a payable of \$3,038,798 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Postemployment Benefits Other Than Pensions (OPEB) - 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, or 20 percent for those not Medicare eligible, 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. School District - The employer contribution rate ranged from 5.52 percent to 6.45 percent of covered payroll for the period July 1, 2014 to September 30, 2014, and from 2.20 percent to 6.45 percent of covered payroll for the period October 1, 2014 through June 30, 2015 dependent upon the employee's date of hire and plan election as noted above. 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 403B account.

The School District's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2015, 2014, and 2013 were \$2,881,000, \$5,476,000, and \$6,943,000, respectively.

Note 10 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. 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 the School District's financial statements for the year ending June 30, 2018.

Required Supplemental Information

Chippewa Valley Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 18,989,361	\$ 18,664,332	\$ 18,684,311	\$ 19,979
State sources	121,877,572	122,613,376	122,613,968	592
Federal sources	5,954,300	5,568,717	5,081,595	(487,122)
Total revenue	146,821,233	146,846,425	146,379,874	(466,551)
Expenditures				
Current:				
Instruction:				
Basic program	78,643,144	78,541,239	77,700,308	(840,931)
Added needs	15,540,915	16,001,231	15,697,241	(303,990)
Adult/Continuing education	165,882	191,434	190,308	(1,126)
Support services:				
Pupil	12,962,685	13,133,427	12,987,549	(145,878)
Instructional staff	4,602,565	4,770,934	4,507,329	(263,605)
General administration	754,436	741,415	696,175	(45,240)
School administration	9,495,454	9,195,678	9,131,072	(64,606)
Business	2,125,505	2,054,001	1,902,546	(151,455)
Operations and maintenance	10,350,039	10,389,652	9,967,193	(422,459)
Pupil transportation services	4,330,608	4,411,467	4,233,205	(178,262)
Central	3,207,294	3,415,032	3,196,801	(218,231)
Other support	2,201,909	2,111,575	2,080,496	(31,079)
Community services	1,041,643	1,013,498	852,242	(161,256)
Total expenditures	145,422,079	145,970,583	143,142,465	(2,828,118)
Other Financing Sources (Uses)				
Transfers in	592,008	748,811	707,494	(41,317)
Transfers out	(999,552)	(1,030,007)	(1,030,051)	(44)
Net Change in Fund Balance	991,610	594,646	2,914,852	2,320,206
Fund Balance - Beginning of year	19,074,960	19,074,960	19,074,960	-
Fund Balance - End of year	<u>\$ 20,066,570</u>	<u>\$ 19,669,606</u>	<u>\$ 21,989,812</u>	<u>\$ 2,320,206</u>

Chippewa Valley Schools

Required Supplemental Information

Schedule of Chippewa Valley Schools' Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System Determined as of the Plan Year ended September 30

	<u>2014</u>
School District's proportion of the net pension liability (asset)	0.96771 %
School District's proportionate share of the net pension liability (asset)	\$ 213,151,629
School District's covered employee payroll	86,058,137
School District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	248.00 %
Plan fiduciary net position as a percentage of the total pension liability	66.20 %

Chippewa Valley Schools

Required Supplemental Information Schedule of Chippewa Valley Schools' Contributions Michigan Public School Employee's Retirement System Determined as of the year ended June 30

	<u>2015</u>
Statutorily required contribution	\$ 18,136,572
Contributions in relation to the statutorily required contribution	18,136,572
School District's covered employee payroll	86,964,485
Contributions as a percentage of covered employee payroll	21.35 %

Note to Pension Required Supplemental Information Schedules

Benefit Changes - There were no changes of benefit terms in 2015.

Changes in Assumptions - There were no changes of benefit assumptions in 2015.

Other Supplemental Information

Chippewa Valley Schools

	Special Revenue Funds			Debt Service Funds	
	Cafeteria	International Academy	Building Activities	2004 Refunding Issue	2005 Issue
Assets					
Cash and investments	\$ 955,726	\$ 735,011	\$ 1,000,844	\$ -	\$ -
Receivables	-	121,545	-	-	-
Due from other funds	24,924	-	-	-	-
Inventories	40,937	-	-	-	-
Restricted assets	-	-	-	-	-
Total assets	\$ 1,021,587	\$ 856,556	\$ 1,000,844	\$ -	\$ -
Liabilities and Fund Balances					
Liabilities					
Due to other funds	\$ -	\$ 2,089	\$ 694,320	\$ -	\$ -
Unearned revenue	74,176	-	-	-	-
Total liabilities	74,176	2,089	694,320	-	-
Fund Balances					
Nonspendable - Inventory	40,937	-	-	-	-
Restricted:					
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Food service	906,474	-	-	-	-
International Academy	-	854,467	-	-	-
Committed - Building operating budgets	-	-	306,524	-	-
Total fund balances	947,411	854,467	306,524	-	-
Total liabilities and fund balances	\$ 1,021,587	\$ 856,556	\$ 1,000,844	\$ -	\$ -

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

Debt Service Funds							Capital Projects Fund	Total Nonmajor Governmental Funds
2005 Refunding	2006 Refunding	2010 Series A	2010 Series B	2013 Refunding	2015 Refunding Series A	2015 Refunding Series B	2005 Building & Site	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,691,581
-	-	-	-	-	-	-	-	121,545
-	-	-	-	-	-	-	-	24,924
-	-	-	-	-	-	-	-	40,937
-	333,340	63,157	495	110,887	4,301	8,655	3,170,813	3,691,648
\$ -	\$ 333,340	\$ 63,157	\$ 495	\$ 110,887	\$ 4,301	\$ 8,655	\$ 3,170,813	\$ 6,570,635
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 696,409
-	-	-	-	-	-	-	-	74,176
-	-	-	-	-	-	-	-	770,585
-	-	-	-	-	-	-	-	40,937
-	-	-	-	-	-	-	3,170,813	3,170,813
-	333,340	63,157	495	110,887	4,301	8,655	-	520,835
-	-	-	-	-	-	-	-	906,474
-	-	-	-	-	-	-	-	854,467
-	-	-	-	-	-	-	-	306,524
-	333,340	63,157	495	110,887	4,301	8,655	3,170,813	5,800,050
\$ -	\$ 333,340	\$ 63,157	\$ 495	\$ 110,887	\$ 4,301	\$ 8,655	\$ 3,170,813	\$ 6,570,635

Chippewa Valley Schools

	Special Revenue Funds			Debt Service Funds	
	Cafeteria	International Academy	Building Activities	2004 Refunding Issue	2005 Issue
Revenue					
Local sources	\$ 1,844,006	\$ 4,500	\$ 1,945,959	\$ 1,002,438	\$ 4,830,196
State sources	113,653	-	-	1,584	7,658
Federal sources	1,683,855	-	-	-	-
Interdistrict sources	-	3,039,503	-	-	-
Total revenue	3,641,514	3,044,003	1,945,959	1,004,022	4,837,854
Expenditures					
Current:					
Instruction:					
Support services	-	905	-	8,250	8,980
Food services	3,386,363	-	-	-	-
International Academy	-	4,634,993	-	-	-
Building activities	-	-	2,014,321	-	-
Debt service:					
Principal	-	-	-	1,100,000	5,350,000
Interest	-	-	-	1,724,450	1,419,884
Other	-	-	-	1,926	9,314
Capital outlay	-	138,416	-	-	-
Total expenditures	3,386,363	4,774,314	2,014,321	2,834,626	6,788,178
Excess of Revenue Over (Under) Expenditures	255,151	(1,730,311)	(68,362)	(1,830,604)	(1,950,324)
Other Financing Sources (Uses)					
Payment to escrow agent/repayment of SBLF	-	-	-	-	-
Transfers in	-	1,030,051	-	-	-
Transfers out	(100,000)	(607,494)	-	(24,348)	(97,365)
Face value of debt issued	-	-	-	1,831,163	1,953,377
Premium on debt issued	-	-	-	-	-
Total other financing sources (uses)	(100,000)	422,557	-	1,806,815	1,856,012
Net Change in Fund Balances	155,151	(1,307,754)	(68,362)	(23,789)	(94,312)
Fund Balances - Beginning of year	792,260	2,162,221	374,886	23,789	94,312
Fund Balances - End of year	\$ 947,411	\$ 854,467	\$ 306,524	\$ -	\$ -

**Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015**

Debt Service Funds							Capital Projects Fund	Total Nonmajor Governmental Funds
2005 Refunding	2006 Refunding	2010 Series A	2010 Series B	2013 Refunding	2015 Refunding Series A	2015 Series B Debt Fund	2005 Building & Site	Total Nonmajor Governmental Funds
\$ 8,563,601	\$ 2,029,664	\$ 3,349,093	\$ 2,478,904	\$ 5,567,764	\$ -	\$ -	\$ 6,007	\$ 31,622,132
13,583	3,216	5,311	3,931	8,832	-	-	-	157,768
-	-	-	1,426,392	-	-	-	-	3,110,247
-	-	-	-	-	-	-	-	3,039,503
8,577,184	2,032,880	3,354,404	3,909,227	5,576,596	-	-	6,007	37,929,650
14,096	6,832	6,963	5,545	11,180	220,808	1,098,146	-	1,381,705
-	-	-	-	-	-	-	-	3,386,363
-	-	-	-	-	-	-	-	4,634,993
-	-	-	-	-	-	-	-	2,014,321
7,410,000	110,000	3,625,000	-	-	-	-	-	17,595,000
3,150,817	2,703,580	481,973	4,572,839	8,289,213	-	-	-	22,342,756
16,520	3,911	6,460	4,781	10,742	-	-	-	53,654
-	-	-	-	-	-	-	1,217,655	1,356,071
10,591,433	2,824,323	4,120,396	4,583,165	8,311,135	220,808	1,098,146	1,217,655	52,764,863
(2,014,249)	(791,443)	(765,992)	(673,938)	(2,734,539)	(220,808)	(1,098,146)	(1,211,648)	(14,835,213)
-	-	-	-	-	(43,786,406)	(194,568,199)	-	(238,354,605)
-	289,124	-	-	-	-	-	-	1,319,175
(167,411)	-	-	-	-	-	-	-	(996,618)
2,088,507	753,659	784,710	669,090	2,765,161	38,170,000	195,675,000	-	244,690,667
-	-	-	-	-	5,841,515	-	-	5,841,515
1,921,096	1,042,783	784,710	669,090	2,765,161	225,109	1,106,801	-	12,500,134
(93,153)	251,340	18,718	(4,848)	30,622	4,301	8,655	(1,211,648)	(2,335,079)
93,153	82,000	44,439	5,343	80,265	-	-	4,382,461	8,135,129
\$ -	\$ 333,340	\$ 63,157	\$ 495	\$ 110,887	\$ 4,301	\$ 8,655	\$ 3,170,813	\$ 5,800,050

Chippewa Valley Schools

June 30	Series A 2015	Series B 2015	2013 Refunding	Series A 2010	Series B 2010
	Refunding	Refunding	Issue	Issue	Issue
	Principal	Principal	Principal	Principal	Principal
2016	\$ -	\$ 1,250,000	\$ 8,345,000	\$ 3,125,000	\$ 550,000
2017	-	33,750,000	8,345,000	-	3,675,000
2018	-	34,600,000	8,405,000	-	3,675,000
2019	-	30,125,000	8,495,000	-	3,700,000
2020	-	31,400,000	8,510,000	-	3,675,000
2021	-	30,175,000	8,530,000	-	3,675,000
2022	-	34,375,000	5,775,000	-	3,675,000
2023	5,430,000	-	5,860,000	-	3,675,000
2024	9,480,000	-	5,950,000	-	3,700,000
2025	9,555,000	-	6,035,000	-	3,700,000
2026	9,730,000	-	6,145,000	-	3,700,000
2027	3,975,000	-	6,235,000	-	3,700,000
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	\$ 38,170,000	\$ 195,675,000	\$ 132,945,000	\$ 3,125,000	\$ 70,700,000
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	3.13% to 5.00%	0.68% to 2.98%	3.63% to 5.25%	4.25%	5.35% to 6.85%
Original issue	\$ 38,170,000	\$ 195,675,000	\$ 132,945,000	\$ 19,065,000	\$ 70,700,000

**Other Supplemental Information
Schedule of Bonded Indebtedness
Year Ended June 30, 2015**

2006 Refunding Issue		
Principal	Total	
\$ 115,000	\$ 13,385,000	
120,000	45,890,000	
125,000	46,805,000	
5,530,000	47,850,000	
5,615,000	49,200,000	
8,285,000	50,665,000	
8,435,000	52,260,000	
8,425,000	23,390,000	
4,345,000	23,475,000	
4,320,000	23,610,000	
4,290,000	23,865,000	
1,675,000	15,585,000	
-	10,030,000	
-	10,125,000	
-	10,220,000	
-	10,325,000	
-	10,430,000	
-	10,540,000	
-	10,545,000	
-	3,700,000	
\$ 51,280,000	\$ 491,895,000	

May 1

May 1 and
November 1

4.0% to 4.5%

\$ 63,575,000