

**Chippewa Valley Schools  
Clinton Township, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2008**

# Chippewa Valley Schools

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## Independent Auditor's Report

To the Board of Education  
Chippewa Valley Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa Valley Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chippewa Valley Schools' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 12 and the budgetary comparison schedule are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Education  
Chippewa Valley Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chippewa Valley Schools' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2008 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 opinions 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* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

September 22, 2008

# 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, 2008. 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 district-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 district-wide financial statements by providing information about the School District's most significant funds - the General Fund and the 2005 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. The format of the annual report is as follows:

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

#### Basic Financial Statements

District-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for General Fund

Other Supplemental Information

### ***Reporting the School District as a Whole - District-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 assets (deficit) 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.

# Chippewa Valley Schools

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## Management's Discussion and Analysis (Continued)

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets (deficit) - 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 assets - 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 and maintenance of the schools, to assess the overall health of the School District.

The statement of net assets (deficit) and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, building activities, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

### ***Reporting the School District's Most Significant Funds - Fund Financial Statements***

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

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

# Chippewa Valley Schools

## Management's Discussion and Analysis (Continued)

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

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

### The School District as a Whole

Recall that the statement of net assets (deficit) provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets (deficit) as of June 30, 2008 and, for comparative purposes, net assets (deficit) as of June 30, 2007:

Table I	Governmental Activities	
	2008	2007
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 73.7	\$ 91.5
Capital assets	<u>363.5</u>	<u>348.7</u>
Total assets	437.2	440.2
<b>Liabilities</b>		
Current liabilities	45.1	48.1
Long-term liabilities	<u>440.0</u>	<u>450.0</u>
Total liabilities	<u>485.1</u>	<u>498.1</u>
<b>Net Assets (Deficit)</b>		
Invested in property and equipment - Net of related debt	(54.7)	(63.0)
Restricted	4.5	4.3
Unrestricted	<u>2.3</u>	<u>0.8</u>
Total net assets (deficit)	<u>\$ (47.9)</u>	<u>\$ (57.9)</u>

The above analysis focuses on the net assets (deficit) (see Table I). The change in net assets (deficit) of the School District's governmental activities is discussed below (see Table 2). The School District's net assets were (\$47.9) million at June 30, 2008.

# Chippewa Valley Schools

## Management's Discussion and Analysis (Continued)

Capital assets, net of related debt totaling (\$54.7) million, compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Key reasons for the capital assets, net of related debt totaling (\$54.7) million, include the School District's participation with the School Bond Loan Fund program and the retirement of debt not equal to the current level of depreciation. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due.

Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations.

The remaining amount of net assets of \$2.3 million was unrestricted. The \$2.3 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets 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 (see Table 2), which shows the changes in net assets for fiscal year 2008 and, for comparative purposes, the change in net assets for fiscal year 2007.

Table 2

	Governmental Activities	
	2008	2007
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 4.9	\$ 4.8
Federal grants and entitlements	4.7	3.7
State categoricals	6.3	5.3
Operating grants	3.4	3.4
General revenue:		
Property taxes	44.1	41.1
State foundation allowance	93.6	91.0
Other	7.0	6.4
Total revenue	164.0	155.7

# Chippewa Valley Schools

## Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

	Governmental Activities	
	2008	2007
	(in millions)	
<b>Functions/Program Expenses</b>		
Instruction	\$ 74.8	\$ 75.9
Support services	42.0	39.9
Community services	0.8	0.8
Building activities	1.9	1.7
Food services	3.3	3.3
Athletics	1.8	1.9
Interest on long-term debt	20.2	22.1
Depreciation (unallocated)	9.2	9.4
Total functions/program expenses	154.0	155.0
<b>Increase in Net Assets</b>	<b>\$ 10.0</b>	<b>\$ 0.7</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$154 million. Certain activities were partially funded from those who benefited from the programs (\$4.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$14.4 million). We paid for the remaining public benefit portion of our governmental activities with \$44.1 million in taxes, \$93.6 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The School District experienced an increase in net assets of \$10.0 million. Key reasons for the change in net assets include the School District's improvement in fund balance of \$6.2 in the General Fund, investment in capital assets, the retirement of debt, the current level of depreciation, and investment income earned on bond proceeds.

As discussed above, the net cost shows the financial burden that was placed on the State 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 School 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.

# Chippewa Valley Schools

## Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$55.2 million, which is a decrease of \$15.2 million from last year. The primary reason for the decrease was the use of 2005 bond funds to finance the completed construction of one 9<sup>th</sup> grade center, one new middle school, and additions and renovations at several other buildings to accommodate growth and to address the aging of buildings. Future years' fund balances will continue to reflect a decrease as these funds are expended.

In the General Fund, our principal operating fund, the fund balance increased by \$6.2 million to \$16.4 million. Of the increase in fund balance of \$6.2 million, \$3.4 million was projected in the final amended budget. An additional \$1.7 million increase in fund balance was attributed to a change from an insured health program to a self-funded health program. The remaining \$1.1 million increase in fund balance that was not accounted for in the final adopted budget can be attributed to the following areas:

- \$140,000 from the sale of used buses and \$90,000 in delinquent tax interest received
- \$110,000 resulted from the teaching supply allocations not being fully spent, which carry forward to the 2008/2009 budget.
- \$100,000 was the result of curriculum software that was purchased for a lower amount than anticipated.
- \$60,000 was the result of the custodial overtime allocation not being fully expended, which carries forward to the 2008/2009 budget.
- \$150,000 resulted from actual natural gas usage and cost being lower than the amount budgeted.
- \$50,000 was the result of contracted community education enrichment costs being lower than the amount budgeted.
- \$120,000 was the result of the transfer from the General Fund to the Athletics Fund being lower than anticipated.
- \$370,000 was the result of small variances throughout both the revenue and expenditure budgets.

General Fund fund balance is available to fund costs related to allowable school operating purposes.

Special Revenue Funds include the Cafeteria, Athletics, Resale, and Building Activities Funds. Our Special Revenue Funds experienced an increase in fund balance from the prior year, showing a net increase of approximately \$279,000.

Combined, the Debt Service Funds showed a fund balance increase of approximately \$312,000. Chippewa Valley Schools continues to assess the maximum allowable millage rate to fund operations and the required millage rate for debt retirement to participate in the School Bond Loan Fund program. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual state appropriation, and no fund balance exists at year end. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

# Chippewa Valley Schools

## Management's Discussion and Analysis (Continued)

The combined Capital Projects Funds fund balance decreased as the School District construction related to the 2005 bond issue continues. The construction projects for the 2005 bond issue are estimated to be approximately 85 percent complete at June 30, 2008.

### General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. Amendments to the budget were adopted on December 17, 2007 and May 5, 2008. A schedule showing the School District's original and final budget compared with amounts actually received and expended is provided in the required supplemental information section of these financial statements.

From the original adopted budget to the final amended budget, total projected revenue including other financing sources was increased 3.9 percent or about \$4,646,000, while total projected expenditures including other financing uses was increased .5 percent or about \$625,000, bringing projected revenue to \$125,100,222 and projected expenditures to \$121,683,721.

Projected revenue changes included provisions of revenue for carryover grant amounts for federal and state programs, higher actual enrollment than projected enrollment (an extra 113 students amounting to an additional \$815,000), higher foundation allowance than projected (\$7,204 per pupil allowance versus \$7,085 per pupil allowance for an additional \$1,812,000), supplemental state aid allowance (an additional \$400,000), higher interest income, additional Medicaid reimbursement, and adjustments to various revenue categories.

Projected expenditures changes included provisions of expenditures for carryover grant amounts for federal and state programs and adjustment to expenditures categories in the areas of wages, benefits, purchased services, and supplies and materials. One specific expenditure change that stands out is a result of the increase in the cost of oil. Our diesel fuel budget was increased from \$420,000 to \$545,000 (30 percent).

When comparing the budget to actual figures for both revenues and expenditures, actual revenues were approximately \$207,000 (.2 percent) over projected revenue and actual expenditures were approximately \$2,605,000 (2.1 percent) under projected expenditures. Actual expenditures were under projected expenditures in all major categories (wages (\$122,000 or .16 percent), benefits (\$1,687,000 or 5.29 percent), purchased services (\$211,000 or 4.89 percent), and supplies, materials, and other (\$585,000 or 6.72 percent)).

# Chippewa Valley Schools

## Management's Discussion and Analysis (Continued)

One significant note is the variance between budget and actual expenditures related to employee benefits. Of the total benefit variance of (\$1,687,000), \$1,662,000 was attributable to the change from a fully insured to a self-funded health program on July 1, 2008. The corresponding accounting treatment for premiums paid in July and August for employees who earned benefits through June 30 changes the way the accrual for healthcare costs is calculated under a self-insured arrangement. After consideration of this change, the variance between budget and actual total General Fund expenditures was \$943,000 or 0.77 percent.

Actual fund balance increased by \$6,229,000 to \$16,445,000 (rather than the projected increase of \$3,417,000 to \$13,632,000). The higher than projected increase in fund balance of \$2,812,000 is about 2.4 percent of actual expenditures. As a percentage of expenditures, fund balance increased from 8.7 percent to 13.8 percent. Note that the budgeted fund balance as a percentage of current year expenditures was 11.5 percent; the increase in fund balance resulting from the change from a fully insured to self-insured health benefit program is 1.4 percent; the additional increase in fund balance for other items in the budget is .9 percent.

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2008, the School District had \$442.5 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase of approximately \$19.1 million, or 4.5 percent, from last year.

	2008	2007
Land	\$ 12,414,233	\$ 12,386,397
Construction in progress	2,654,764	17,049,345
Buildings and building improvements	392,842,374	364,078,773
Buses and other vehicles	7,229,869	6,822,629
Furniture and equipment	27,331,483	22,986,894
Total capital assets	<u>\$ 442,472,723</u>	<u>\$ 423,324,038</u>

This year's net additions of \$19.1 million included new construction, building additions and renovations, technology, and buses. The additions were financed primarily from the 2005 Capital Projects Fund.

We anticipate capital additions in 2008-2009 will be less than the 2007-2008 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

# Chippewa Valley Schools

## Management's Discussion and Analysis (Continued)

### Debt

At the end of the year, the School District had \$372.5 million in bonds outstanding versus \$393.8 million in the previous year - a change of approximately 5 percent. The decrease in outstanding debt was the result of the repayment of principal on outstanding debt.

Those bonds consisted of the following:

	<u>2008</u>	<u>2007</u>
General obligation bonds	<u>\$ 372,506,000</u>	<u>\$ 393,841,000</u>

The School District's general obligation bond rating is AAA per S&P. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to the debt limit. The School District's outstanding qualified general obligation debt of \$372.5 million does not apply to the \$548.3 million statutory limit. The School District has no unqualified general obligation debt.

In addition, the School District has accumulated debt and accrued interest of approximately \$38.0 million and \$35.9 million to be paid to Michigan's School Bond Loan Fund and Michigan's School Bond Loan Revolving Fund, respectively.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

Economic conditions and the ability of the State of Michigan to adequately fund K-12 education continue to be a primary concern for Chippewa Valley Schools for 2008-2009. On August 6, 2008, the governor approved the 2008-2009 School State Aid Bill. The adopted bill provides Chippewa Valley Schools with a \$112 per pupil increase in the foundation allowance and a supplemental grant of \$150,000. However, because of poor economic conditions both nationally and in the state of Michigan, it is uncertain whether the School State Aid Bill can be fully funded. Revenue consensus conferences are scheduled for January 2009 and May 2009 and the results of those conferences will be key in determining whether the full state aid payments can be made.

During the past four years, the School District has made adjustments and implemented cost-savings measures that have reduced costs by \$9.6 million. In addition, the School District delayed the opening of two new buildings by one year, Seneca Middle School and Dakota 9th Grade Center, saving \$2.1 million in 2007-2008. Those two buildings are opening for the 2008-2009 school year.

# Chippewa Valley Schools

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## Management's Discussion and Analysis (Continued)

The preliminary budget for the General Fund for 2008-2009 adopted on June 16, 2008 uses a foundation allowance increase of \$126 per pupil (\$14 higher than the School State Aid Bill approved amount), no supplemental grant, enrollment growth of 200, wage increases as determined by negotiated contracts with employee groups, a retirement contribution rate that has been reduced from 16.72 percent to 16.54 percent, an increase in health program cost of 17 percent (the School District implemented a self-funded health program as of July 1, 2008; if the prior program had been continued, health program costs would have increased 23 percent), and large increases for electricity, natural gas, and diesel/gasoline vehicle fuel. The School District adopted the budget using the factors described above projecting expenditures exceeding revenue by over \$3.35 million (2.6 percent). The \$3.35 million will be covered by the fund balance.

Opportunities to enhance revenue and control costs will be monitored on an ongoing basis. Until the economy in Michigan stabilizes and a funding mechanism for schools that provides for adequate and predictable funding is established, it will be a challenge to maintain educational services.

# Chippewa Valley Schools

## Statement of Net Assets (Deficit) June 30, 2008

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 12,040,860
Receivables:	
Accounts	205,037
Interest	257,440
Due from other governmental units	20,126,767
Inventories	107,672
Prepaid costs	1,337,183
Restricted assets (Note 3)	39,611,051
Capital assets - Net (Note 5)	<u>363,546,986</u>
Total assets	437,232,996
<b>Liabilities</b>	
Accounts payable	3,954,523
Accrued payroll and other liabilities	9,790,799
Employee fringe benefits payable	2,955,724
Retirement benefits payable	2,839,059
Retainage payable	1,254,767
Deferred revenue (Note 4)	597,812
Long-term liabilities (Note 7):	
Due within one year	23,770,883
Due in more than one year	<u>439,996,499</u>
Total liabilities	<u>485,160,066</u>
<b>Net Assets (Deficit)</b>	
Investment in capital assets - Net of related debt	(54,742,382)
Restricted:	
Debt service	1,676,816
Capital projects	2,812,996
Unrestricted	<u>2,325,500</u>
Total net assets (deficit)	<u>\$ (47,927,070)</u>

# Chippewa Valley Schools

## Statement of Activities Year Ended June 30, 2008

	Program Revenues			Governmental Activities
				Net (Expense)
				Revenue and
				Changes in
				Net Assets
				(Deficit)
Expenses	Charges for Services	Operating Grants/ Contributions		
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
Instruction	\$ 74,767,456	\$ -	\$ 10,391,890	\$ (64,375,566)
Support services	42,017,459	-	3,104,071	(38,913,388)
Community services	828,233	-	-	(828,233)
Food services	3,330,203	2,414,712	929,049	13,558
Building activities	1,949,286	1,967,320	-	18,034
Athletics	1,765,922	562,989	-	(1,202,933)
Interest on long-term debt	20,194,687	-	-	(20,194,687)
Depreciation (unallocated)	9,223,754	-	-	(9,223,754)
<b>Total governmental activities</b>	<b>\$ 154,077,000</b>	<b>\$ 4,945,021</b>	<b>\$ 14,425,010</b>	<b>(134,706,969)</b>
General revenues:				
Taxes:				
				14,879,889
				29,197,587
				93,628,453
				4,099,044
				3,501,199
Special item - Loss on disposal of capital assets				(595,496)
				<u>144,710,676</u>
<b>Change in Net Assets</b>				10,003,707
<b>Net Assets (Deficit) - Beginning of year</b>				<u>(57,930,777)</u>
<b>Net Assets (Deficit) - End of year</b>				<b><u>\$ (47,927,070)</u></b>

# Chippewa Valley Schools

## Governmental Funds Balance Sheet June 30, 2008

	General Fund	2005 Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 3)	\$ 8,725,495	\$ -	\$ 3,315,365	\$ 12,040,860
Receivables:				
Accounts	180,911	-	24,126	205,037
Interest	-	257,440	-	257,440
Due from other governments	20,126,767	-	-	20,126,767
Due from other funds (Note 6)	248,365	-	394,895	643,260
Inventories	69,502	-	38,170	107,672
Prepaid costs	1,336,532	651	-	1,337,183
Restricted assets (Note 3)	-	39,610,827	224	39,611,051
<b>Total assets</b>	<b>\$ 30,687,572</b>	<b>\$ 39,868,918</b>	<b>\$ 3,772,780</b>	<b>\$ 74,329,270</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 595,037	\$ 3,303,395	\$ 20,259	\$ 3,918,691
Accrued payroll and other liabilities	6,866,092	-	-	6,866,092
Employee fringe benefits payable	2,955,724	-	-	2,955,724
Retirement benefits payable	2,839,059	-	-	2,839,059
Retainage payable	-	1,250,318	4,449	1,254,767
Due to other funds (Note 6)	430,727	-	248,365	679,092
Deferred revenue (Note 4)	556,495	-	41,317	597,812
<b>Total liabilities</b>	<b>14,243,134</b>	<b>4,553,713</b>	<b>314,390</b>	<b>19,111,237</b>
<b>Fund Balances</b>				
Reserved:				
Capital projects (bonded)	-	30,197,364	224	30,197,588
Debt service	-	-	1,676,816	1,676,816
Inventories	69,502	-	38,170	107,672
Prepays	1,336,532	651	-	1,337,183
Construction commitments (Note 5)	-	5,117,190	-	5,117,190
Unreserved:				
Designated for deferred health benefit costs	1,662,000	-	-	1,662,000
Undesignated, reported in:				
General Fund	13,376,404	-	-	13,376,404
Special Revenue Funds	-	-	1,743,180	1,743,180
<b>Total fund balances</b>	<b>16,444,438</b>	<b>35,315,205</b>	<b>3,458,390</b>	<b>55,218,033</b>
<b>Total liabilities and fund balances</b>	<b>\$ 30,687,572</b>	<b>\$ 39,868,918</b>	<b>\$ 3,772,780</b>	<b>\$ 74,329,270</b>

# Chippewa Valley Schools

## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Deficit) June 30, 2008

**Fund Balance - Total Governmental Funds** \$ 55,218,033

Amounts reported for governmental activities in the statement of net assets (deficit) are different because:

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

Cost of capital assets	\$ 442,472,723	
Accumulated depreciation	<u>(78,925,737)</u>	363,546,986

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

Bonds payable - Net of bond premium and deferred charges	(460,597,425)
Compensated absences	(1,297,584)
Self-insurance liability	(160,988)
Early retirement incentives	(1,711,385)

Accrued interest payable is not included as a liability in governmental funds	<u>(2,924,707)</u>
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**Net Assets (Deficit) - Governmental Activities** **\$ (47,927,070)**

# Chippewa Valley Schools

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	General Fund	2005 Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 21,658,551	\$ 2,804,259	\$ 35,601,393	\$ 60,064,203
State sources	99,759,937	-	138,294	99,898,231
Federal sources	3,779,689	-	934,080	4,713,769
Total revenue	125,198,177	2,804,259	36,673,767	164,676,203
<b>Expenditures</b>				
Current:				
Instruction	74,947,274	-	-	74,947,274
Support services	42,113,386	-	-	42,113,386
Community services	759,396	-	-	759,396
Food service	-	-	3,330,203	3,330,203
Athletics	-	-	1,765,922	1,765,922
Building activities	-	-	2,306,431	2,306,431
Debt service:				
Principal	-	-	21,335,000	21,335,000
Interest	-	-	21,043,112	21,043,112
Other	-	-	39,207	39,207
Capital outlay	29,396	24,550,271	302,886	24,882,553
Total expenditures	117,849,452	24,550,271	50,122,761	192,522,484
<b>Excess of Revenue Over (Under) Expenditures</b>	7,348,725	(21,746,012)	(13,448,994)	(27,846,281)
<b>Other Financing (Uses) Sources</b>				
Transfers (out) in	(1,120,046)	-	1,120,046	-
Long-term debt issued	-	-	12,663,371	12,663,371
Total other financing (uses) sources	(1,120,046)	-	13,783,417	12,663,371
<b>Net Change in Fund Balances</b>	6,228,679	(21,746,012)	334,423	(15,182,910)
<b>Fund Balances - Beginning of year</b>	10,215,759	57,061,217	3,123,967	70,400,943
<b>Fund Balances - End of year</b>	<u>\$ 16,444,438</u>	<u>\$ 35,315,205</u>	<u>\$ 3,458,390</u>	<u>\$ 55,218,033</u>

# Chippewa Valley Schools

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (15,182,910)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	\$ (9,223,754)
Capitalized capital outlay	<u>24,677,679</u>
	15,453,925
Loss on disposal of assets; in the statement of activities, these are recorded as a special item expense	(595,496)
Bond and debt issuances are not reported as financing sources in the statement of activities	(12,663,371)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	140,311
Amortization of deferred charges reported is not recorded as an expense in the statement of activities	(142,938)
Amortization of bond premium is not recorded as revenue in the governmental funds	851,052
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	21,335,000
Compensated absences, as well as estimated self-insured liability claims, are recorded when earned in the statement of activities. In the current year, more was paid out than earned	<u>808,134</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 10,003,707</u></b>

# Chippewa Valley Schools

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## Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2008

	Student Activities <u>Agency Fund</u>
<b>Assets</b>	
Cash and investments (Note 3)	\$ 845,839
Due from other funds	<u>35,832</u>
Total assets	<u><u>\$ 881,671</u></u>
<b>Liabilities - Due to student groups</b>	<u><u>\$ 881,671</u></u>

## **Note I - Summary of 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 assets (deficit) 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 revenues, 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 district-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 revenues 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 district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

## **Note I - Summary of 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.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital 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.

**Special Item** - Transactions within the control of management that are either unusual in nature or infrequent in occurrence are reported as special items in the statement of activities.

**Fund Financial Statements** - 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. 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 - Summary of 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.

**2005 Bond 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.

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 Food Services, Athletics, Resale, and Building Activities Funds. 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.

**2001 Series I Bond Capital Projects Fund** - The 2001 Series I Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

**2002 Bond Capital Projects Fund** - The 2002 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.

**2005 MISD Capital Projects Fund** - The 2005 MISD Capital Projects Fund is used to record construction costs and reimbursements related to the construction of a building wing on behalf of the Macomb Intermediate School District (MISD). All construction costs incurred by the School District are being fully reimbursed by the MISD, in accordance with a cooperative agreement. The MISD will run programs in this building wing for a 30-year period, at which time the wing will revert to the School District for use.

**Fiduciary Fund - Agency Fund** - The Fiduciary Fund is used to account for assets held by the School District in a trustee capacity or as an agent. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of operations. The only Fiduciary Fund is a Student Activities Fund (Agency) that is used to record the transactions of student groups for schools and school-related purposes. The funds are segregated and held in trust for students.

### **Assets, Liabilities, and Net Assets or Equity**

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

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

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property is assessed as of December 31 and the related property taxes are levied and 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 the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

### Note I - Summary of Significant Accounting Policies (Continued)

**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. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

**Restricted Assets** - The unspent bond proceeds of the Capital Projects Funds require amounts to be set aside for construction and the debt funds cash required to be used for future bond 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. 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.

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

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

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

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

**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 assets (deficit). Bond premiums and discounts, as well as issuance costs, 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Balance** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications** - Comparative data is not included in the School District's financial statements.

## **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 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; however, any revisions that alter the total expenditures of any function must be approved by the Board of Education. 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 December 17, 2007 and May 5, 2008.

## **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.

**Capital Projects Fund Compliance** - The 2001 Capital Projects Fund, the 2002 Capital Projects Fund, and the 2005 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 seven banks 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 are used for the School District's deposits. At year end, the School District's deposit balance of \$24,297,196 had \$22,915,910 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, 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 that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law. At June 30, 2008, 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.

# Chippewa Valley Schools

## Notes to Financial Statements June 30, 2008

### Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Weighted Average Maturities	Rating	Rating Organization
Bank investment pool	\$ 402,020	N/A	AAAm	Standard & Poor's
Bank investment pool	968,087	N/A	Aaa	Moody's
Michigan Liquid Asset Fund	5,969,313	N/A	AAAm	Standard & Poor's
U.S. agency bonds	<u>21,537,854</u>	.51 years	AAAm	Standard & Poor's
Total investments	<u>\$ 28,877,274</u>			

### Concentration of Credit Risk

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

Issuer	Percent of Investments
Federal National Mortgage Association	13
Federal Home Loan Bank	18
Federal Home Loan Mortgage Corporation	17
Freddie Mac	27

# Chippewa Valley Schools

## Notes to Financial Statements June 30, 2008

### Note 3 - Deposits and Investments (Continued)

#### 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 - Receivables

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer 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 \$556,495 of unearned deferred revenue related to grants received and tuition payments received but not yet earned and \$41,317 of deposits received for the subsequent year's food service program.

### Note 5 - Capital Assets

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

	Balance July 1, 2007	Additions	Reclassifications	Disposals and Adjustments	Balance June 30, 2008
Capital assets not being depreciated:					
Land	\$ 12,386,397	\$ 27,836	\$ -	\$ -	\$ 12,414,233
Construction in progress	17,049,345	-	(14,394,581)	-	2,654,764
Subtotal	29,435,742	27,836	(14,394,581)	-	15,068,997
Capital assets being depreciated:					
Buildings and building improvements	364,078,773	18,730,287	14,394,581	(4,361,267)	392,842,374
Buses and other vehicles	6,822,629	1,265,936	-	(858,696)	7,229,869
Furniture and equipment	22,986,894	4,653,620	-	(309,031)	27,331,483
Subtotal	393,888,296	24,649,843	14,394,581	(5,528,994)	427,403,726
Accumulated depreciation:					
Buildings and building improvements	57,022,874	7,017,139	-	-	64,040,013
Buses and other vehicles	3,633,073	497,785	-	(772,826)	3,358,032
Furniture and equipment	13,979,534	1,708,830	-	(4,160,672)	11,527,692
Subtotal	74,635,481	9,223,754	-	(4,933,498)	78,925,737
Net capital assets being depreciated	319,252,815	15,426,089	14,394,581	(595,496)	348,477,989
Net governmental capital assets	\$ 348,688,557	\$ 15,453,925	\$ -	\$ (595,496)	\$ 363,546,986

# Chippewa Valley Schools

## Notes to Financial Statements June 30, 2008

### Note 5 - Capital Assets (Continued)

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

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2005 Capital Projects Fund	<u>\$ 105,423,365</u>	<u>\$ 5,117,190</u>

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>		<u>Total</u>
	General Fund	Other Nonmajor Governmental Funds	
General Fund	\$ -	\$ 248,365	\$ 248,365
Other nonmajor governmental funds	394,895	-	394,895
Fiduciary Fund	<u>35,832</u>	<u>-</u>	<u>35,832</u>
Total	<u>\$ 430,727</u>	<u>\$ 248,365</u>	<u>\$ 679,092</u>

Interfund balances represent routine and temporary cash flow assistance from the General Fund until amounts are transferred from fund investment accounts.

#### Interfund Transfers

Transfers of \$1,229,046 from the General Fund subsidized operations in the Athletics Fund and transfers of \$109,000 from the Cafeteria Fund to the General Fund for a reimbursement of operating costs.

# Chippewa Valley Schools

## Notes to Financial Statements June 30, 2008

### 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.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 393,841,000	\$ -	\$ 21,335,000	\$ 372,506,000	\$ 21,490,000
Durant Non-Plaintiff Bond	809,988	-	-	809,988	76,344
School bond loan	36,344,838	1,633,427	-	37,978,265	-
School Loan Revolving Fund	24,827,788	11,029,944	-	35,857,732	-
Bond premium and issuance costs	16,869,373	-	851,052	16,018,321	851,052
Less deferred refunding charges	(2,715,819)	-	(142,938)	(2,572,881)	(142,938)
Other obligations	3,978,091	698,919	1,507,053	3,169,957	1,496,425
Total governmental activities	<u>\$ 473,955,259</u>	<u>\$ 13,362,290</u>	<u>\$ 23,550,167</u>	<u>\$ 463,767,382</u>	<u>\$ 23,770,883</u>

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

	Governmental Activities		
	Principal	Interest	Total
2009	\$ 21,566,344	\$ 17,285,249	\$ 38,851,593
2010	21,286,976	16,409,139	37,696,115
2011	21,328,785	15,503,839	36,832,624
2012	21,844,936	14,664,180	36,509,116
2013	21,652,947	13,480,325	35,133,272
2014-2018	87,106,000	53,379,281	140,485,281
2019-2023	78,475,000	34,618,596	113,093,596
2024-2028	60,730,000	17,118,490	77,848,490
2029-2033	32,525,000	6,610,438	39,135,438
2034	6,800,000	340,000	7,140,000
Total	<u>\$ 373,315,988</u>	<u>\$ 189,409,537</u>	<u>\$ 562,725,525</u>

### Note 7 - Long-term Debt (Continued)

#### Governmental Activities

General obligation bonds consist of the following:

1998 issue - \$85,005,000 serial bonds due in annual installments of \$10,000 to \$2,385,000 through May 1, 2013; interest from 4.15 percent to 6.0 percent	\$ 3,900,000
2001 Series I issue - \$61,715,000 serial bonds due in annual installments of \$2,550,000 through May 1, 2011; interest from 3.75 percent to 5.375 percent	7,650,000
2002 issue - \$50,050,000 serial bonds due in annual installments of \$1,775,000 to \$2,765,000 through May 1, 2012; interest from 4.0 percent to 5.5 percent	8,710,000
2003 Refunding issue - \$58,895,000 serial bonds due in annual installments of \$2,845,000 to \$3,410,000 through May 1, 2021; interest from 2.25 percent to 5.0 percent	40,550,000
2003 School Bond Loan Refunding issue - \$34,761,580 serial bonds due in annual installments of \$3,635,000 to \$4,266,000 through May 1, 2014; fixed interest at 3.318 percent	23,661,000
2004 Refunding issue - \$19,570,000 serial bonds due in annual installments of \$1,100,000 to \$1,995,000 through May 1, 2015; interest from 2.5 percent to 5.0 percent	9,200,000
2005 issue - \$158,335,000 serial bonds due in annual installments of \$4,600,000 to \$6,800,000 through May 1, 2034; interest from 3.8 percent to 5.0 percent	151,125,000
2005 Refunding issue - \$64,285,000 serial bonds due in annual installments of \$2,425,000 to \$7,730,000 through May 1, 2027; interest at 5.0 percent	64,285,000
2006 Refunding issue - \$63,575,000 serial bonds due in annual installments of \$110,000 to \$8,435,000 through May 1, 2027; interest from 4.0 percent to 5.0 percent	<u>63,425,000</u>
Total bonded debt	<u>\$ 372,506,000</u>

# Chippewa Valley Schools

## Notes to Financial Statements June 30, 2008

### Note 7 - Long-term Debt (Continued)

Other governmental activities long-term obligations include the following:

Employee-compensated absences	\$ 1,297,584
Voluntary retirement supplement	1,711,385
Workers' compensation self-insurance	<u>160,988</u>
Total	<u>\$ 3,169,957</u>

**Durant Non-Plaintiff Bond** - Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) of \$96,333 to \$647,230 associated with this bond are funded by the State of Michigan via specifically appropriated state aid and will not require any School District debt levy or utilization of any other School District financial resources. The Durant Non-Plaintiff Bond is comprised of the following issue:

\$1,371,786 School Improvement Bond, Series 1998 - due in annual installments of \$76,344 to \$477,936 through May 15, 2013; interest at 4.76 percent.

**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 4.25 percent to 4.75 percent from July 1, 2007 to June 30, 2008, has been assessed for the year ended June 30, 2008. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 7 mills. The School District is required to levy 7 mills and repay to the State any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule.

## **Note 7 - Long-term Debt (Continued)**

**School Loan Revolving Fund** - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005, as amended. Interest rates went into effect beginning October 1, 2005 pursuant to Public Act 92. Interest at the annual rate of 4.823 percent from July 1, 2007 to October 3, 2007, 4.769 percent from October 4, 2007 to October 9, 2007, 4.781 percent from October 10, 2007 to November 4, 2007, 4.577 percent for November 5, 2007, 4.586 for November 6, 2007, 4.658 percent from November 7, 2007 to November 12, 2007, 4.624 percent from November 13, 2007 to March 3, 2008, and 4.384 percent from March 4, 2008 to June 30, 2008 has been assessed for the year ended June 30, 2008. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is May 1, 2040. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule.

**Advance Refundings** - 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 accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2008, \$287,095,000 of prior years' bonds outstanding are considered defeased.

## **Note 8 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for all claims except workers' compensation and dental. Workers' compensation is partially uninsured. 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, 2008

### 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. Changes in the estimated liability for the past two fiscal years were as follows:

	2008	2007
Estimated liability - Beginning of year	\$ 291,151	\$ 198,323
Estimated claims incurred - Including changes in estimates	132,987	267,037
Claim payments	<u>263,150</u>	<u>174,209</u>
Estimated liability - End of year	<u>\$ 160,988</u>	<u>\$ 291,151</u>

Beginning July 1, 2008, the School District became partially self-insured for medical benefits provided to employees. The School District's maximum loss exposure for the fiscal year ending June 30, 2009 is limited and the School District has purchased commercial excess insurance coverage to pay employee claims in excess of deductible amounts.

### Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

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

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

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

**Pension Benefits** - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 11.19 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 10.17 percent for the period from October 1, 2007 through June 30, 2008. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's required and actual contributions to the plan for the years ended June 30, 2008, 2007, and 2006 were \$8,139,565, \$8,474,399, and \$7,143,343, respectively.

**Postemployment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.55 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 6.55 percent for the period from October 1, 2007 through June 30, 2008. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2008, 2007, and 2006 were \$5,114,067, \$5,120,601, and \$4,965,657, respectively.

## **Required Supplemental Information**

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# Chippewa Valley Schools

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 21,223,500	\$ 21,233,580	\$ 21,658,551	\$ 424,971
State sources	96,000,888	99,969,644	99,759,937	(209,707)
Federal sources	3,121,213	3,787,998	3,779,689	(8,309)
Total revenue	120,345,601	124,991,222	125,198,177	206,955
<b>Expenditures - Current</b>				
Instruction:				
Basic programs	64,511,190	64,562,897	63,345,856	(1,217,041)
Added needs	12,202,721	11,661,082	11,359,844	(301,238)
Adult and continuing education	276,502	230,008	230,982	974
Support services:				
Pupil	10,146,928	10,278,672	10,105,766	(172,906)
Instructional staff	4,150,084	4,348,515	4,056,228	(292,287)
General administration	886,242	758,634	716,107	(42,527)
School administration	7,132,609	7,308,308	7,245,672	(62,636)
Business services	1,700,377	1,868,980	1,834,270	(34,710)
Operations and maintenance	10,659,912	11,023,221	10,879,505	(143,716)
Transportation and maintenance	4,092,433	4,281,012	4,177,806	(103,206)
Central	3,055,548	3,180,796	3,138,729	(42,067)
Community services	893,800	831,596	758,687	(72,909)
Total expenditures	119,708,346	120,333,721	117,849,452	(2,484,269)
<b>Other Financing Sources (Uses)</b>				
Transfers in	109,000	109,000	109,000	-
Transfers out	(1,350,000)	(1,350,000)	(1,229,046)	120,954
Total other financing uses	(1,241,000)	(1,241,000)	(1,120,046)	120,954
<b>Net Change in Fund Balance</b>	(603,745)	3,416,501	6,228,679	2,812,178
<b>Fund Balance - July 1, 2007</b>	9,128,539	10,215,759	10,215,759	-
<b>Fund Balance - June 30, 2008</b>	<u>\$ 8,524,794</u>	<u>\$ 13,632,260</u>	<u>\$ 16,444,438</u>	<u>\$ 2,812,178</u>

## **Other Supplemental Information**

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# Chippewa Valley Schools

	Special Revenue Funds				Debt Service Funds			2003 Refunding Issue
	Cafeteria	Resale	Athletics	Building Activities	1998 Issue	2001 Issue	2002 Issue	
<b>Assets</b>								
Cash and investments	\$ 631,537	\$ -	\$ -	\$ 1,006,924	\$ 167,966	\$ 147,736	\$ 213,093	\$ 229,361
Accounts receivable	-	-	-	19,675	-	-	-	-
Due from other funds	-	208,796	186,099	-	-	-	-	-
Inventories	38,170	-	-	-	-	-	-	-
Restricted assets	-	-	-	-	-	-	-	-
Total assets	<u>\$ 669,707</u>	<u>\$ 208,796</u>	<u>\$ 186,099</u>	<u>\$ 1,026,599</u>	<u>\$ 167,966</u>	<u>\$ 147,736</u>	<u>\$ 213,093</u>	<u>\$ 229,361</u>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable	\$ 14,712	\$ -	\$ -	\$ 5,457	\$ -	\$ -	\$ -	\$ -
Retainage payable	-	-	-	-	-	-	-	-
Due to other funds	109,034	-	-	139,331	-	-	-	-
Deferred revenue	41,317	-	-	-	-	-	-	-
Total liabilities	165,063	-	-	144,788	-	-	-	-
<b>Fund Balances</b>								
Reserved:								
Capital projects (bonded)	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	167,966	147,736	213,093	229,361
Inventories	38,170	-	-	-	-	-	-	-
Unreserved - Undesignated, reported in Special Revenue Funds	466,474	208,796	186,099	881,811	-	-	-	-
Total fund balances	<u>504,644</u>	<u>208,796</u>	<u>186,099</u>	<u>881,811</u>	<u>167,966</u>	<u>147,736</u>	<u>213,093</u>	<u>229,361</u>
Total liabilities and fund balances	<u>\$ 669,707</u>	<u>\$ 208,796</u>	<u>\$ 186,099</u>	<u>\$ 1,026,599</u>	<u>\$ 167,966</u>	<u>\$ 147,736</u>	<u>\$ 213,093</u>	<u>\$ 229,361</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008**

Debt Service Funds					Capital Projects Fund			Total
2004 Refunding Issue	2005 Issue	2005 Refunding	School Bond Loan Refunding	2006 Refunding	2001 Series I Capital Projects Fund	2002 Capital Projects Fund	2005 MISD Capital Projects Fund	
\$ 105,993	\$ 462,284	\$ 108,713	\$ 204,606	\$ 37,064	\$ -	\$ -	\$ 88	\$ 3,315,365
-	-	-	-	-	-	-	4,451	24,126
-	-	-	-	-	-	-	-	394,895
-	-	-	-	-	-	-	-	38,170
-	-	-	-	-	118	106	-	224
<b>\$ 105,993</b>	<b>\$ 462,284</b>	<b>\$ 108,713</b>	<b>\$ 204,606</b>	<b>\$ 37,064</b>	<b>\$ 118</b>	<b>\$ 106</b>	<b>\$ 4,539</b>	<b>\$ 3,772,780</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90	\$ 20,259
-	-	-	-	-	-	-	4,449	4,449
-	-	-	-	-	-	-	-	248,365
-	-	-	-	-	-	-	-	41,317
-	-	-	-	-	-	-	4,539	314,390
-	-	-	-	-	118	106	-	224
105,993	462,284	108,713	204,606	37,064	-	-	-	1,676,816
-	-	-	-	-	-	-	-	38,170
-	-	-	-	-	-	-	-	1,743,180
105,993	462,284	108,713	204,606	37,064	118	106	-	3,458,390
<b>\$ 105,993</b>	<b>\$ 462,284</b>	<b>\$ 108,713</b>	<b>\$ 204,606</b>	<b>\$ 37,064</b>	<b>\$ 118</b>	<b>\$ 106</b>	<b>\$ 4,539</b>	<b>\$ 3,772,780</b>

# Chippewa Valley Schools

	Special Revenue Funds				Debt Service Funds			
	Cafeteria	Resale	Athletics	Building Activities	1998 Issue	2001 Issue	2002 Issue	2003 Refunding Issue
<b>Revenue</b>								
Local	\$ 2,430,397	\$ 565,941	\$ 562,989	\$ 1,967,320	\$ 1,999,561	\$ 2,254,987	\$ 2,567,988	\$ 4,207,383
State	138,294	-	-	-	-	-	-	-
Federal	934,080	-	-	-	-	-	-	-
Total revenue	3,502,771	565,941	562,989	1,967,320	1,999,561	2,254,987	2,567,988	4,207,383
<b>Expenditures</b>								
Current:								
Food services	3,330,203	-	-	-	-	-	-	-
Athletics	-	-	1,765,922	-	-	-	-	-
Building activities	-	357,145	-	1,949,286	-	-	-	-
Debt service:								
Principal	-	-	-	-	2,285,000	2,550,000	2,790,000	3,500,000
Interest	-	-	-	-	884,473	776,371	920,539	2,435,495
Other	-	-	-	-	2,909	3,184	3,576	5,501
Capital outlay	11,893	-	26,113	-	-	-	-	-
Total expenditures	3,342,096	357,145	1,792,035	1,949,286	3,172,382	3,329,555	3,714,115	5,940,996
<b>Excess of Revenue Over (Under) Expenditures</b>	160,675	208,796	(1,229,046)	18,034	(1,172,821)	(1,074,568)	(1,146,127)	(1,733,613)
<b>Other Financing Sources (Uses)</b>								
Transfers in	-	-	1,229,046	-	-	-	-	-
Transfers out	(109,000)	-	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	1,212,617	1,089,285	1,208,031	1,766,611
Total other financing sources (uses)	(109,000)	-	1,229,046	-	1,212,617	1,089,285	1,208,031	1,766,611
<b>Net Change in Fund Balances</b>	51,675	208,796	-	18,034	39,796	14,717	61,904	32,998
<b>Fund Balances - Beginning of year</b>	452,969	-	186,099	863,777	128,170	133,019	151,189	196,363
<b>Fund Balances - End of year</b>	<u>\$ 504,644</u>	<u>\$ 208,796</u>	<u>\$ 186,099</u>	<u>\$ 881,811</u>	<u>\$ 167,966</u>	<u>\$ 147,736</u>	<u>\$ 213,093</u>	<u>\$ 229,361</u>

**Other Supplemental Information  
Combining Statement of Revenue, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2008**

Debt Service Funds					Capital Projects Fund			Total
2004 Refunding	2005 Issue	2005 Refunding	School Bond Loan Refunding	2006 Refunding	2001 Series I Capital Projects Fund	2002 Capital Projects Fund	2005 MISD Capital Projects Fund	
\$ 2,278,405	\$ 8,732,552	\$ 2,421,226	\$ 3,377,316	\$ 2,226,591	\$ 5,119	\$ 3,618	\$ -	\$ 35,601,393
-	-	-	-	-	-	-	-	138,294
-	-	-	-	-	-	-	-	934,080
2,278,405	8,732,552	2,421,226	3,377,316	2,226,591	5,119	3,618	-	36,673,767
-	-	-	-	-	-	-	-	3,330,203
-	-	-	-	-	-	-	-	1,765,922
-	-	-	-	-	-	-	-	2,306,431
2,540,000	4,000,000	-	3,520,000	150,000	-	-	-	21,335,000
797,297	7,905,817	3,348,555	1,115,855	2,858,710	-	-	-	21,043,112
3,048	11,039	3,154	4,404	2,392	-	-	-	39,207
-	-	-	-	-	171,799	93,081	-	302,886
3,340,345	11,916,856	3,351,709	4,640,259	3,011,102	171,799	93,081	-	50,122,761
(1,061,940)	(3,184,304)	(930,483)	(1,262,943)	(784,511)	(166,680)	(89,463)	-	(13,448,994)
-	-	-	-	-	-	-	-	1,229,046
-	-	-	-	-	-	-	-	(109,000)
1,057,927	3,270,202	927,854	1,315,495	815,349	-	-	-	12,663,371
1,057,927	3,270,202	927,854	1,315,495	815,349	-	-	-	13,783,417
(4,013)	85,898	(2,629)	52,552	30,838	(166,680)	(89,463)	-	334,423
110,006	376,386	111,342	152,054	6,226	166,798	89,569	-	3,123,967
<b>\$ 105,993</b>	<b>\$ 462,284</b>	<b>\$ 108,713</b>	<b>\$ 204,606</b>	<b>\$ 37,064</b>	<b>\$ 118</b>	<b>\$ 106</b>	<b>\$ -</b>	<b>\$ 3,458,390</b>

# Chippewa Valley Schools

June 30	2006		2005		2004 Issue Principal
	Durant Principal	Refunding Issue Principal	Refunding Issue Principal	2005 Issue Principal	
2009	\$ 76,344	\$ 150,000	\$ -	\$ 4,600,000	\$ 1,995,000
2010	79,976	2,645,000	-	5,225,000	1,305,000
2011	83,785	2,765,000	-	5,250,000	1,265,000
2012	477,936	2,680,000	2,685,000	5,275,000	1,225,000
2013	91,947	1,905,000	5,365,000	5,300,000	1,180,000
2014	-	1,890,000	5,490,000	5,325,000	1,130,000
2015	-	110,000	7,410,000	5,350,000	1,100,000
2016	-	115,000	7,520,000	5,400,000	-
2017	-	120,000	7,625,000	5,450,000	-
2018	-	125,000	7,730,000	5,500,000	-
2019	-	5,530,000	2,435,000	5,575,000	-
2020	-	5,615,000	2,425,000	5,650,000	-
2021	-	8,285,000	-	5,725,000	-
2022	-	8,435,000	-	5,800,000	-
2023	-	8,425,000	-	5,875,000	-
2024	-	4,345,000	3,900,000	5,950,000	-
2025	-	4,320,000	3,900,000	6,025,000	-
2026	-	4,290,000	3,900,000	6,100,000	-
2027	-	1,675,000	3,900,000	6,175,000	-
2028	-	-	-	6,250,000	-
2029	-	-	-	6,325,000	-
2030	-	-	-	6,400,000	-
2031	-	-	-	6,500,000	-
2032	-	-	-	6,600,000	-
2033	-	-	-	6,700,000	-
2034	-	-	-	6,800,000	-
Total	<b>\$ 809,988</b>	<b>\$ 63,425,000</b>	<b>\$ 64,285,000</b>	<b>\$ 151,125,000</b>	<b>\$ 9,200,000</b>
Principal payments due	May 15	May 1	May 1	May 1	May 1
Interest payments due	May 15	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	4.76%	4.0% to 5.0%	5.0%	3.8% to 5.0%	2.0% to 5.0%
Original issue	<b>\$ 1,371,786</b>	<b>\$ 63,575,000</b>	<b>\$ 64,285,000</b>	<b>\$ 158,335,000</b>	<b>\$ 19,570,000</b>

**Other Supplemental Information  
Schedule of Bonded Indebtedness  
Year Ended June 30, 2008**

2003 SBL					
Refunding Issue	2003 Issue	2002 Issue	2001 Issue	1998 Issue	Total
Principal	Principal	Principal	Principal	Principal	
\$ 3,635,000	\$ 3,410,000	\$ 2,765,000	\$ 2,550,000	\$ 2,385,000	\$ 21,566,344
3,752,000	3,325,000	2,395,000	2,550,000	10,000	21,286,976
3,875,000	3,255,000	1,775,000	2,550,000	510,000	21,328,785
4,002,000	3,225,000	1,775,000	-	500,000	21,844,936
4,131,000	3,185,000	-	-	495,000	21,652,947
4,266,000	3,175,000	-	-	-	21,276,000
-	3,135,000	-	-	-	17,105,000
-	3,090,000	-	-	-	16,125,000
-	3,050,000	-	-	-	16,245,000
-	3,000,000	-	-	-	16,355,000
-	2,955,000	-	-	-	16,495,000
-	2,900,000	-	-	-	16,590,000
-	2,845,000	-	-	-	16,855,000
-	-	-	-	-	14,235,000
-	-	-	-	-	14,300,000
-	-	-	-	-	14,195,000
-	-	-	-	-	14,245,000
-	-	-	-	-	14,290,000
-	-	-	-	-	11,750,000
-	-	-	-	-	6,250,000
-	-	-	-	-	6,325,000
-	-	-	-	-	6,400,000
-	-	-	-	-	6,500,000
-	-	-	-	-	6,600,000
-	-	-	-	-	6,700,000
-	-	-	-	-	6,800,000
<b><u>\$ 23,661,000</u></b>	<b><u>\$ 40,550,000</u></b>	<b><u>\$ 8,710,000</u></b>	<b><u>\$ 7,650,000</u></b>	<b><u>\$ 3,900,000</u></b>	<b><u>\$ 373,315,988</u></b>
May 1					
May 1 and November 1					
3.318%	2.25% to 5.0%	4.0% to 5.5%	3.75% to 5.375%	4.15% to 6.0%	
<b><u>\$ 34,761,580</u></b>	<b><u>\$ 58,895,000</u></b>	<b><u>\$ 50,050,000</u></b>	<b><u>\$ 61,715,000</u></b>	<b><u>\$ 85,005,000</u></b>	